



# *GUAM*

## *FISCAL YEAR 2018*

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, 2018



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 0-10
- The overall reading is a barometer of the Government of Guam's financial health and performance
- Due to certain accounting principle changes that have occurred in the last few years, the scores from FY 2015 forward have been recalculated using additional ratio calculations and a revised weighting system

# *HOW TO USE THE PERFORMETER®*

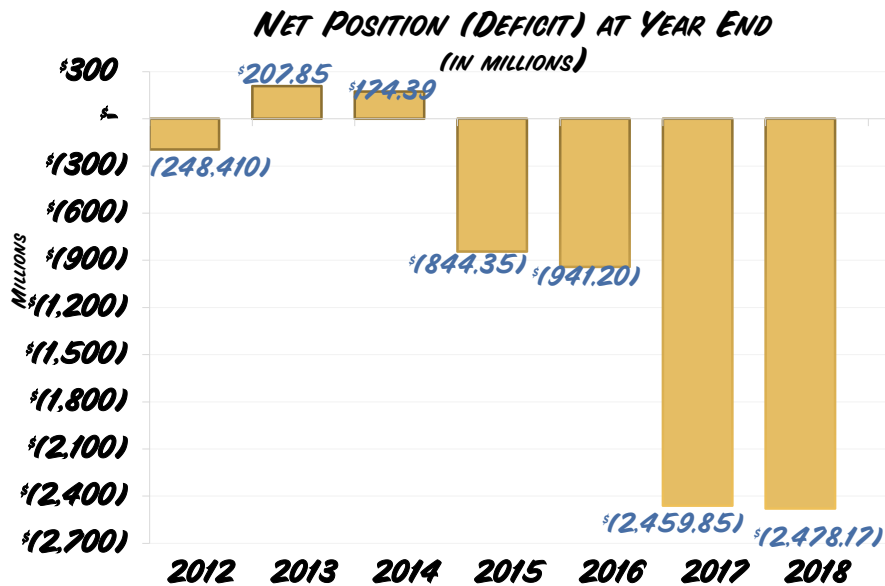
- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of the Government of Guam's as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

# ***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, 2018, the Government of Guam's total net position decreased by \$18.3 million or 0.7% from the prior year's *restated* net position amount, and the government-wide total net position (deficit) is now approximately (\$2.48 Billion).

The 2018 decrease in net position was due primarily to expenses of governmental activities of \$1.28 billion exceeding revenues of \$1.27 billion. In addition, Guam implemented GASB Statement 75, a post-employment benefit standard which caused a restatement of the beginning net position (deficit), specifically an increase of the size of the beginning net position (deficit) of \$1.57 billion.

\* NOTES A YEAR IN WHICH BEGINNING NET POSITION WAS RESTATED

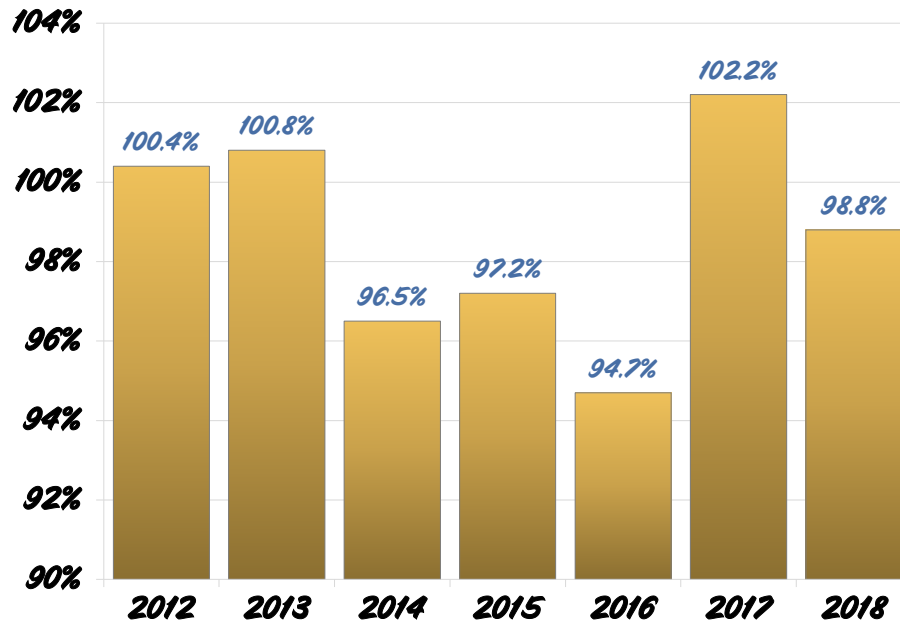
2009	2010	2011	2012	2013*	2014	2015*	2016	2017	2018*
-825.9%	-49.5%	21.3%	21.8%	6.8%	-16.1%	-4.6%	-11.5%	5.5%	-0.7%



# 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, 2018, the Government of Guam funded 98.8% of their current year expenses with current year revenues. This represents a decrease when compared to the ratio of the prior year, but is still considered above satisfactory.

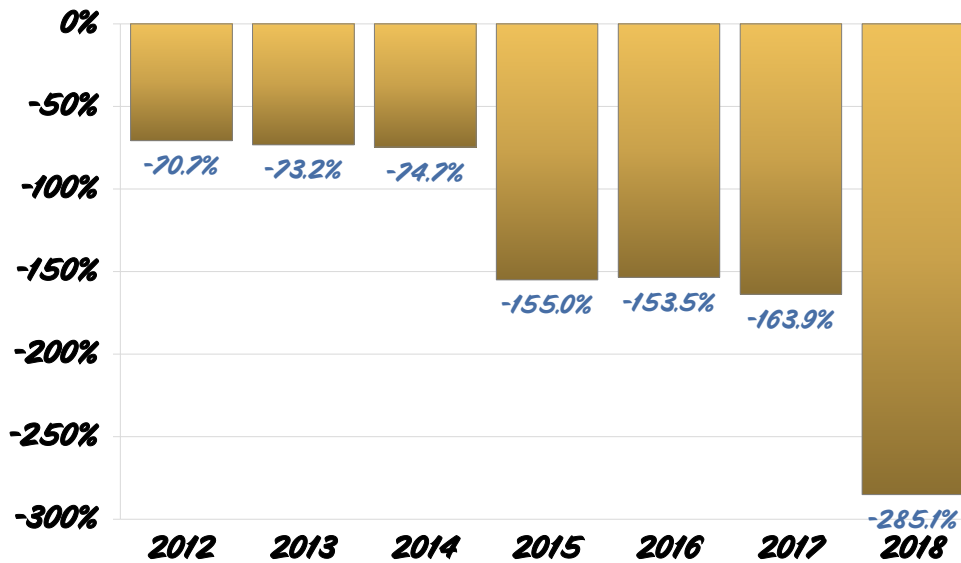
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
86.1%	92.4%	104.8%	100.4%	100.8%	96.5%	97.2%	94.7%	102.2%	98.8%



# LEVEL OF UNRESTRICTED NET POSITION

## HOW DO OUR TOTAL RAINY DAY FUNDS LOOK?

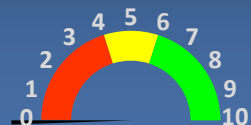
UNRESTRICTED NET POSITION (DEFICIT) AS A % OF ANNUAL REVENUES



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, 2018, the Government of Guam's total unrestricted net position remains in a deficit position, which approximated 285% of annual total revenues, and represents a significant increase in the size of the deficit-to-revenue percentage ratio calculated in the prior year. The increase in the size is primarily due to the prior period adjustment related to GASB 75's post-employment benefits liability.

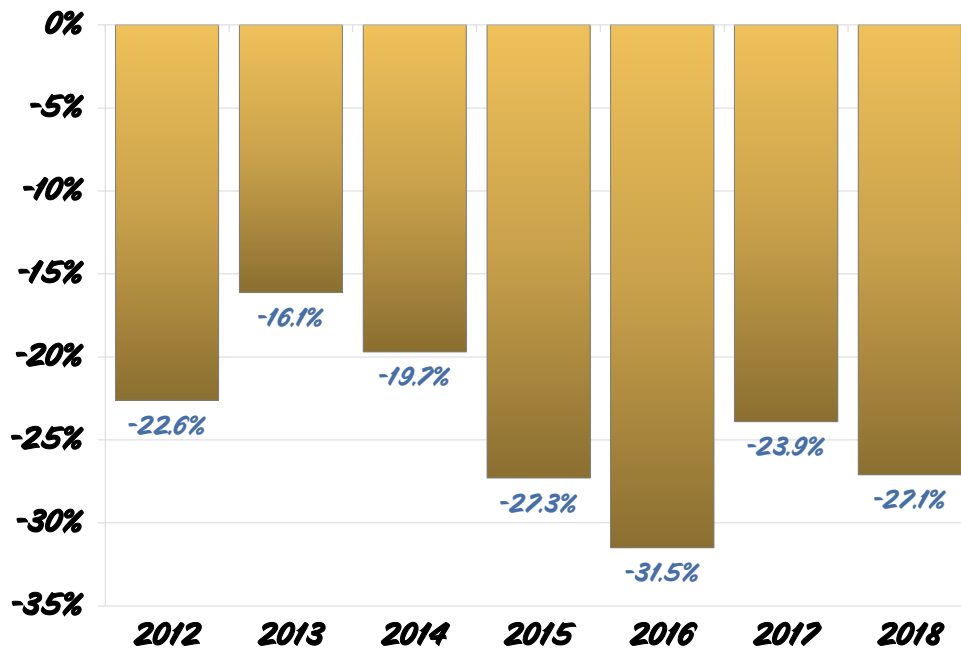
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
-80.9%	-80.1%	-71.4%	-70.7%	-73.2%	-74.7%	-155.0%	-153.5%	-163.9%	-285.1%



# LEVEL OF UNASSIGNED FUND BALANCE

## HOW DOES OUR CARRYOVER LOOK?

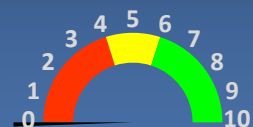
UNASSIGNED FUND BALANCE (DEFICIT) AS A PERCENTAGE OF ANNUAL REVENUES



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, 2018, the Government of Guam's General Fund unassigned fund balance remains in a deficit position, with the deficit being equal to 27.1% of its annual revenues, which is an increase in the size of the deficit-to-revenue ratio of 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.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
-82.2%	-90.4%	-89.1%	-22.6%	-16.1%	-19.7%	-27.3%	-31.5%	-23.9%	-27.1%

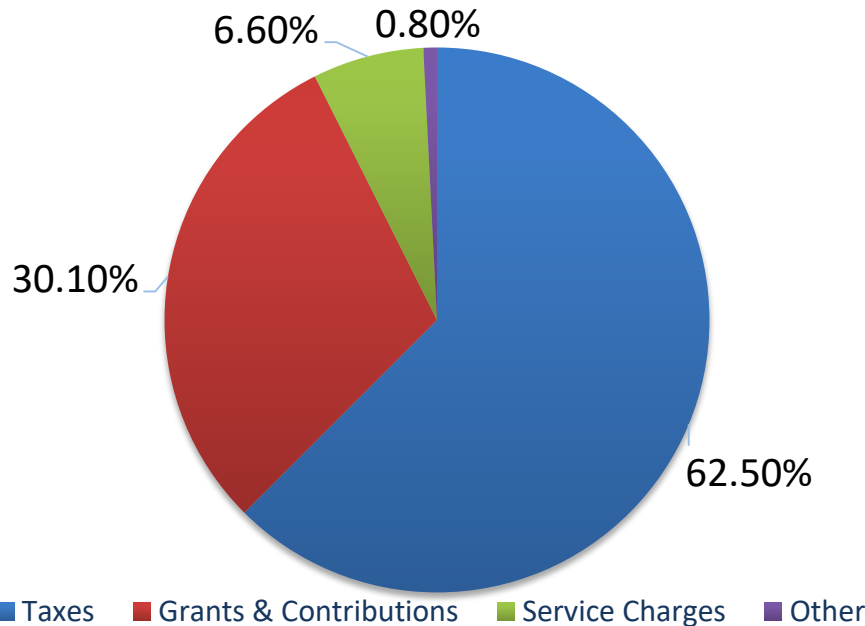




# REVENUE DISPERSION

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

**2018 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 IRS codes and revenues from other governments such as grants or contributions, the less favorable the dispersion.

For the year ended September 30, 2018, the Government of Guam had direct control over 37.8% of its revenues, including charges for services and some local taxes. Taxes, which make up 62.5% of all GovGuam revenue, consist of \$395.9 million of income taxes and Sec. 30 income taxes, which are not considered within control of the Government, and \$395.4 million of other local taxes, which are considered within the control of the Government. Overall, this ratio indicates that the Government of Guam has some exposure, as do most governments, to financial difficulties due to a reliance (62.2%) on non-controlled revenues.

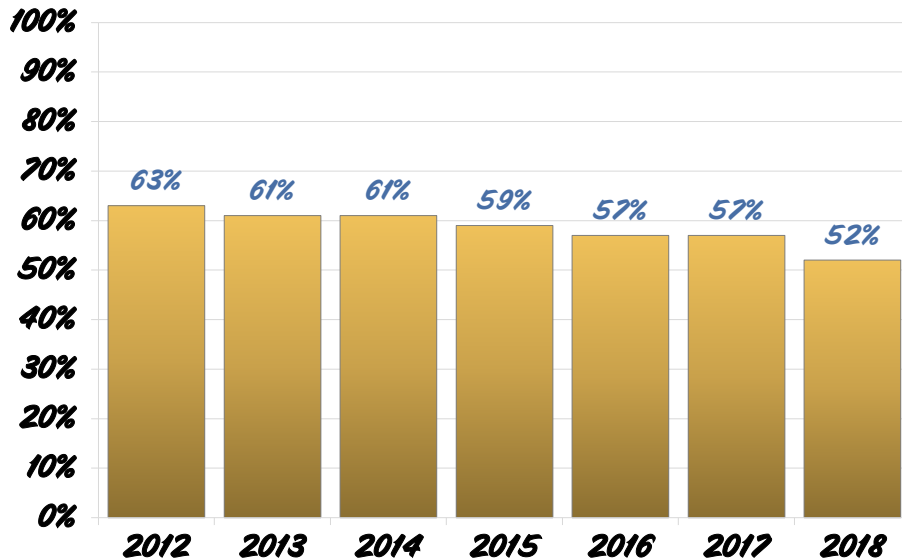
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
33.9%	34.4%	30.5%	38.6%	33.8%	35.5%	34.9%	35.3%	35.2%	37.8%



# 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.

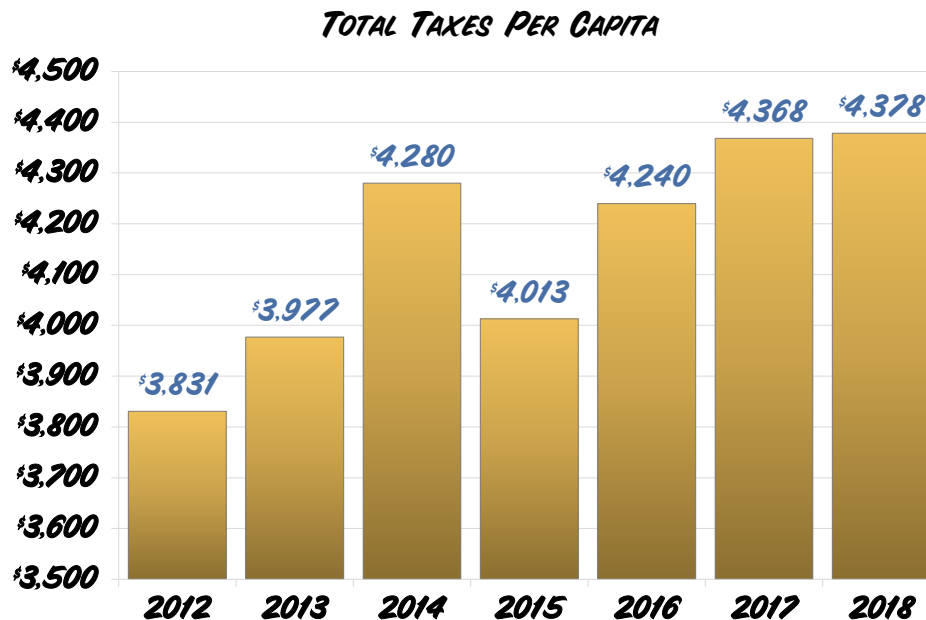
At September 30, 2018, the Government of Guam's depreciable capital assets amounted to \$1.7 billion while accumulated depreciation totaled \$810 million. This indicates that, on average, the Government of Guam's capital assets have 52% of their useful lives remaining. This represents a decrease in the ratio when compared to the ratio of the prior year.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
67%	64%	67%	63%	61%	61%	59%	57%	57%	52%



# FINANCING MARGIN - TAXES

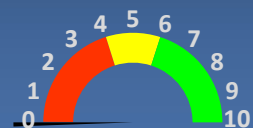
*WILL OUR CITIZENS BE WILLING TO PAY INCREASED TAXES FOR OPERATIONS OR CAPITAL IMPROVEMENTS, IF NEEDED?*



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, 2018, total taxes paid by citizens of Guam amounted to \$748 million or \$4,378 per capita. This indicates a relatively high tax burden when compared to other insular governments, and it represents a slight increase when compared to the ratio of the prior year.

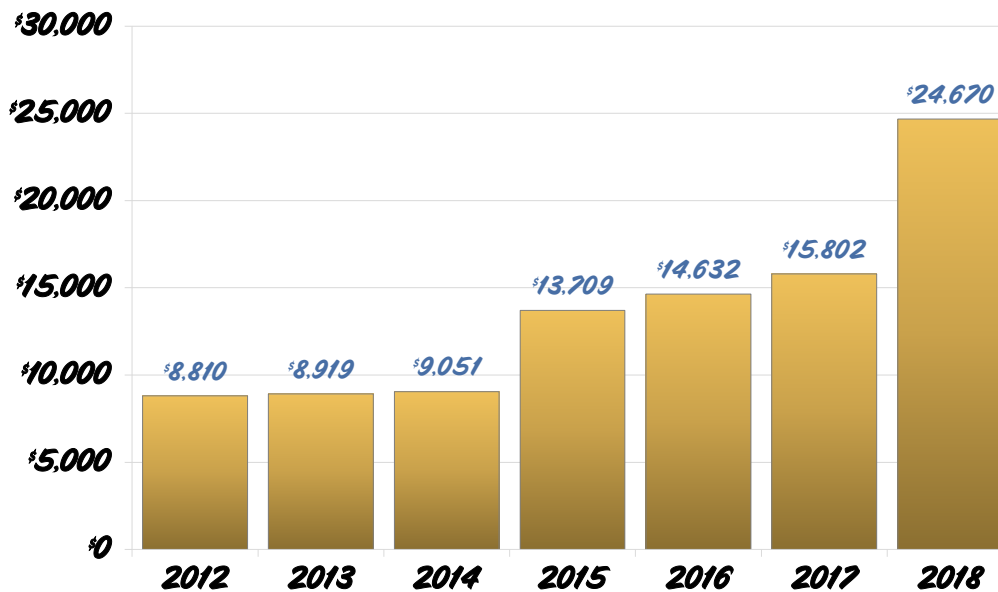
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$3,264	\$3,242	\$3,622	\$3,831	\$3,977	\$4,280	\$4,013	\$4,240	\$4,368	\$4,378



# 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, 2018, the Government of Guam had \$4.2 billion of long-term debt and other obligations, or \$24,670 per capita which is considered a relatively high debt and obligation burden on its citizens when compared to other insular governments. This change represents a significant increase in the ratio when compared to the prior period, due primarily to the implementations of GASB 75 post-employment liabilities, which added a long-term obligation of \$1.67 billion at the end of FY 2018. For consistency purposes of the comparison to prior years, the provision for tax refunds liability (approximately \$123.4 million) is included in this calculation.

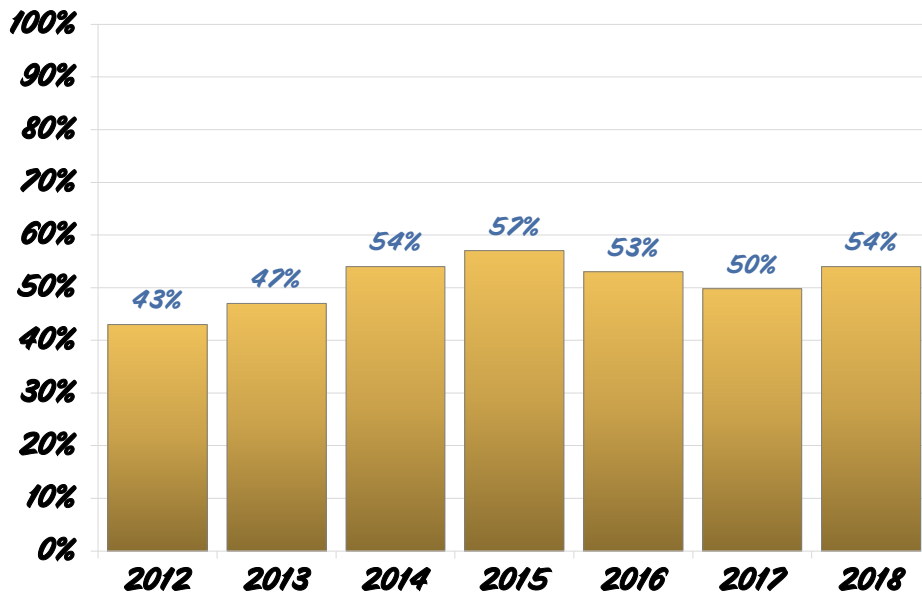
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$7,437	\$7,228	\$8,236	\$8,810	\$8,919	\$9,051	\$13,709	\$14,632	\$15,802	\$24,670



# 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, 2018 (based upon the most recent actuarial information), the Government of Guam’s pension plan net position was 54.1% of the total pension liability, indicating the plan increased its funded ratio from the prior valuation.

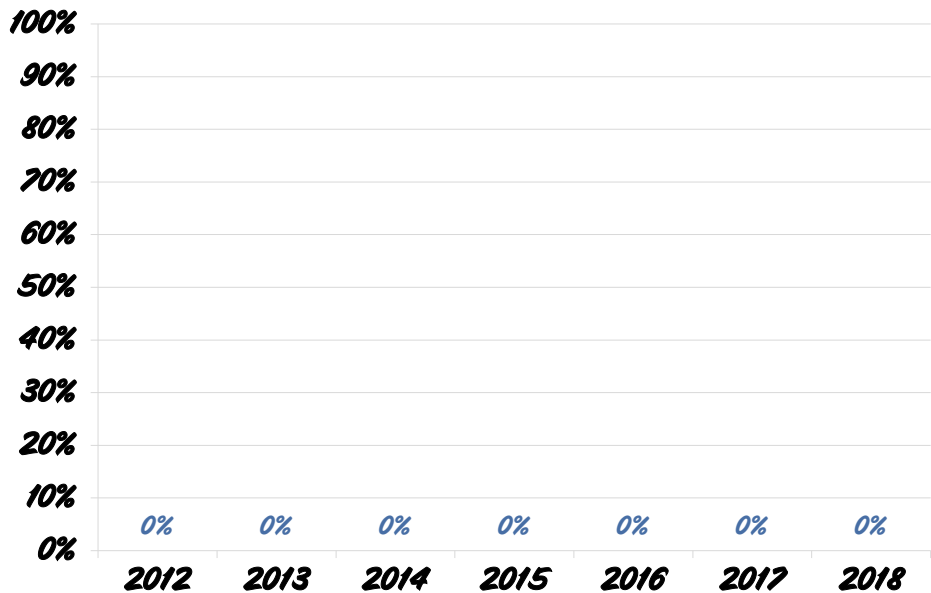
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
45%	47%	45%	43%	47%	54%	57%	53%	50%	54%



# OPEB PLAN FUNDING RATIO

*WILL WE BE ABLE TO PAY FOR RETIREE'S HEALTH CARE IN THE FUTURE?*

**OPEB PLAN NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY**



The OPEB funding ratio compares the fair value of any retiree healthcare plan assets set aside in trusts for future benefits with the actuarial accrued liability for plan benefits. An “actuarial fully advance funded” plan would reflect a funding percentage of 100%, whereas a “pay as-you-go” plan would report a funding percentage of 0%.

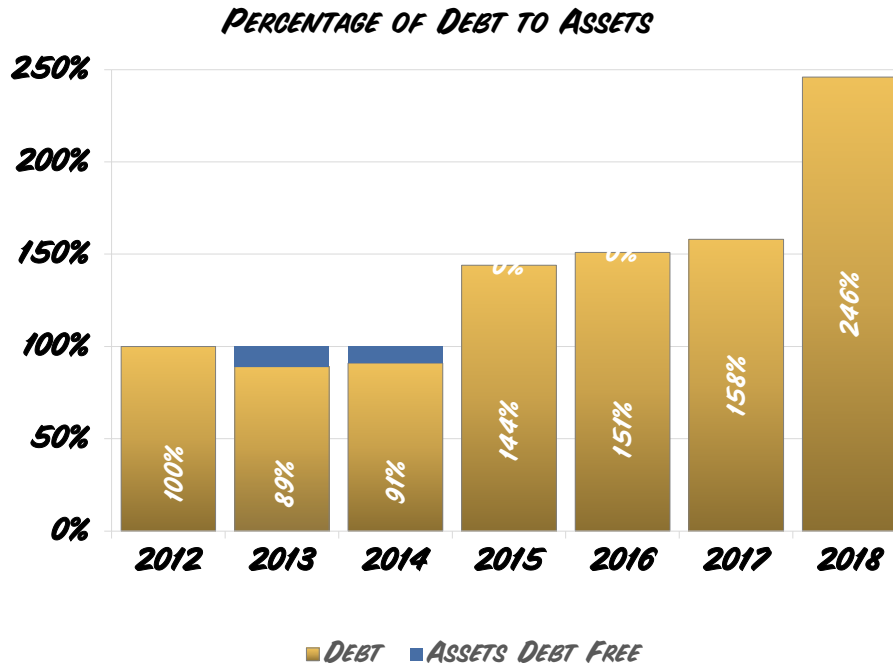
An accounting standard implemented in FY 2018 requires certain future retiree post employment healthcare costs to be recognized while the employee is providing service. The Government of Guam’s has adopted a pay-as-you Go plan. As a result, there is no plan net position to offset GovGuam’s share of the total OPEB liability of approximately \$1.67 billion, and the ability pay for these future benefits will be dependent on future resources and appropriations made to fund these costs.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%



# DEBT TO ASSETS

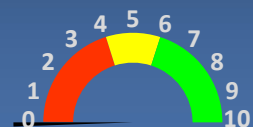
## WHO REALLY OWNS THE GOVERNMENT OF GUAM?



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

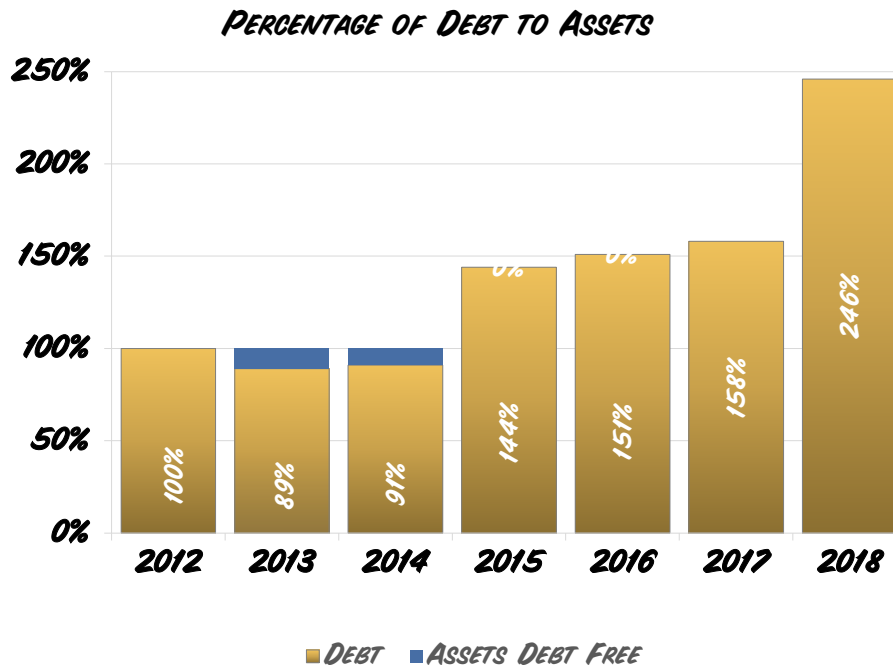
At September 30, 2018, 246% of the Government of Guam's \$1.82 billion of total assets were funded with debt or other obligations. This is an unfavorable financial indicator and indicates that for each dollar of assets the Government of Guam owns, it owes \$2.46 of that dollar to others. This also represents a significant decline in the ratio when compared to the ratio of the prior year, due primarily to the implementation of GASB 75 post-employment liabilities of \$1.67 billion.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
112.9%	119.7%	113.3%	113.3%	89%	90.7%	143.8%	151%	158%	246%



# DEBT TO ASSETS

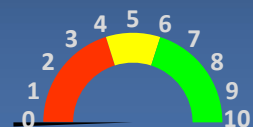
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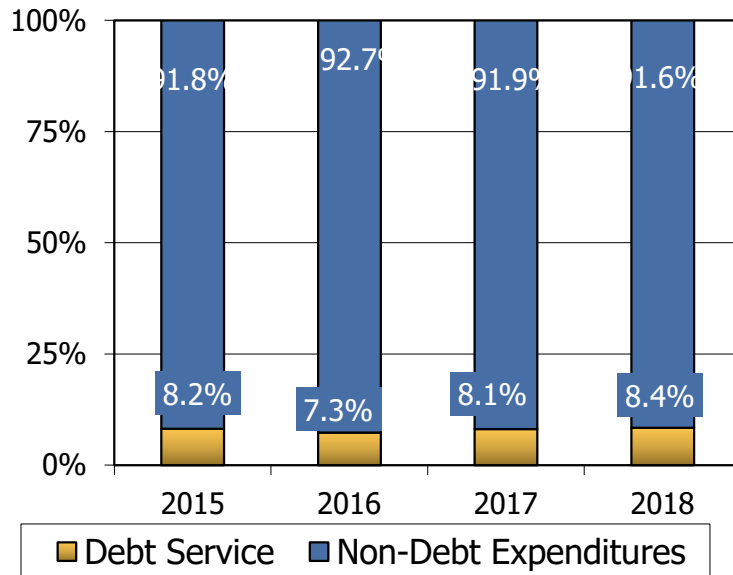




# DEBT SERVICE LOAD

HOW MUCH OF OUR ANNUAL NON-CAPITAL BUDGET IS LOADED WITH DISBURSEMENTS TO PAY OFF LONG-TERM DEBT

Percentage of Debt Service to Non-Debt Expenditures



The debt service load ratio measures the extent to which GovGuam's non-capital expenditures were comprised of debt service payments on long-term debt.

For the year ended September 30, 2018, GovGuam's total non-capital expenditures amounted to \$1.264 billion, of which \$106 million (or 8.4%), were payments for principal and interest on long-term debt. In our model, this is an above satisfactory ratio and indicates that for every dollar GovGuam spent on non-capital items, 8.4 cents of that dollar was used for debt service. Restatements for FY 2015 through FY 2017 have been made to this score and the overall score due to the impact of this ratio.

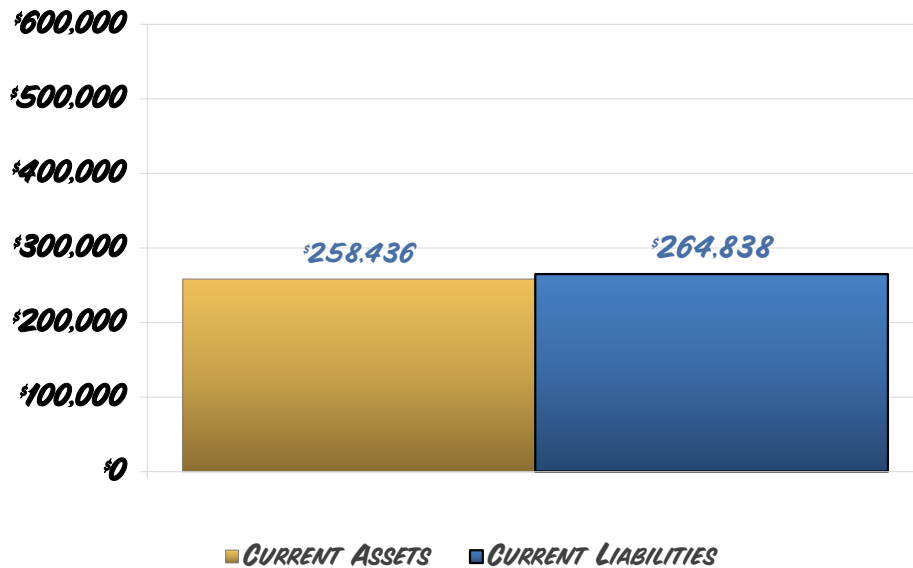
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
N/A	N/A	N/A	N/A	N/A	N/A	8.2%	7.3%	8.1%	8.4%



# 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, 2018, the Government of Guam’s General Fund had a ratio of current assets to current liabilities of 0.98 to 1. This indicates that the Government of Guam has \$0.98 of current assets to pay for every \$1.00 of current liabilities and is considered an unfavorable indicator of liquidity, and represents an improvement in the ratio when compared to the ratio of the prior year.

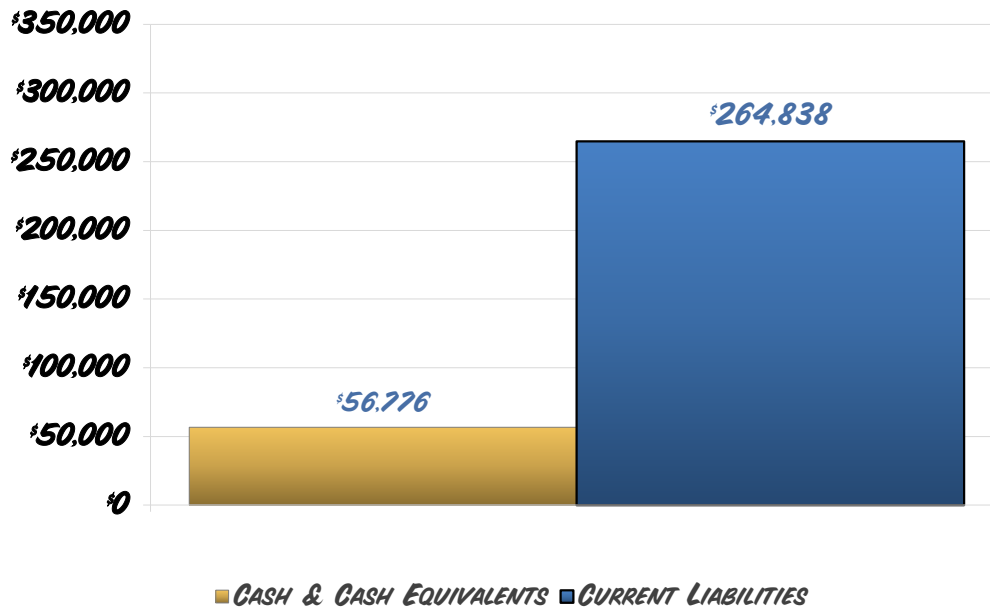
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
0.44	0.36	0.48	1.10	1.01	0.79	0.83	0.90	1.02	0.98



# 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, 2018, the Government of Guam’s General Fund had a ratio of cash and cash equivalents to current liabilities of 0.21 cents to \$1.00. This indicates that the Government of Guam had 21 cents in cash and short-term investments available to pay every \$1 of current liabilities. This ratio has remained relatively consistent for the last 3 years.

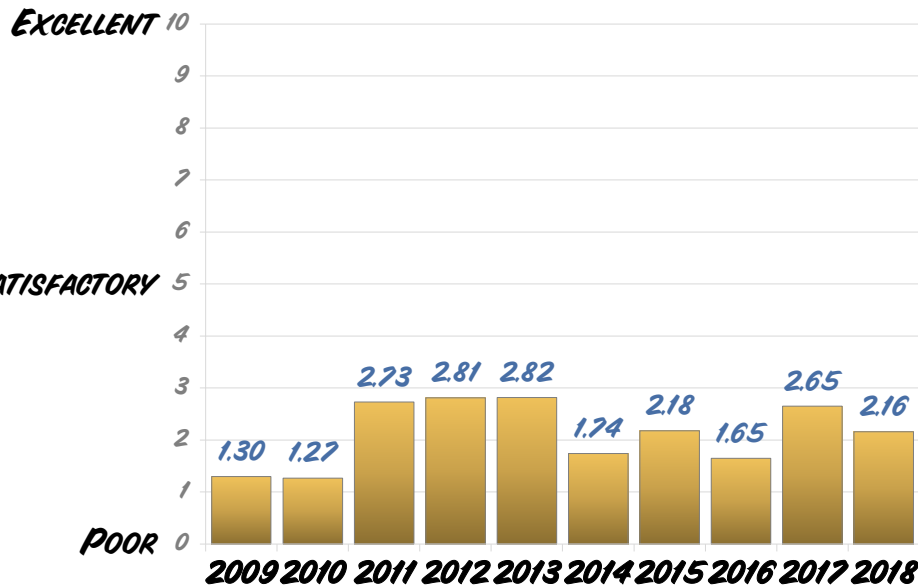
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
0.05	0.04	0.03	0.34	0.27	0.23	0.14	0.36	0.20	0.21



# PERFORMETER® READING

## HOW WAS OUR OVERALL FINANCIAL PERFORMANCE?

OVERALL READING



For the 2018 fiscal year, the readings by ratio category were as follows:

Financial Position	0.15
Financial Performance	6.28
Financial Capability	<u>2.79</u>
<b>Overall</b>	<b>2.16</b>

The 2018 reading of 2.16 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 primary reasons for the decline were the decrease in total net position of \$18.3 million, the increase in the size of the unrestricted net position deficit due to GASB 75 OPEB liability implementation, and the increase in the size of the General Fund unassigned fund balance deficit.

**FY 18 OVERALL PERFORMETER® READING: 2.16**

<i>RATIO</i>	<i>FY 2013</i>	<i>FY 2014</i>	<i>FY 2015</i>	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>
<i>CHANGE IN NET POSITION</i>	<i>6.8%</i>	<i>-16.1%</i>	<i>-4.6%</i>	<i>-11.5%</i>	<i>5.5%</i>	<i>-0.7%</i>
<i>INTERGENERATIONAL EQUITY</i>	<i>100.8%</i>	<i>96.5%</i>	<i>97.2%</i>	<i>94.7%</i>	<i>102.2%</i>	<i>98.8%</i>
<i>LEVEL OF UNRESTRICTED NET POSITION</i>	<i>-73.2%</i>	<i>-74.7%</i>	<i>-155.0%</i>	<i>-153.5%</i>	<i>-163.9%</i>	<i>-285.1%</i>
<i>LEVEL OF UNASSIGNED FUND BALANCE</i>	<i>-16.1%</i>	<i>-19.7%</i>	<i>-27.3%</i>	<i>-31.5%</i>	<i>-23.9%</i>	<i>-27.1%</i>
<i>REVENUE DISPERSION</i>	<i>33.8%</i>	<i>35.5%</i>	<i>34.9%</i>	<i>35.3%</i>	<i>35.2%</i>	<i>37.8%</i>
<i>CAPITAL ASSET CONDITION</i>	<i>61%</i>	<i>61%</i>	<i>59%</i>	<i>57%</i>	<i>57%</i>	<i>52%</i>
<i>FINANCING MARGIN - TAXES</i>	<i>\$3.977</i>	<i>\$4.280</i>	<i>\$4.013</i>	<i>\$4.240</i>	<i>\$4.368</i>	<i>\$4.378</i>
<i>FINANCING MARGIN - DEBT/OBLIGATIONS</i>	<i>\$8.919</i>	<i>\$9.051</i>	<i>\$13.709</i>	<i>\$14.632</i>	<i>\$15.802</i>	<i>\$24.670</i>
<i>PENSION PLAN FUNDING</i>	<i>47%</i>	<i>54%</i>	<i>57%</i>	<i>53%</i>	<i>49.8%</i>	<i>54.0%</i>
<i>DEBT SERVICE LOAD</i>	<i>NOT USED</i>	<i>NOT USED</i>	<i>8.2%</i>	<i>7.3%</i>	<i>8.1%</i>	<i>8.4%</i>
<i>DEBT TO ASSETS</i>	<i>89.0%</i>	<i>90.7%</i>	<i>143.8%</i>	<i>151.0%</i>	<i>158.0%</i>	<i>246.2%</i>
<i>CURRENT RATIO</i>	<i>1.01</i>	<i>0.79</i>	<i>0.83</i>	<i>0.90</i>	<i>1.02</i>	<i>0.98</i>
<i>QUICK RATIO</i>	<i>0.27</i>	<i>0.23</i>	<i>0.14</i>	<i>0.36</i>	<i>0.20</i>	<i>0.21</i>
<i>OVERALL PERFORMETER READING</i>	<i>2.82</i>	<i>1.74</i>	<i>2.18*</i>	<i>1.65*</i>	<i>2.65*</i>	<i>2.16</i>

*\*NOTES YEARS THAT THE OVERALL SCORE HAS BEEN RESTATED FOR COMPARISON PURPOSES*

## *PERFORMETER INDIVIDUAL RATIOS - SUMMARY AND COMPARISON TO PRIOR YEARS*

# ***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.



	2011	2012	2013	2014	2015	2016	2017	2018
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	5	5	4	7	4	4	4	4
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	6	4	3	3	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	6	4	3	3	1	0	0	1
Percentage of Findings Repeated	0%	100%	100%	33%	0%	0%	0%	0%
Number of Single Audit Findings								
A. Internal Control and Compliance	3	3	5	6	8	9	7	3
B. Internal Control Only	0	0	0	1	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>	<u>0</u>	<u>0</u>
TOTAL	3	3	5	7	8	9	<u>7</u>	3
Percentage of S.A. Findings Repeated	33.3%	0%	0%	14%	12.5%	33%	71%	100%
Number of months after Y/E the F.S. were Released	9	9	9	9	9	8	9	9
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$41,790	\$35,293	\$18,178	\$46,293	\$348	\$432,056	\$135,451	\$549,023
\$ of Questioned Costs- Cumulative	\$1,428,837	\$45,370	\$53,471	\$99,764	\$14,798	\$432,056	\$567,507	\$694,425
\$ of Questioned Costs Resolved – Current Year	\$926,514	\$1,418,760	\$10,077	\$0	\$85,314	\$14,450	\$348	\$422,105

# 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.