



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, 2009



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

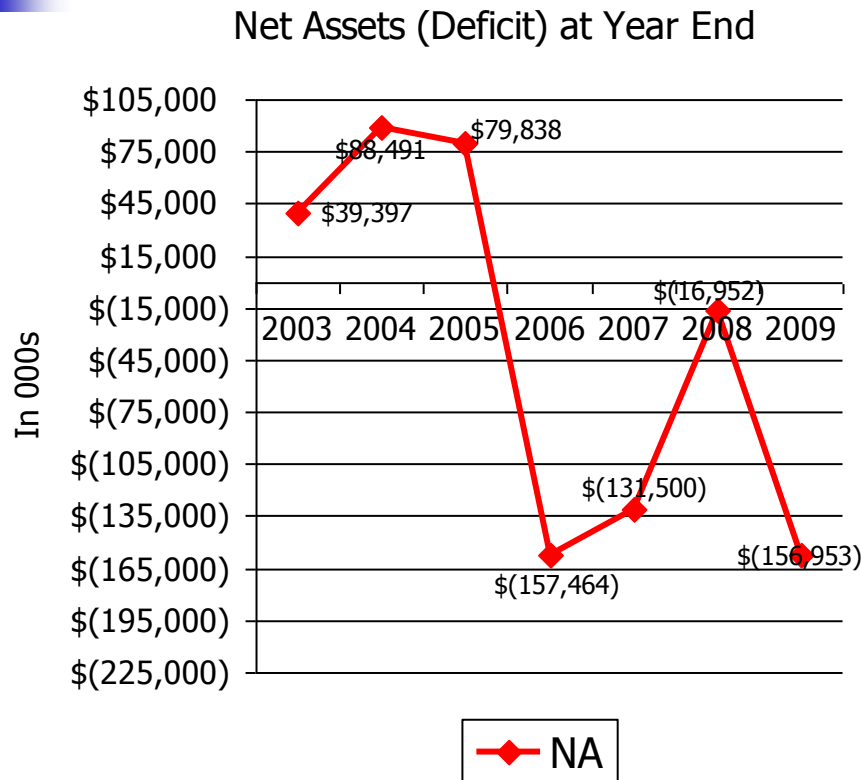


Limitations of the Performer®

- 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 Assets

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



Net assets include 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, and total liabilities, including long-term debt.

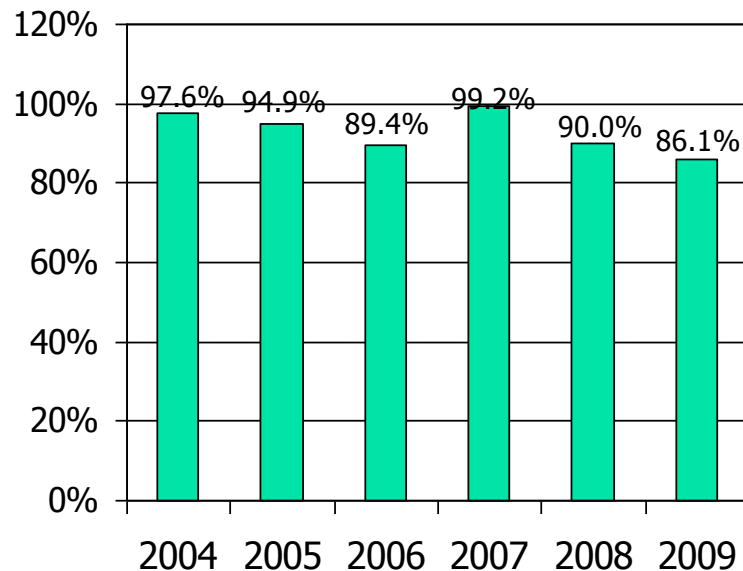
For the year ended September 30, 2009, the total net assets (deficit) increased by (\$140.1) million or (825.9%) from the prior year restated amount, indicative of expenses incurred for the year exceeding revenues earned for the year. The beginning deficit amount was restated due to a change in the application of accounting for pension plans. This restatement reduced the beginning of the year deficit to approximately (\$17) million.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-53.5%	-50.2%	19.8%	-9.8%	-345.7%	19.7%	-59.4%	-825.9%		

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.

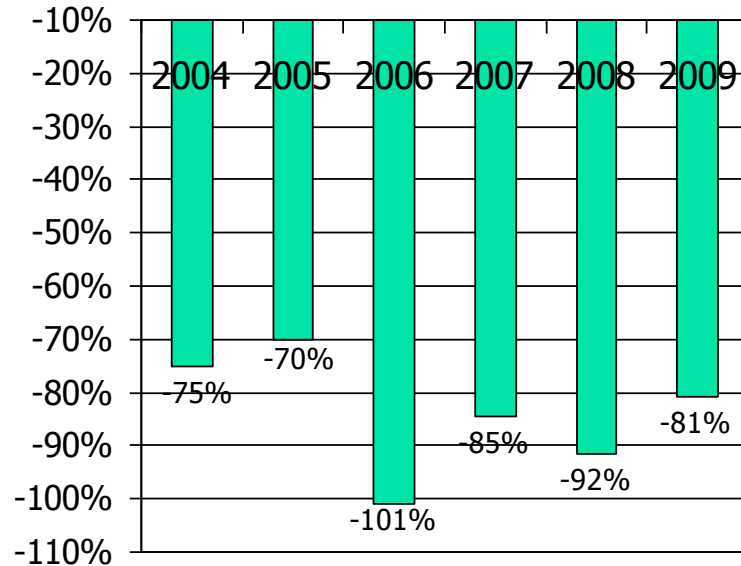
For the year ended September 30, 2009, GovGuam funded 86.1% of their current year expenses with current year revenues, which is considered an unfavorable percentage, and a decline from the ratio in the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
76.8%	97.2%	97.6%	94.9%	89.4%	99.2%	90.0%	86.1%		

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 GovGuam has at a point in time to fund emergencies, shortfalls or other unexpected needs.

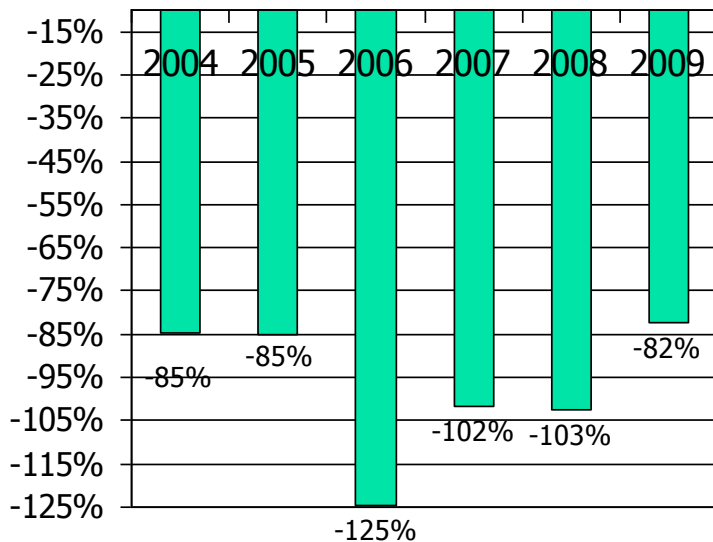
For the year ended September 30, 2009, GovGuam's total unrestricted net asset **(deficit)** approximated 80.9% of annual total revenues, although it is a decrease in the size of the deficit in the prior year. The decrease is due primarily to the change in the application of pension accounting principles.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-61.5%	-56.1%	-75.2%	-70.1%	-100.9%	-84.6%	-91.6%	-80.9%		

Level of Budgetary Fund Balance

How does our budgetary carryover look?

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



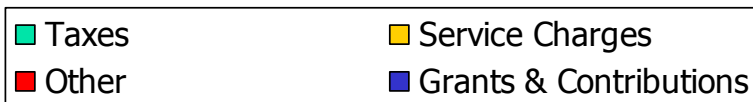
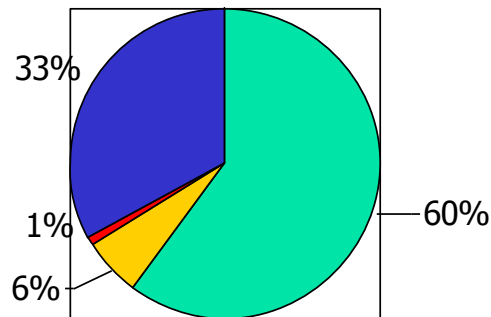
- The level of budgetary unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources GovGuam has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs. In this analysis, only the General Fund is considered.
- For the year ended September 30, 2009, GovGuam's unreserved fund balance **(deficit)** of the General Fund was 82.2% of its annual revenues, but is a decrease in the size of the deficit in the prior year. This decrease is primarily due to a change in the application of pension accounting principles.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-76.6%	-73.7%	-84.6%	-85%	-124.6	-101.8%	-102.5%	-82.2%		

Revenue Dispersion

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

2009 Revenue Percentages by Source



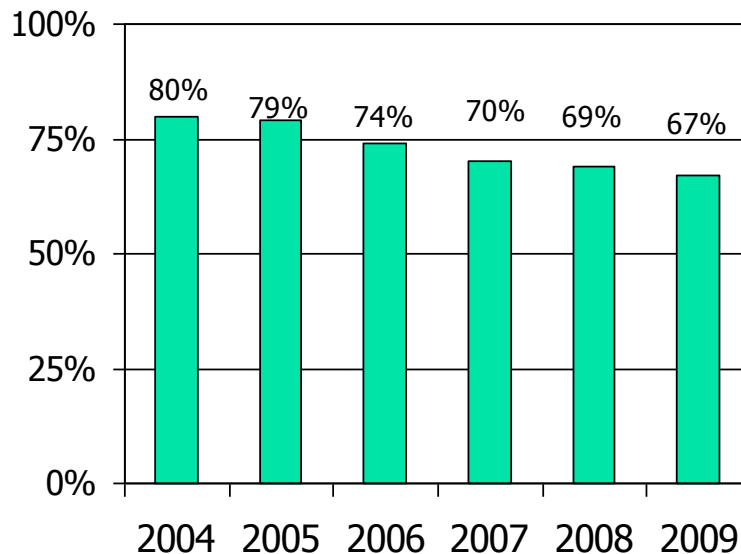
- The percentage dispersion of revenue by source indicates how dependent GovGuam is on certain types of revenue. The more dependent GovGuam is on revenue sources beyond its direct control, such as taxes tied to the I.R.S. codes and revenues from other governments such as grants, the less favorable the dispersion.
- For the year ended September 30, 2009, GovGuam had direct control over 33.9% 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 (66.1%) non-controlled revenues.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
36.8%	35.6%	40.1%	36.7%	37.4%	35.6%	37.3%	33.9%		

Capital Asset Condition

How much useful life do we have left in our capital assets?

Percentage of Capital Assets' Useful Life Remaining



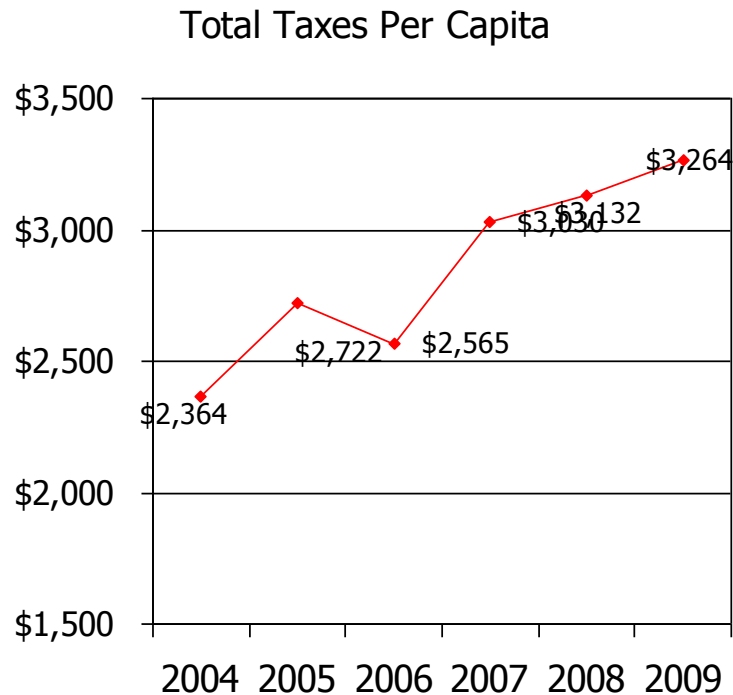
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2009, GovGuam's depreciable capital assets amounted to \$1.05 billion while accumulated depreciation totaled \$346.9 million. This indicates that, on the average, GovGuam's capital assets have 67% of their useful lives remaining. This is a very favorable financial indicator, although it does continue a decline from ratios of the most recent prior years.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
66%	62%	80%	76%	74%	70%	69%	67%		

Financing Margin - Taxes

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



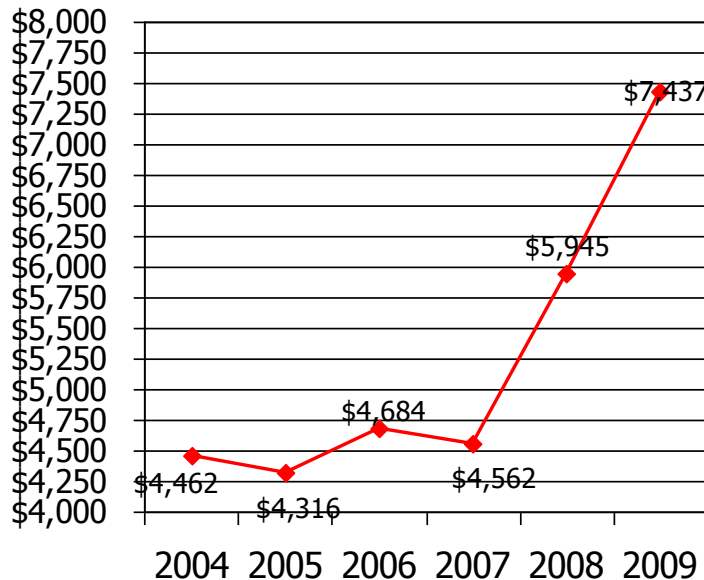
- The financial ratio of taxes per capita is an indication of GovGuam's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes except for hotel taxes.
- For the year ended September 30, 2009, total taxes amounted to \$505.2 million or \$3,264 per capita. This indicates a relatively high tax burden when compared to other insular governments, and is a slight increase from the ratio of the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
\$1,972	\$2,458	\$2,364	\$2,722	\$2,565	\$3,030	\$3,132	\$3,264		

Financing Margin - Debt

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

Debt Per Capita



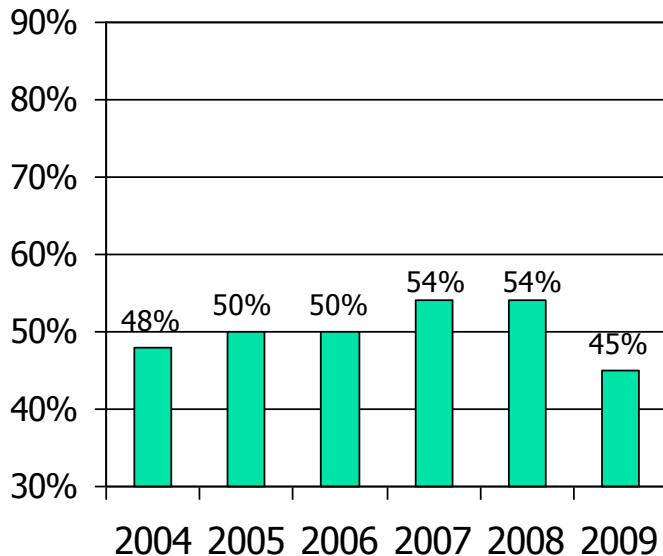
- The financial ratio of debt per capita is an indication of GovGuam's debt burden on its citizens and other taxpayers.
- For the year ended September 30, 2009, GovGuam had \$1.15 billion of long-term debt or \$7,437 per capita which is considered a high debt burden on its citizens when compared to other insular governments. For consistency purposes of the comparison to prior years, the provision for tax refunds liability (approximately \$259.1 million) is included in this calculation.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
\$3,012	\$2,807	\$4,462	\$4,316	\$4,684	\$4,562	\$5,945	\$7,437		

Pension Plan Funding Ratio

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

Plan Assets as a Percentage of Accrued Liability

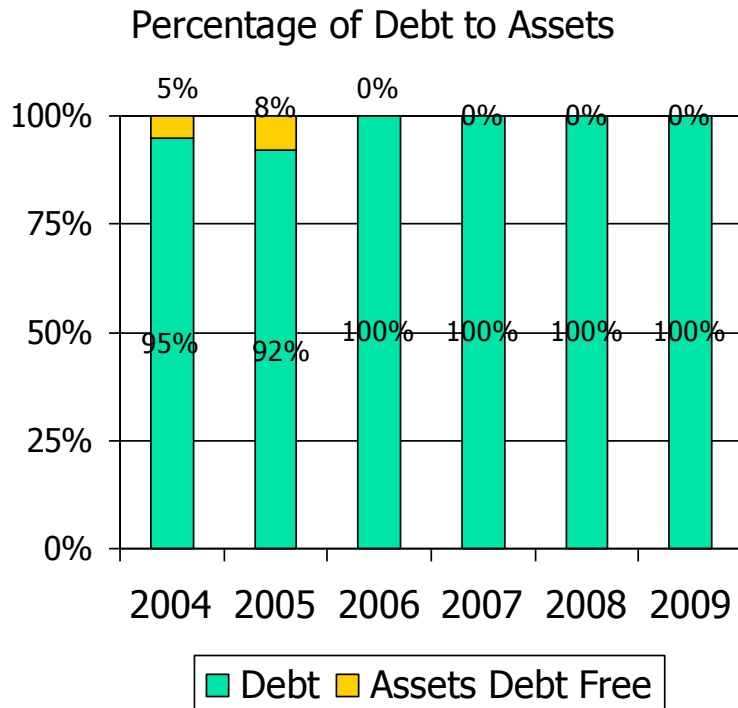


- The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.
- At September 30, 2009 (based upon the most recent actuarial information), GovGuam's pension plan assets were 45% of the accrued pension benefit liability, indicating the plan was slightly less than half funded at the last valuation date. This also represents a decline in the funded ratio from prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
54%	48%	48%	50%	50%	54%	54%	45%		

Debt to Assets

Who really owns GovGuam?



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.

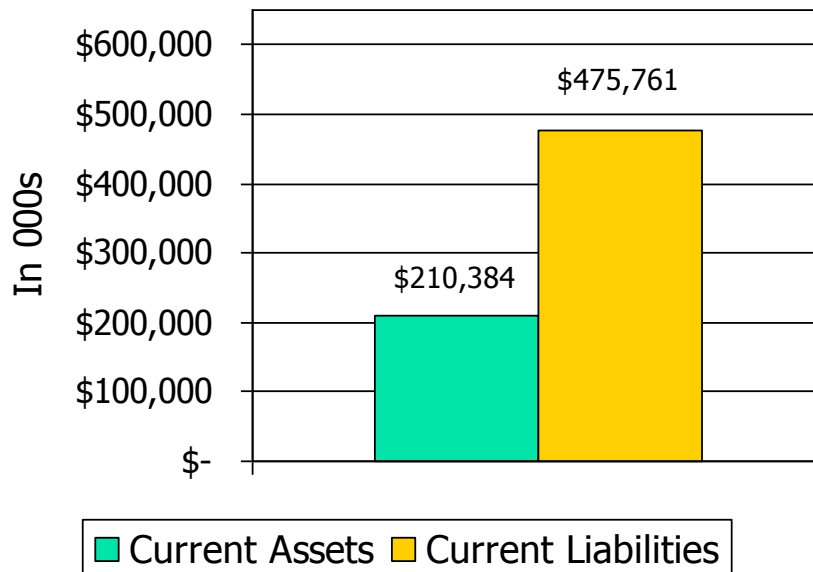
At September 30, 2009, 100% (actually 112.9%) of GovGuam's \$1.2 billion of total assets were funded with debt or other obligations. This is an unfavorable financial indicator and indicates that for each dollar of assets GovGuam owns, it owes \$1.13 of that dollar to others. However it is relatively consistent with the ratios in the prior years.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
86.8%	93.1%	95%	91.5%	117.1%	116.4%	121.3%	112.9%		

Current Ratio

Will our vendors and employees be pleased with our ability to pay them on time?

Current Assets Compared to Current Liabilities



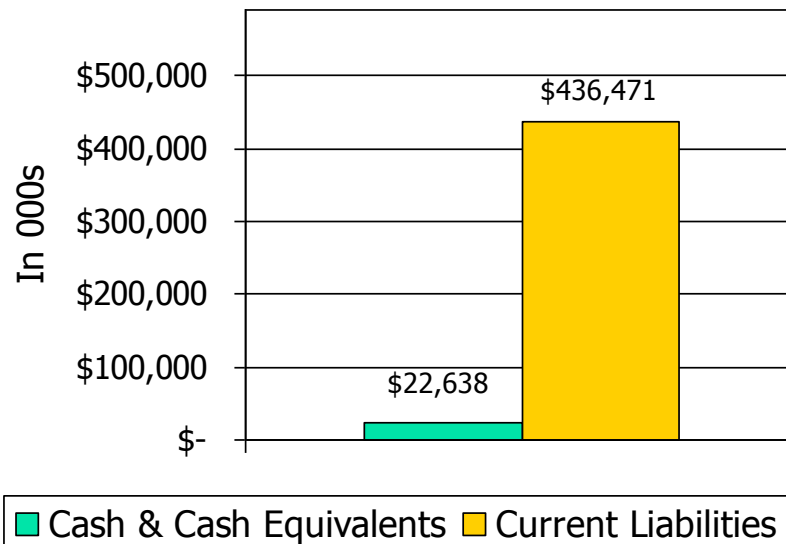
- The current ratio is one measure of GovGuam's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1 indicates good current liquidity and an ability to meet the short-term obligations. This measure is that of only the General Fund, the primary operating fund of GovGuam.
- At September 30, 2009, GovGuam's General Fund had a ratio of current assets to current liabilities of 0.44 to 1. This indicates that GovGuam has 44 cents of current assets to pay for every \$1 of current liabilities and is considered an unfavorable indicator of liquidity, although an improvement from the ratio in the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0.48	0.32	0.30	0.17	0.15	0.17	0.28	0.44		

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities

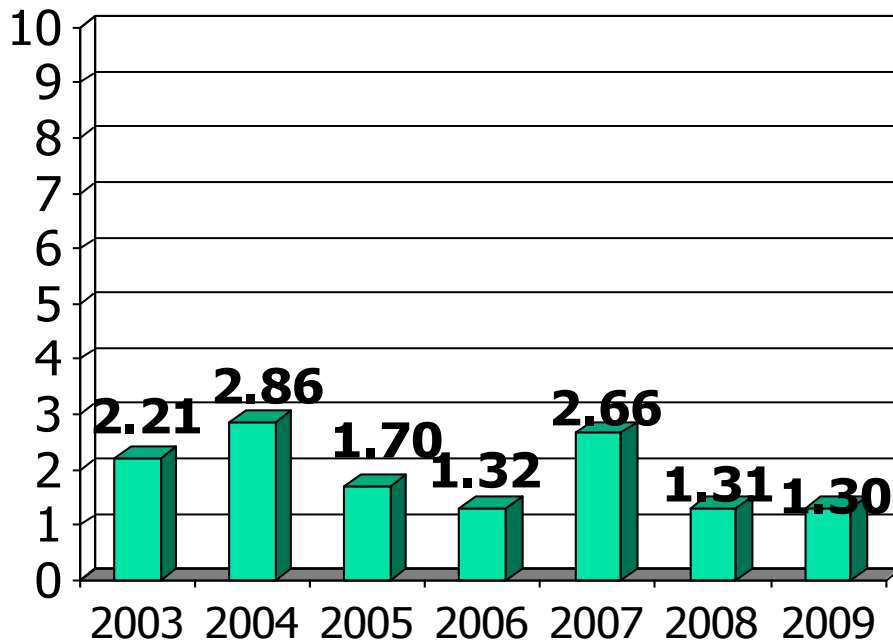


- The quick ratio is another, more conservative, measure of GovGuam's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations with cash. This measurement is only of GovGuam's General Fund, the primary operating fund.
- At September 30, 2009, GovGuam's General Fund had a ratio of cash and cash equivalents to current liabilities of 0.05 to 1. This indicates that GovGuam had 5 cents in cash and short-term investments available to pay every \$1 of current liabilities, and may be an indicator of cash flow difficulties. This ratio is consistent with those of prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0.07	0.05	0.07	0.02	0.03	0.05	0.08	0.05		

Performer[®] Reading

Overall Reading



The 2009 reading of 1.30 indicates the evaluator's opinion that GovGuam's overall financial health and performance declined slightly overall from the rating of the previous year, mainly to due the financial position and performance in the 2009 fiscal year.

The government's current year overall deficit and cumulative deficit, a deficit position of the General Fund unreserved fund balance deficit ratio, and a significantly higher debt per capita ratio are the primary causes for the low score. Other contributing factors are pension plan funding woes and insufficient current and quick ratios. Although the sizes of the deficit were reduced this year, it appears the main cause of the reduction was a change in the application of pension accounting principles.



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.

	2004	2005	2006	2007	2008	2009
Number of F.S. Opinion Qualifications/Exceptions	3	2	2	0	0	0
Number of Major Federal Program Qualifications/Exceptions	10	11	13	10	10	9
Number of F.S. Findings						
A. Internal Control and Compliance	0	0	0	0	0	0
B. Internal Control Only	5	3	2	1	0	0
C. Compliance Only	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>
TOTAL	5	4	2	2	0	0
Percentage of Findings Repeated	40%	0%	0%	50%	0%	0%
Number of A-133 Findings						
A. Internal Control and Compliance	16	30	35	24	21	10
B. Internal Control Only	9	0	0	0	0	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	25	30	35	24	21	10
Percentage of A-133 Findings Repeated	40%	23.3%	8.6%	2.9%	4.7%	10%
Number of months Y/E the F.S. were Released	10	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	2	1	1	0	0	0
\$ of Questioned Costs-Current Year	\$514,486	\$584,348	\$2,773,997	\$2,802,408	\$1,881,435	\$0
\$ of Questioned Costs- Cumulative	\$25,137,159	\$10,509,029	\$5,760,688	\$7,084,374	\$7,837,719	\$4,616,404
\$ of Questioned Costs Resolved – Current Year	\$16,977,796	\$15,212,478	\$7,522,338	\$1,478,722	\$1,128,090	\$3,221,315



Thank You

- We would like to commend and thank GovGuam's management, 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.