



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, 2008



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 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

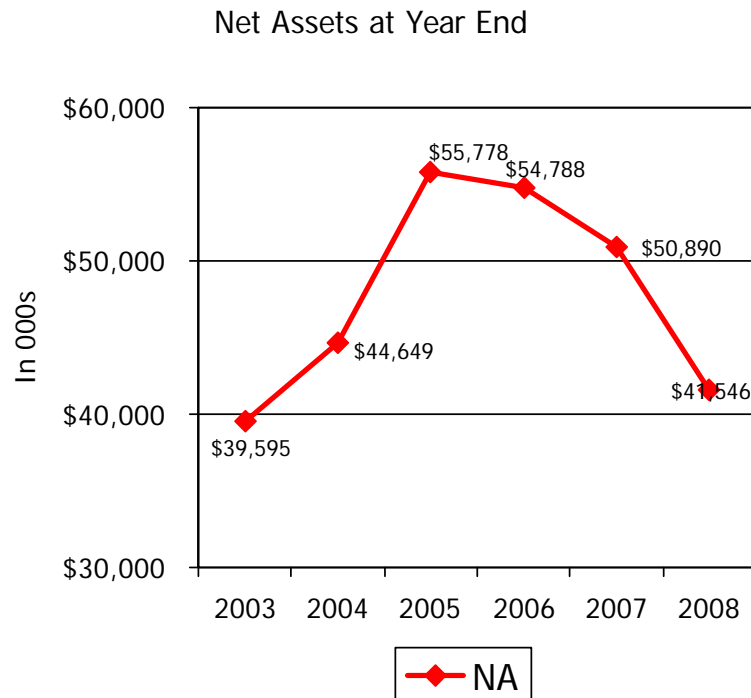


Limitations of the Performer®

- 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, 2008, total net assets decreased by \$9,343,754 or 18.4% from the prior year. This overall decrease included approximately \$3.7 million of declines in the fair market value of investments.

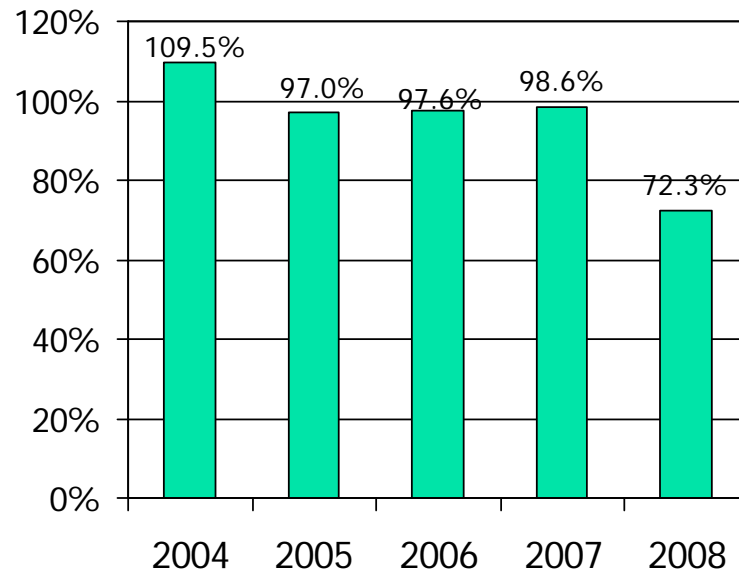
Without this decline in fair value, net assets would have decreased approximately \$5.6 million, or 11%.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
5.3%	7.8%	24.9%	-1.8%	-7.1%	-18.4%				

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.

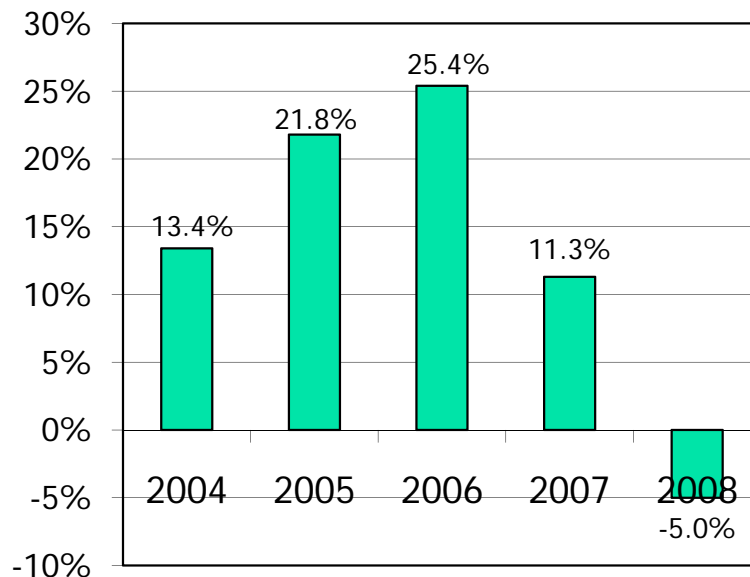
For the year ended September 30, 2008, Pohnpei funded 72.3% of their expenses with current year revenues. Although significantly different from prior year ratios, approximately 1/3 of the decline can be tied to the \$3.7 million decline in the fair market value of investments.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
105.3%	109.5%	97.0%	97.6%	98.6%	72.3%				

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

For the year ended September 30, 2008, Pohnpei's total unrestricted net assets (deficit) approximated 5% of annual total revenues.

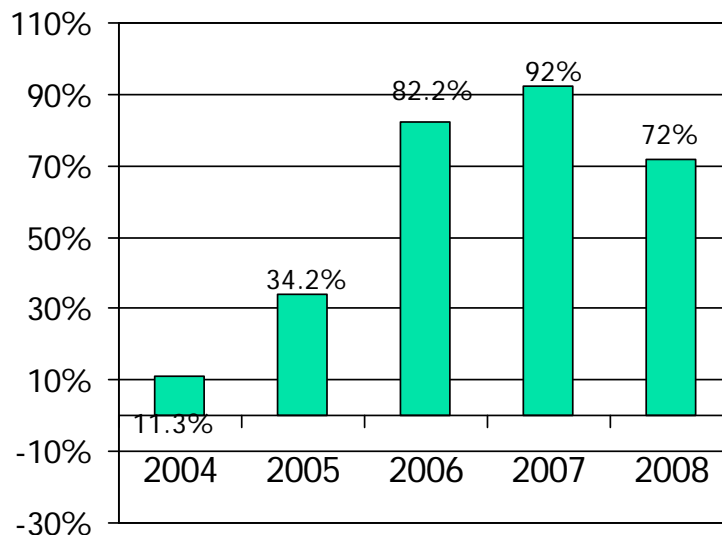
This ratio continues to trend unfavorably downward and has resulted in a deficit position for the unrestricted net assets for the first time since these ratios have been tracked.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
3.1%	13.4%	21.8%	25.4%	11.3%	-5.0%				

Level of Budgetary Fund Balance

How does our budgetary carryover look?

Budgetary Unreserved Fund Balance
as a Percentage of Annual Revenues



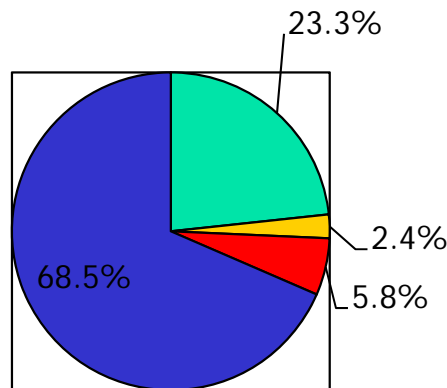
- The level of budgetary unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources Pohnpei has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs. In this analysis, only the General Fund is considered.
- For the year ended September 30, 2008, Pohnpei's unreserved fund balance of the General Fund was approximately 71.8% of annual revenues. Although this continues to be an extremely favorable indicator, it did decline from the ratio of the prior period.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-7.1%	11.3%	34.2%	82.2%	92.2%	71.8%				

Revenue Dispersion

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

2008 Revenue Percentages by Source



Taxes

Service Charges

Other

Grants & Contributions

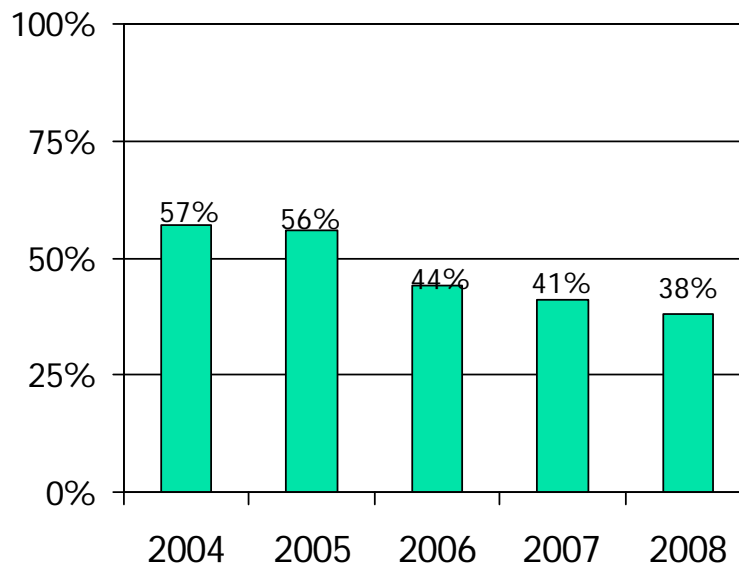
- The percentage dispersion of revenue by source indicates how dependent Pohnpei is on certain types of revenue. The more dependent Pohnpei is on revenue sources beyond its direct control, such as revenues from other governments such as grants, the less favorable the dispersion.
- For the year ended September 30, 2008, Pohnpei had direct control over 13.7% 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 (86.3%) on non-controlled revenues.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
12.2%	8.8%	13.6%	11.6%	9.4%	13.7%				

Capital Asset Condition

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

Percentage of Capital Assets' Useful Life Remaining



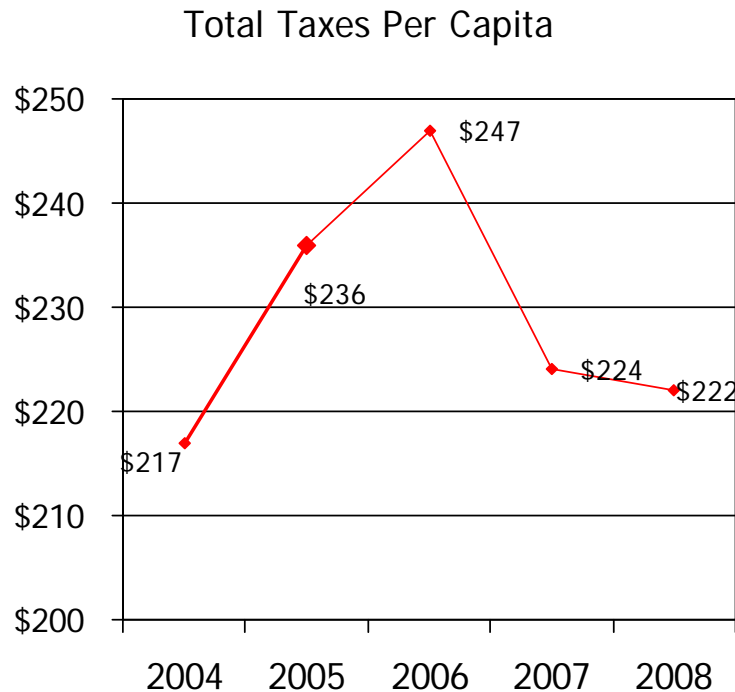
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2008, Pohnpei's depreciable capital assets amounted to \$65.6 million while accumulated depreciation totaled \$41 million. This indicates that, on the average, Pohnpei's capital assets have 38% of their useful lives remaining, which is a below satisfactory ratio, and continues a decrease in the ratios reported in prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
59%	57%	56%	44%	41%	38%				

Financing Margin - Taxes

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



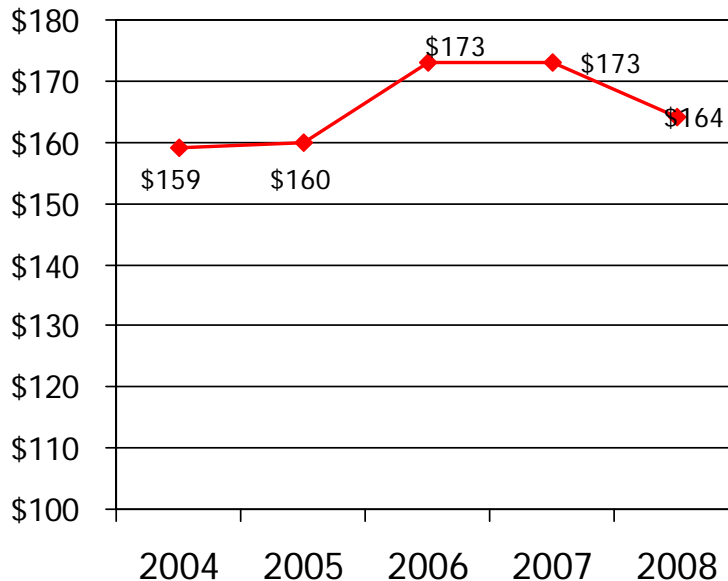
- The financial ratio of taxes per capita is an indication of Pohnpei's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes.
- For the year ended September 30, 2008, total taxes amounted to \$7.7 million or \$222 per capita. This 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	\$224	\$222				

Financing Margin - Debt

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

Debt Per Capita



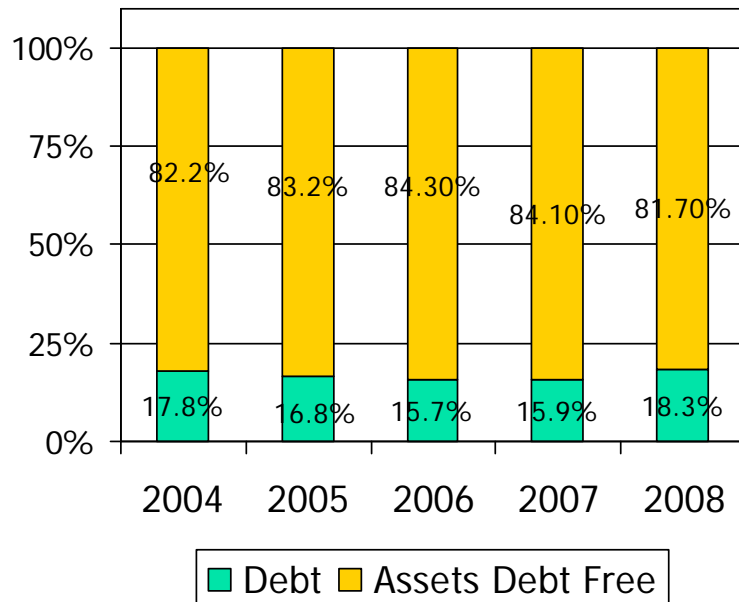
- The financial ratio of debt per capita is an indication of Pohnpei's debt burden on its citizens and other taxpayers.
- For the year ended September 30, 2008, Pohnpei had \$5.7 million in long-term debt, or \$164 per capita which is considered a low debt burden on its citizens, and has remained consistent with that of prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$143	\$159	\$160	\$173	\$173	\$164				

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.

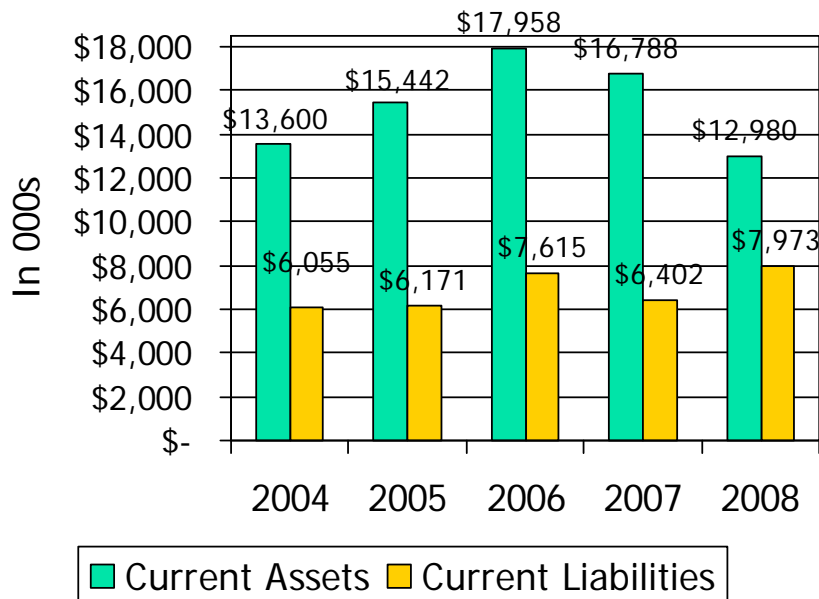
At September 30, 2008, 18.3% of Pohnpei's \$50 million of total assets were funded with debt or other obligations. This is a favorable financial indicator and indicates that for each dollar of assets Pohnpei owns, it owes only 18.3 cents of that dollar to others. This ratio is relatively consistent with prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
18.0%	17.8%	16.8%	15.7%	15.9%	18.3%				

Current Ratio

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

Current Assets Compared to Current Liabilities



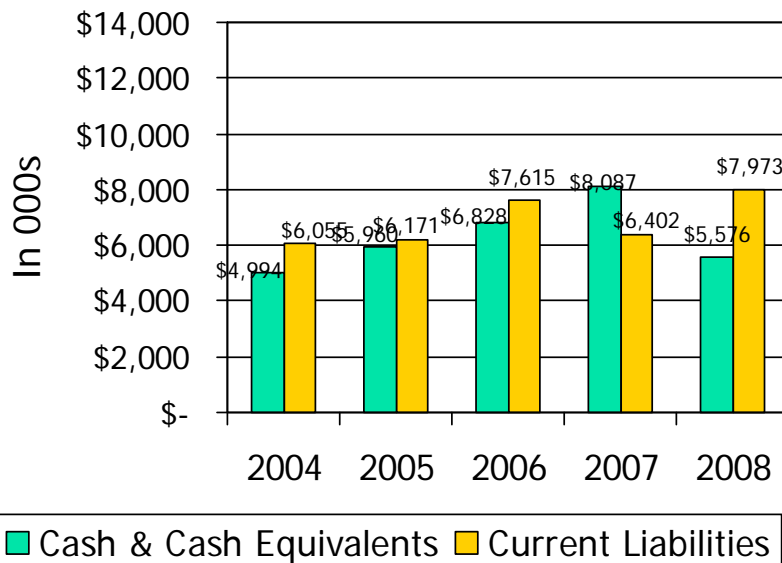
- The current ratio is one measure of Pohnpei's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1 indicates good current liquidity and an ability to meet the short-term obligations. This analysis uses only the General Fund, the primary operating fund of Pohnpei.
- At September 30, 2008, Pohnpei had a General Fund ratio of current assets to current liabilities of 1.63 to 1. This indicates that Pohnpei had nearly 1 and two-thirds times the amount of current assets to pay current liabilities and is considered a below satisfactory indicator of liquidity, and a significant decline when compared with the ratios of the prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.38	2.25	2.50	2.36	2.62	1.63				

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities

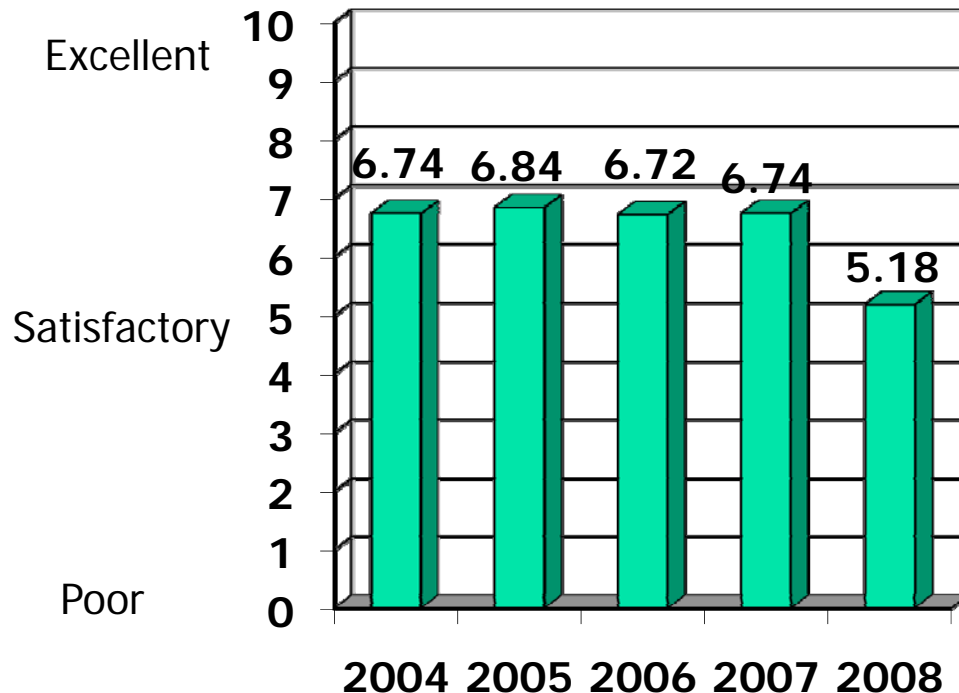


- The quick ratio is another, more conservative, measure of Pohnpei's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations with cash. This analysis uses only the General Fund, the primary operating fund of Pohnpei.
- At September 30, 2008, Pohnpei had a General Fund ratio of cash and cash equivalents to current liabilities of .70 to 1. This indicates that Pohnpei had 70 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 significant decline from ratios of prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
.94	.82	.97	.90	1.26	.70				

Performer® Reading

Overall Reading



The 2008 reading of indicates the evaluator's opinion that Pohnpei's overall financial health and performance is considered slightly above satisfactory, but has declined from the score of the prior period.

While General Fund fund balance remains strong, many of the other ratios suffered a decline during the year. However, some of this decline is related to the \$3.7 million decrease in the fair market value of investments that occurred during the 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.

	2004	2005	2006	2007	2008
Number of F.S. Opinion Qualifications/Exceptions	5	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	2	2	2	2	0
Number of F.S. Findings					
A. Internal Control and Compliance	0	0	0	0	0
B. Internal Control Only	7	5	0	0	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	7	5	0	0	0
Percentage of Findings Repeated	57%	20%	0%	0%	0%
Number of A-133 Findings					
A. Internal Control and Compliance	5	2	6	4	2
B. Internal Control Only	0	0	0	0	0
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	5	2	6	4	2
Percentage of A-133 Findings Repeated	0%	0%	0%	17%	50%
Number of months Y/E the F.S. were Released	17	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	5	0	0	0	0
\$ of Questioned Costs-Current Year	\$80,721	\$0	\$0	\$0	\$0
\$ of Questioned Costs- Cumulative	\$311,385	\$80,271	\$0	\$0	\$0
\$ of Questioned Costs Resolved – Current Year	\$0	\$230,664	\$80,721	\$0	\$0



Thank You

- We would like to commend and thank Pohnpei's 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 Pohnpei's annual financial report.

This report is available online at the official website of the Pacific and Virgin Islands Training Initiatives, www.pitiviti.org.

Visit our website at www.crawfordcpas.com for other useful tools for governments.