



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 Pohnpei  
as of and for the Year Ended September 30, 2006



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



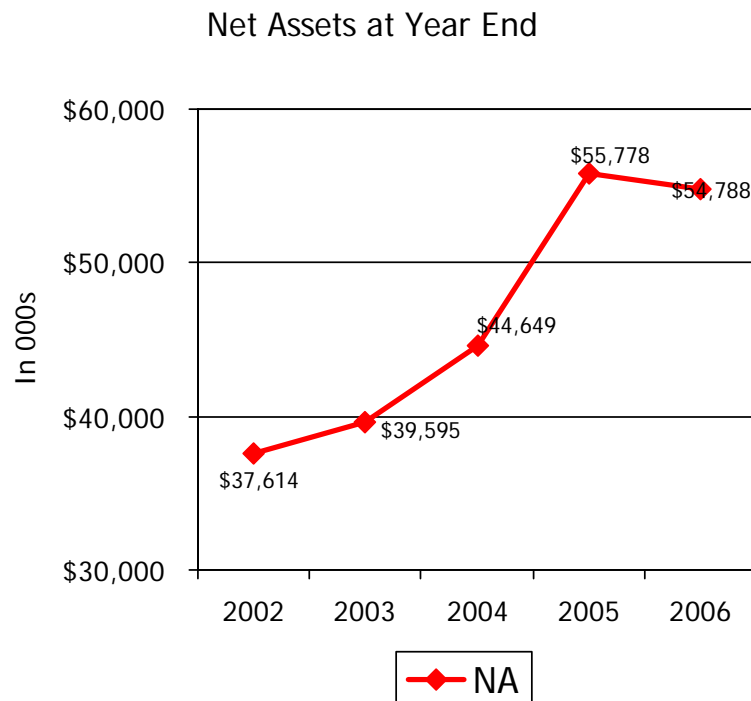
# Limitations of the Performer®

---

- The Performer® should not be used as the only source of financial information to evaluate 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 Assets

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



Net assets include all assets of Pohnpei, excluding discretely presented component units. It is measured as the difference between total assets, including capital assets, and total liabilities, including long-term debt.

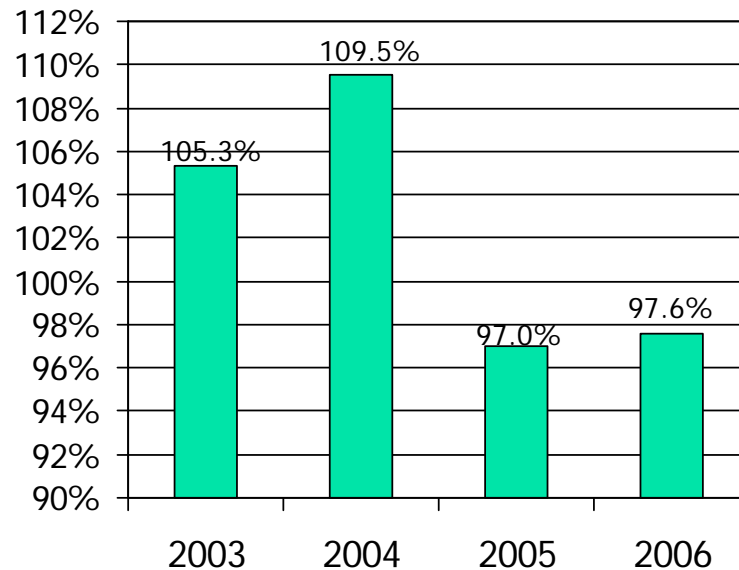
For the year ended September 30, 2006, total net assets decreased by \$990,065 or 1.8% from the prior year. This overall slight decrease was not attributable to any specific unusual transaction or event. The immediate prior period net assets amount was restated and increased in the current year by approximately \$12 million related to an understatement of the previously reported book value of capital assets. The ratio for the prior year has been restated to reflect this amount.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
5.3%	7.8%	24.9%	-1.8%						

# 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.

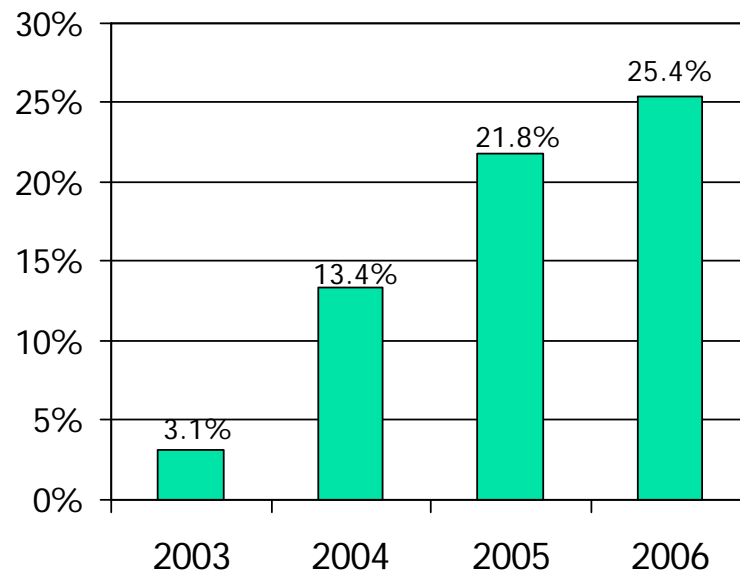
For the year ended September 30, 2006, Pohnpei funded 97.6% of their expenses with current year revenues, which is an above satisfactory percentage, and is consistent with the prior year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
105.3%	109.5%	97.0%	97.6%						

# Level of Unrestricted Net Assets

## How do our total rainy day funds look?

Unrestricted Net Assets as a % of Annual Revenues



The level of total unrestricted net assets 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, 2006, Pohnpei's total unrestricted net assets approximated 25.4% of annual total revenues.

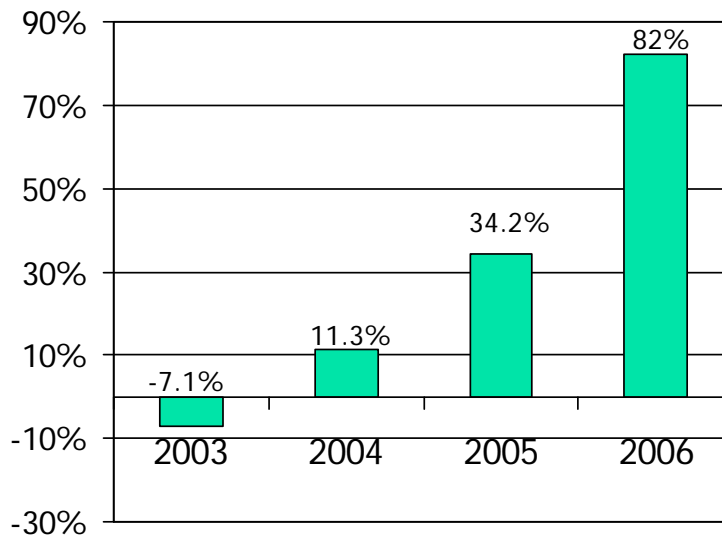
A comparison to the prior periods shows an overall steady increase of total unrestricted net assets, to a level that is now considered an above satisfactory indicator.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3.1%	13.4%	21.8%	25.4%						

# Level of Budgetary Fund Balance

## How does our budgetary carryover look?

Budgetary Unreserved Fund Balance  
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 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, 2006, Pohnpei's unreserved fund balance of the General Fund was approximately 82.2% of annual revenues. This is an extremely favorable indicator, and is due mainly to a \$4.2 million decrease in the reserves for compact programs.

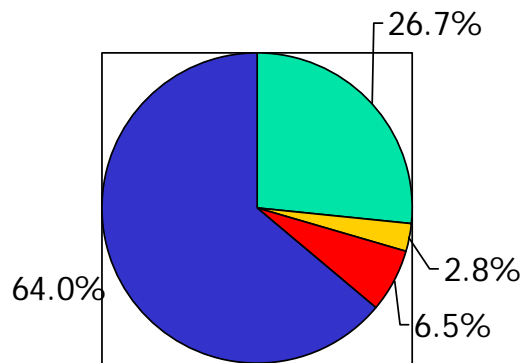
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-7.1%	11.3%	34.2%	82.2%						



# Revenue Dispersion

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

2006 Revenue Percentages by Source



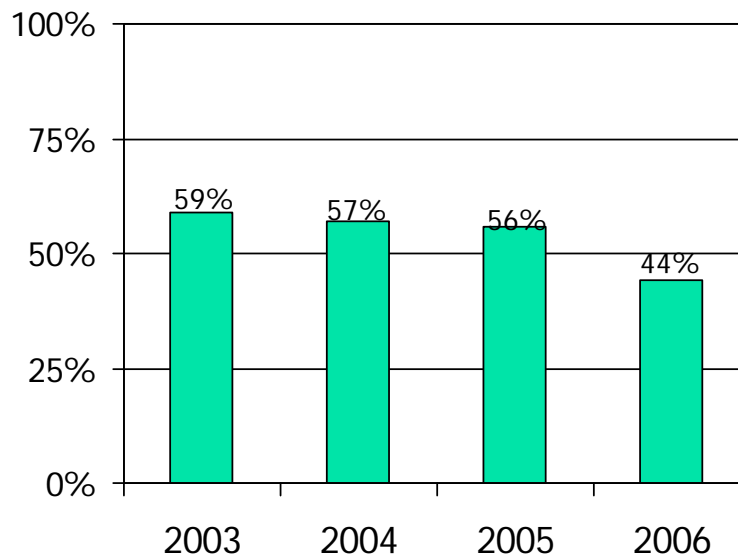
- The percentage dispersion of revenue by source indicates how dependent Pohnpei is on certain types of revenue. The more dependent Pohnpei is on revenue sources beyond its direct control, such as revenues from other governments such as grants, the less favorable the dispersion.
- For the year ended September 30, 2006, Pohnpei had direct control over 11.6% of its revenues, including charges for services and some local taxes. This ratio indicates Pohnpei has exposure, as do most governments, to financial difficulties due to reliance (88.4%) on non-controlled revenues.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
12.2%	8.8%	13.6%	11.6%						

# Capital Asset Condition

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

Percentage of Capital Assets'  
Useful Life Remaining



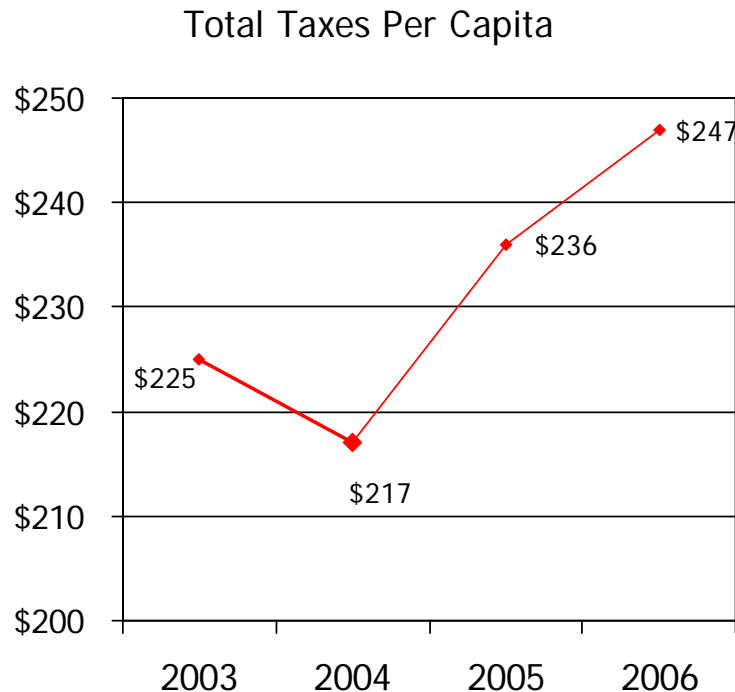
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2006, Pohnpei's depreciable capital assets amounted to \$65 million while accumulated depreciation totaled \$36.5 million. This indicates that, on the average, Pohnpei's capital assets have 44% of their useful lives remaining, which is a below satisfactory ratio, with the significant decrease in the ratio from the prior year caused by the prior year restatement of capital asset book values.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
59%	57%	56%	44%						

# Financing Margin - Taxes

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



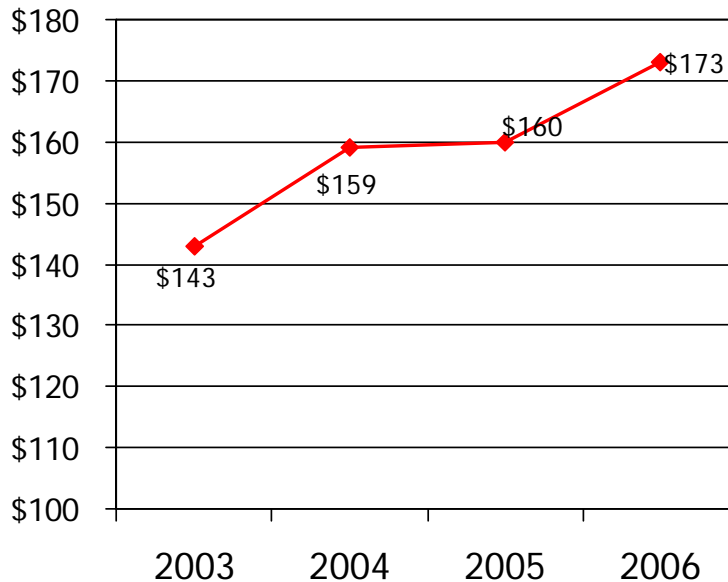
- The financial ratio of taxes per capita is an indication of Pohnpei's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes.
- For the year ended September 30, 2006, total taxes amounted to \$8.5 million or \$247 per capita. This indicates a very favorable tax burden and is relatively consistent with prior year amounts.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$225	\$217	\$236	\$247						

# Financing Margin - Debt

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

Debt Per Capita



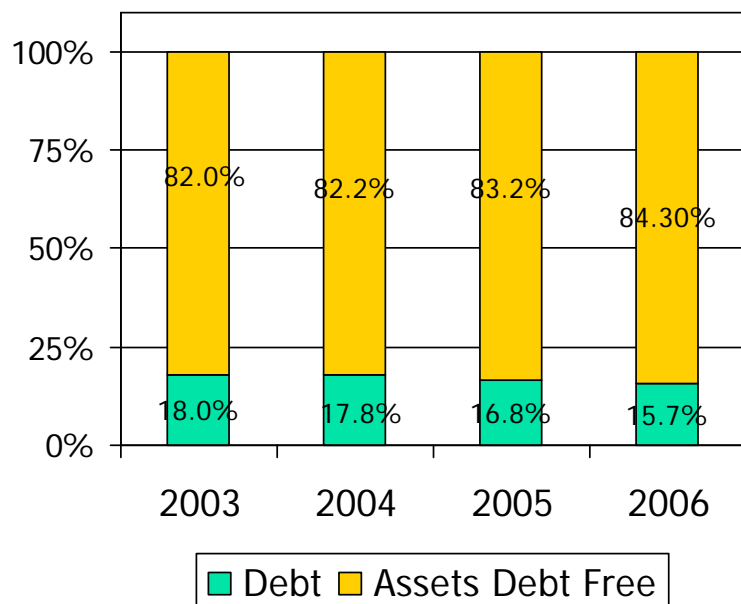
- The financial ratio of debt per capita is an indication of Pohnpei's debt burden on its citizens and other taxpayers.
- For the year ended September 30, 2006, Pohnpei had \$5.97 million in long-term debt, or \$173 per capita which is considered a low debt burden on its citizens, and has remained relatively consistent with that of prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$143	\$159	\$160	\$173						

# Debt to Assets

## Who really owns Pohnpei?

Percentage of Debt to Assets



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.

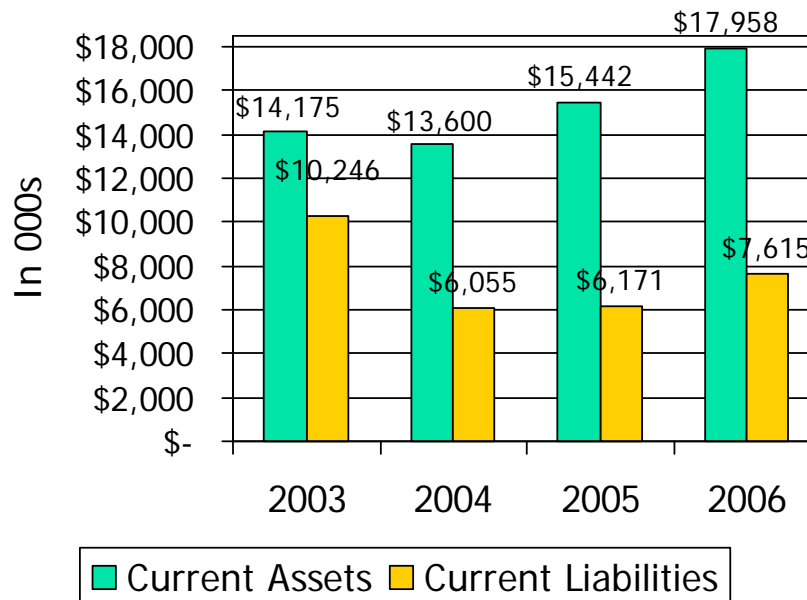
At September 30, 2006, 15.7% of Pohnpei's \$65 million of total assets were funded with debt or other obligations. This is a favorable financial indicator and indicates that for each dollar of assets Pohnpei owns, it owes only 15.7 cents of that dollar to others. This ratio is consistent with prior years, and continues an four-year improvement trend in the ratio.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
18.0%	17.8%	16.8%	15.7%						

# Current Ratio

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

Current Assets Compared to Current Liabilities



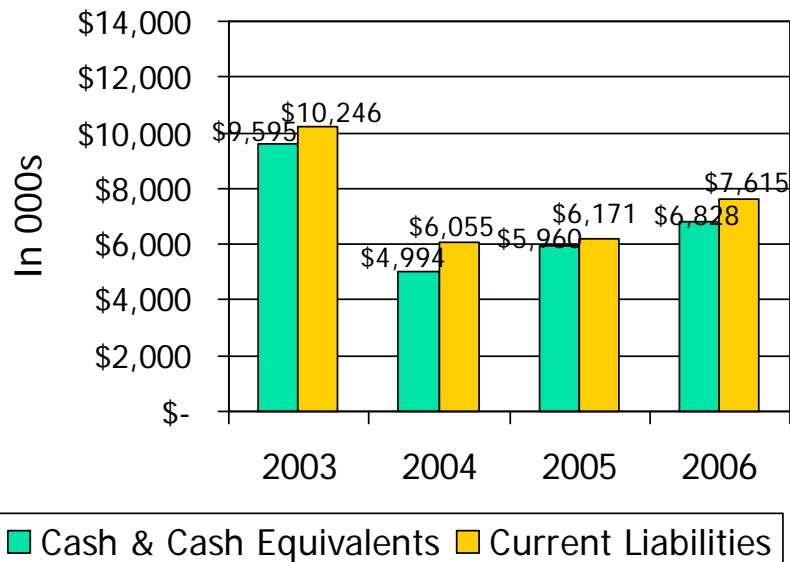
- The current ratio is one measure of Pohnpei's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1 indicates good current liquidity and an ability to meet the short-term obligations. This analysis uses only the General Fund, the primary operating fund of Pohnpei.
- At September 30, 2006, Pohnpei had a General Fund ratio of current assets to current liabilities of 2.36 to 1. This indicates that Pohnpei had over two and one-third times the amount of current assets to pay current liabilities and is considered a above satisfactory indicator of liquidity, and relatively consistent with ratios in the prior two periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.38	2.25	2.50	2.36						

# 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, 2006, Pohnpei had a General Fund ratio of cash and cash equivalents to current liabilities of .90 to 1. This indicates that Pohnpei had 90 cents of cash and cash equivalents available to pay \$1 of current liabilities, and is considered a slightly below satisfactory financial liquidity ratio.

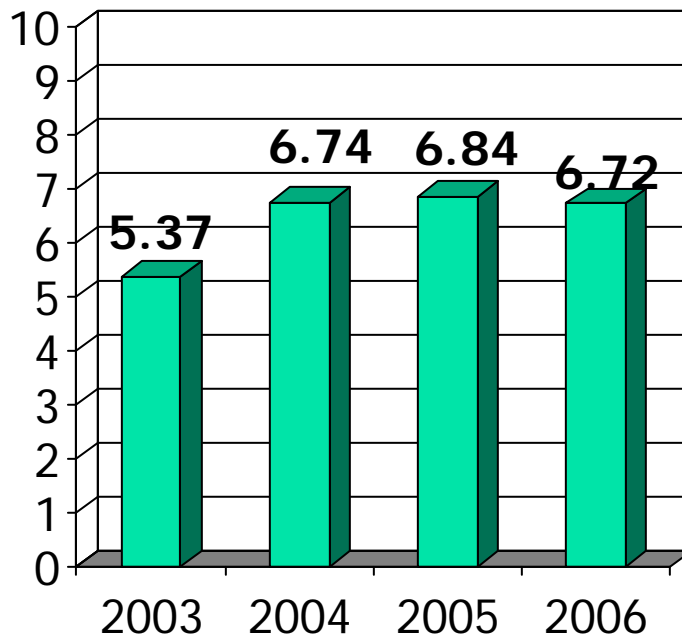
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
.94	.82	.97	.90						



# Performer<sup>®</sup> Reading

---

## Overall Reading



The 2006 reading of indicates the evaluator's opinion that Pohnpei's overall financial health and performance is considered above satisfactory and has remained relatively consistent over the past 3 years. Improvements in certain ratios continue to be made, including improved General Fund fund balance, but decreases in other ratios, such as capital asset remaining useful lives, and slight decreases in current and quick ratios have occurred during the year. Overall health and performance though is considered consistent with that of the prior year.





# 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.

	2003	2004	2005	2006
Number of F.S. Opinion Qualifications/Exceptions	9	5	0	0
Number of Major Federal Program Qualifications/Exceptions		2	2	2
Number of F.S. Findings				
A. Internal Control and Compliance	0	0	0	0
B. Internal Control Only	7	7	5	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	7	7	5	0
Percentage of Findings Repeated	25.6%	57%	20%	0%
Number of A-133 Findings				
A. Internal Control and Compliance	3	5	2	6
B. Internal Control Only	0	0	0	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	3	5	2	6
Percentage of A-133 Findings Repeated	0%	0%	0%	0%
Number of months Y/E the F.S. were Released	27	17	9	9
Number of Qualifications/Exceptions Related to C.U.	4	5	0	0
\$ of Questioned Costs-Current Year	\$0	\$80,721	\$0	\$0
\$ of Questioned Costs- Cumulative	\$230,664	\$311,385	\$80,271	0\$
\$ of Questioned Costs Resolved – Current Year	\$777,560	\$0	\$230,664	\$80,721



# Thank You

---

- We would like to commend and thank Pohnpei's management, the U.S. Department of Interior, and the Graduate School - USDA for allowing us to present this financial analysis. We hope it serves as a useful and understandable compliment to Pohnpei's annual financial report.
- Visit our website at [www.crawfordcpas.com](http://www.crawfordcpas.com) for other useful tools for governments.