



THE PERFORMETER<sup>®</sup>  
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, 2009



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



# What Is The Performer<sup>®</sup>?

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- 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<sup>®</sup>

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- 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<sup>®</sup>

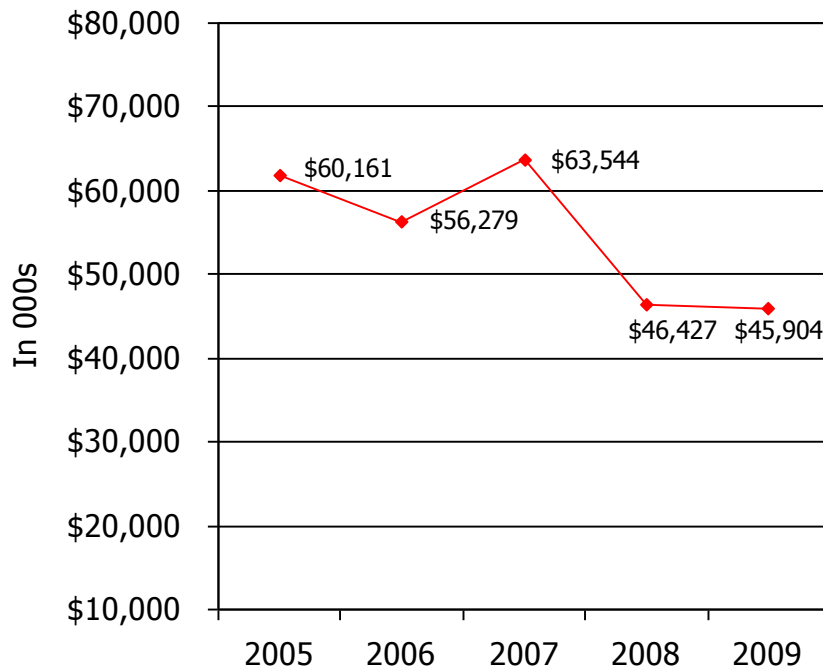
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- The Performer<sup>®</sup> should not be used as the only source of financial information to evaluate Chuuk's performance and condition
- The analysis is an overall rating of Chuuk as a whole and not of specific activities, funds or units
- The Performer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

# Change in Net Assets

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

Net Assets at Year End



Net assets include all assets of Chuuk. It is measured as the difference between total assets, including capital assets, and total liabilities, including long-term debt.

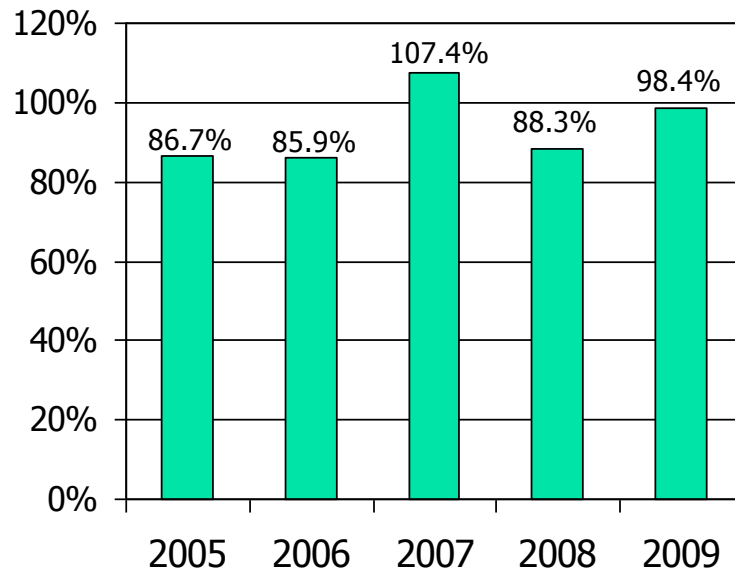
For the year ended September 30, 2009, total net assets decreased by \$523 thousand or 1.1% from the prior year. This decrease is indicative of incurred current year expenses slightly exceeding earned current year revenues.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
17.4%	-9.3%	-3.5%	-8.9%	9.0%	-4.5%	-1.1%			

# 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.

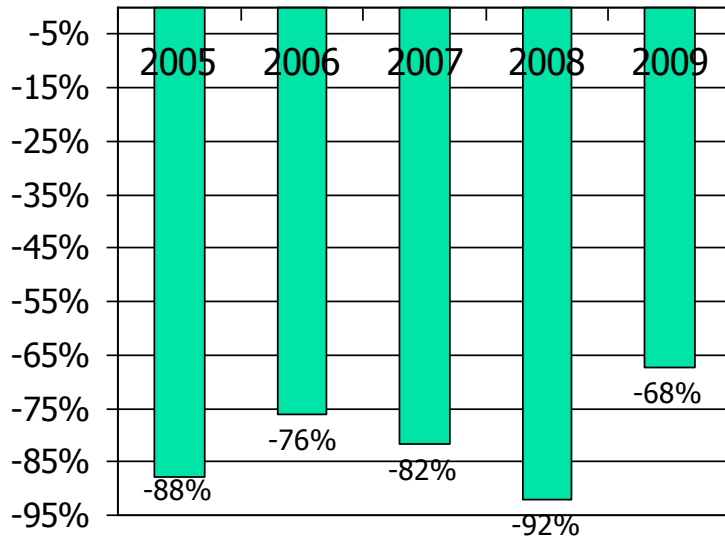
For the year ended September 30, 2009, Chuuk funded 98.4% of their expenses with current year revenues, which is considered a near excellent ratio, and a significant improvement from the prior period ratio.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
130.5%	80.2%	86.7%	85.9%	107.4%	88.3%	98.4%			

# Level of Unrestricted Net Assets

## How do our total rainy day funds look?

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



The level of total unrestricted net assets 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.

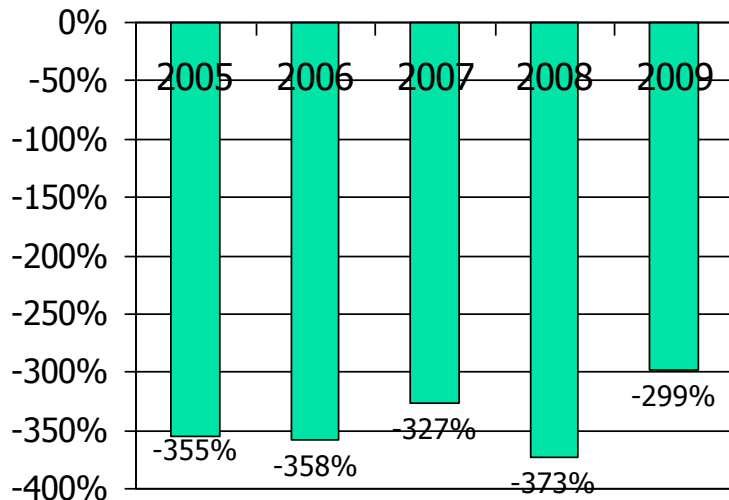
For the year ended September 30, 2009, Chuuk's total unrestricted net assets (deficit) was \$21 million, which is equivalent to 67.5% of annual total revenues. This is considered an unsatisfactory financial indicator, but is a significant improvement from the ration of the prior period.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-47.1%	-85.7%	-88.0%	-76.0%	-81.6%	-92.1%	-67.5%			

# Level of Budgetary Fund Balance

## How does our budgetary carryover look?

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



The level of budgetary unreserved 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, 2009, Chuuk's unreserved fund balance (deficit) of the General Fund was \$15.3 million, or the equivalent of 298.8% of General Fund revenues. This is considered an extremely unfavorable ratio, but is a significant improvement from the ratio of the prior year.

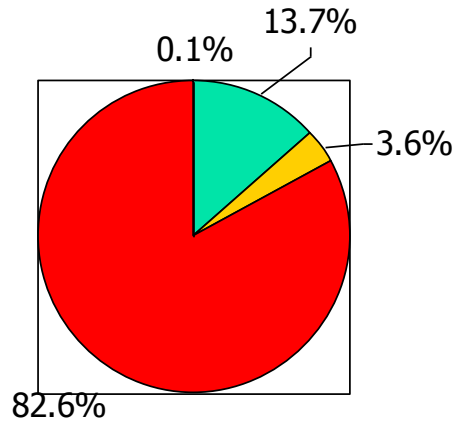
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-82.9%	-317.3%	-354.8%	-358.3%	-326.5%	-372.8%	-298.8%			



# Revenue Dispersion

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

2009 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.

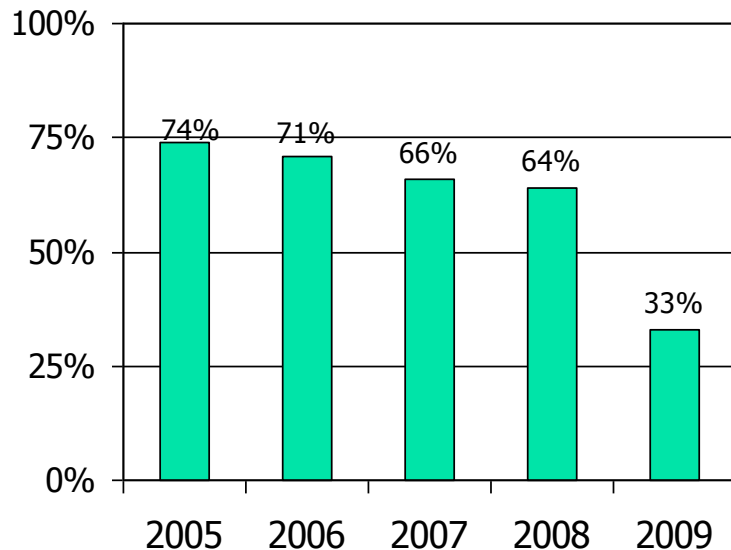
For the year ended September 30, 2009, Chuuk had direct control over 8.9% of its revenues. This ratio indicates Chuuk has significant exposure, as do most governments, to financial difficulties due to reliance (91.1%) on non-controlled revenues.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
6.9%	9.6%	8.4%	7.4%	7.9%	10.2%	8.9%			

# 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.

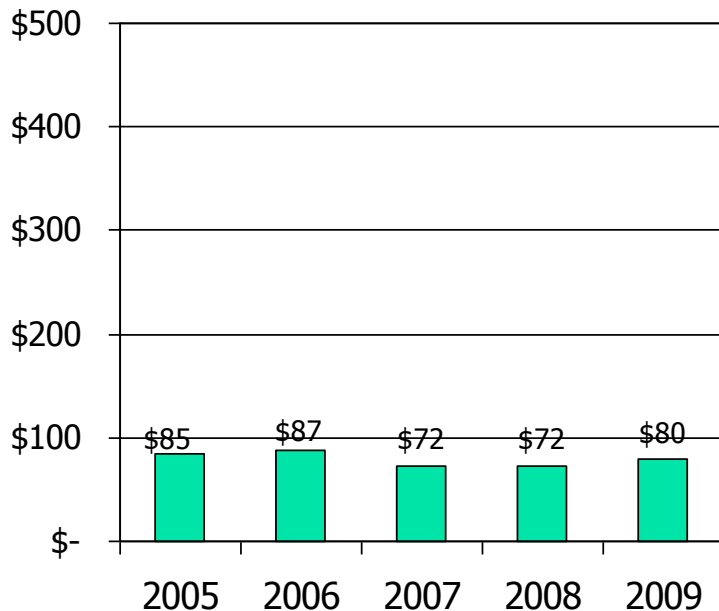
At September 30, 2009, Chuuk's depreciable capital assets amounted to \$95.4 million while accumulated depreciation totaled \$64.1 million. This indicates that, on the average, Chuuk's capital assets have 33% of their useful lives remaining. This is an unfavorable financial indicator, and represents a more accurate accounting of capital assets in the current fiscal year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
79%	76%	74%	71%	66%	64%	33%			

# 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.

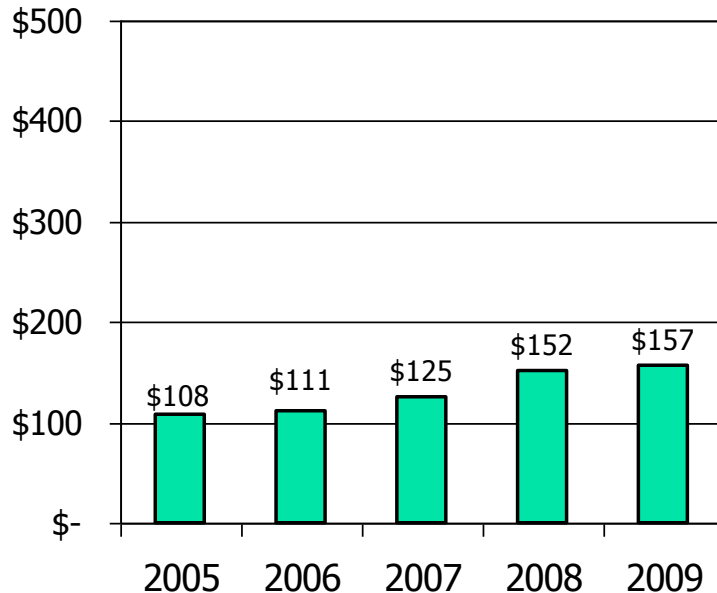
For the year ended September 30, 2009, total taxes amounted to \$4.3 million or \$80 per capita. This is indicative of a very low tax burden on Chuuk's citizens, when compared to other insular governments, and is considered a favorable ratio, relatively consistent with prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$102	\$92	\$85	\$87	\$72	\$72	\$80			

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

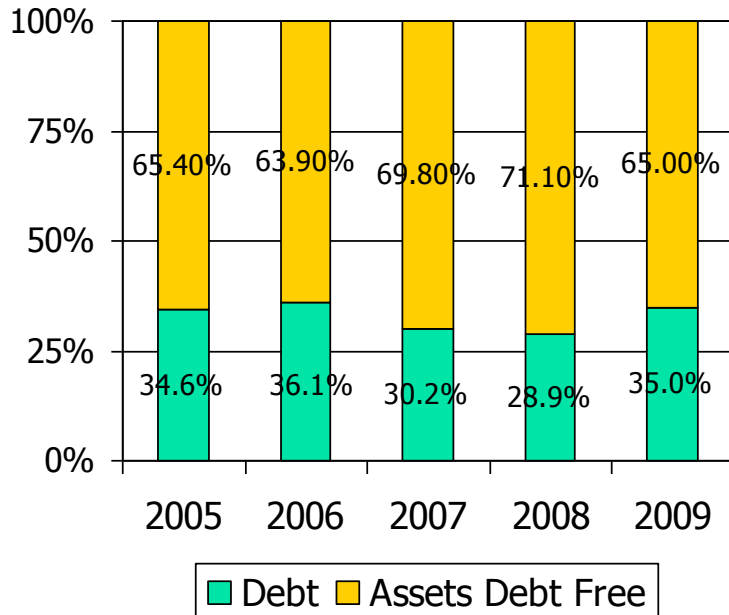
For the year ended September 30, 2009, Chuuk had \$8.4 million of long-term debt or \$157 per capita. This is indicative of a low debt burden on its citizens when compared with other insular governments, and is considered a favorable ratio, relatively consistent with prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$96	\$99	\$108	\$111	\$125	\$152	\$157			

# 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.

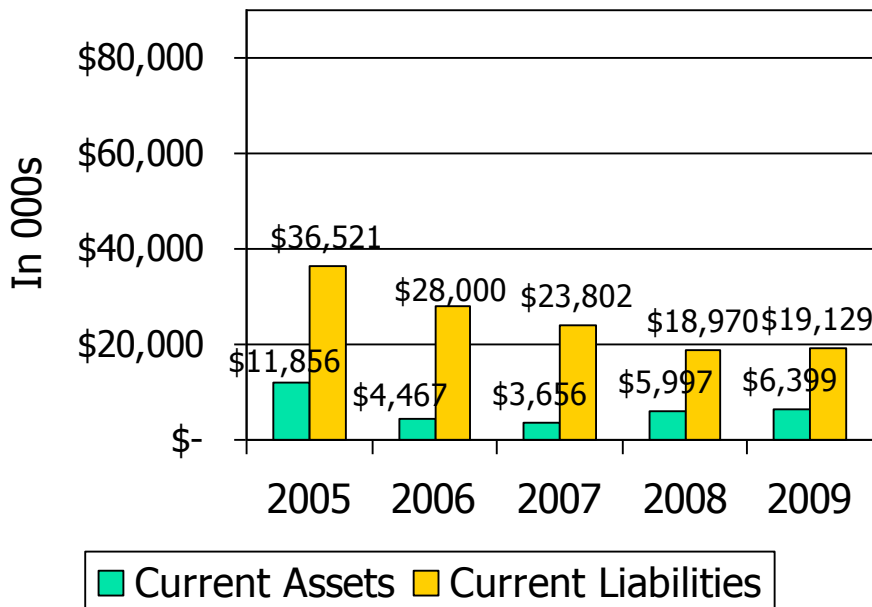
At September 30, 2009, nearly two-thirds (35.0%) of Chuuk's \$70.6 million of total assets were funded with debt or other obligations. This is a satisfactory financial indicator and indicates that for each dollar of assets Chuuk owns, it owes 35.0 cents of that dollar to others. However, this ratio is a decline in the ratio score in the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
30.5%	33.8%	34.6%	36.1%	30.2%	28.9%	35.0%			

# 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.

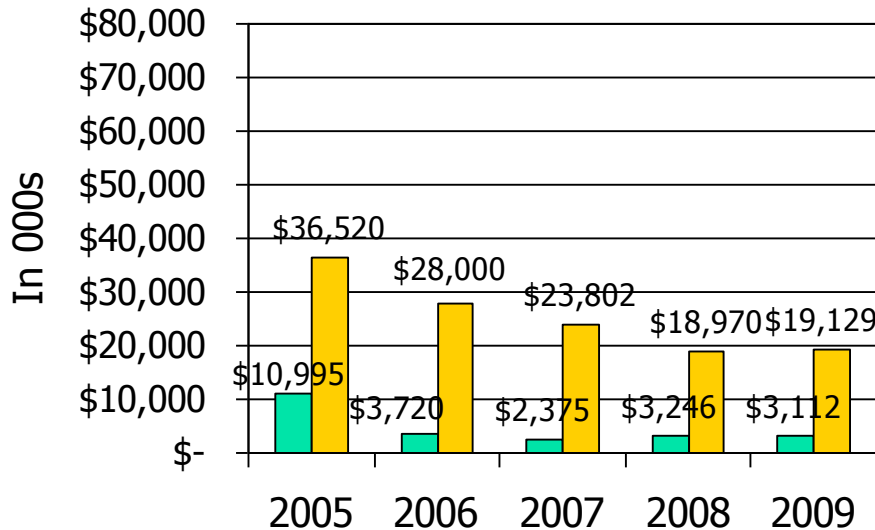
At September 30, 2009, Chuuk's General Fund had a ratio of current assets to current liabilities of .33 to 1. This indicates that Chuuk has 33 cents of current assets to fund each dollar of current liabilities. This is considered an unfavorable ratio, although a slight improvement from the ratio of the prior period.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
.18	.42	.32	.16	.15	.32	.33			

# Quick Ratio

## How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities



■ Cash & Cash Equivalents ■ Current Liabilities

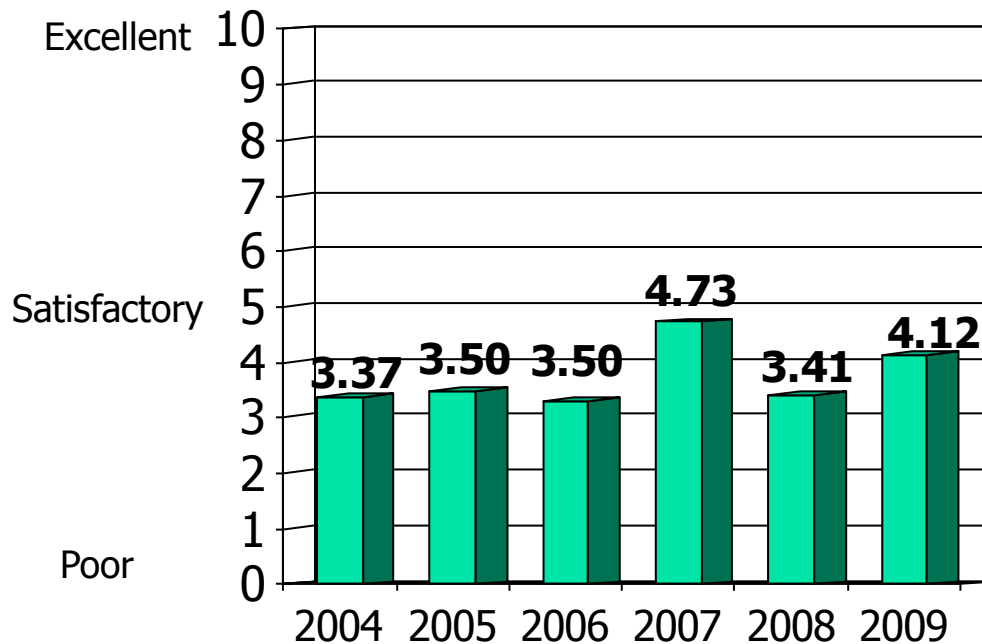
The quick ratio is another, more conservative, measure of Chuuk's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations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

At September 30, 2009, Chuuk's General Fund had a ratio of cash and cash equivalents to current liabilities of .16 to 1. This indicates that Chuuk has, for every one dollar of current liabilities (less deferred revenue), only 16 cents of cash and cash equivalents to fund them. This is a relatively unsatisfactory indicator of liquidity, and a slight decline in the ratio from the prior period.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
.15	.35	.30	.13	.10	.17	.16			

# Performer<sup>®</sup> Reading

## Overall Reading



The 2009 reading of 4.12 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, 2009, however it is an improvement from the score in the prior period.

Chuuk's low level of unrestricted net assets, insufficient General Fund unreserved fund balance, low revenue dispersion, and insufficient current and quick ratios are the primary reasons for the continued less than satisfactory reading of the current year, although many ratios showed improvements from their comparable ratios of the prior period.



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



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- 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.

	2005	2006	2007	2008	2009
Number of F.S. Opinion Qualifications/Exceptions	12	14	11	7	3
Number of Major Federal Program Qualifications/Exceptions	3	4	1	0	1
Number of F.S. Findings					
A. Internal Control and Compliance	0	0	0	0	0
B. Internal Control Only	12	17	11	2	3
C. Compliance Only	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>0</u>
TOTAL	12	17	13	2	3
Percentage of Findings Repeated	25%	64.7%	18%	50%	67%
Number of A-133 Findings					
A. Internal Control and Compliance	9	14	8	1	2
B. Internal Control Only	0	0	0	0	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>
TOTAL	9	14	8	2	2
Percentage of A-133 Findings Repeated	0%	50%	7%	50%	50%
Number of months Y/E the F.S. were Released	9	9.5	9	9	9
Number of Qualifications/Exceptions Related to C.U.	3	2	2	2	1
\$ of Questioned Costs-Current Year	\$1,728,813	\$958,987	\$1,578,943	\$11,519	\$0
\$ of Questioned Costs- Cumulative	\$8,464,942	\$9,423,929	\$9,272,323	\$2,056,336	\$1,055,719
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$1,730,549	\$7,227,506	\$1,000,607



# Thank You

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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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