



THE PERFORMETER[®]
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 the U.S. Virgin Islands
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 the VI'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 the VI as a whole
- Use the comparisons to prior years to monitor trends in financial indicators



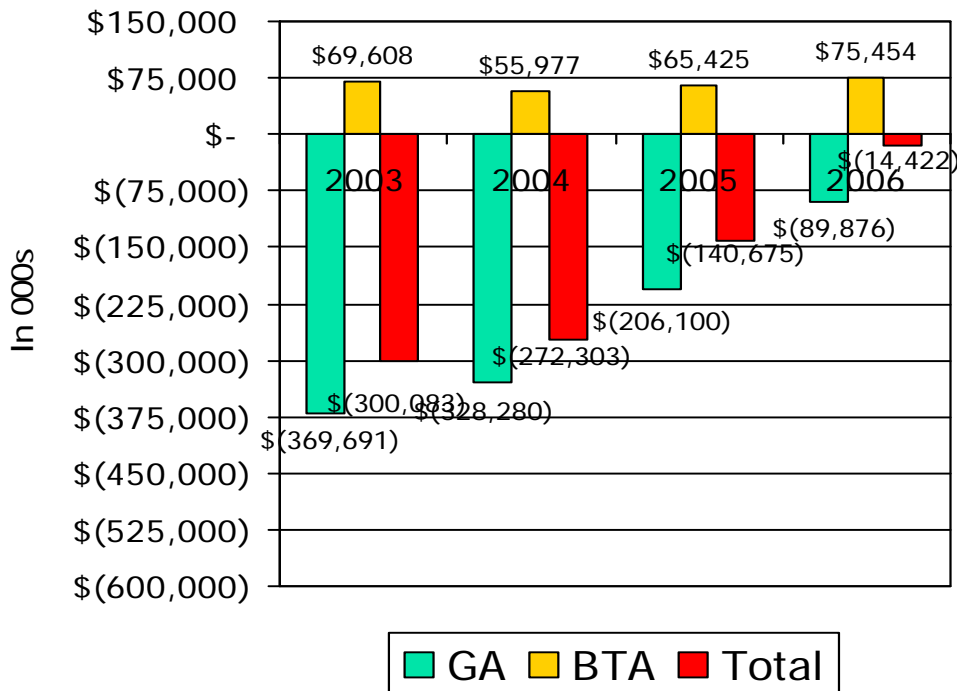
Limitations of the Performer®

- The Performer® should not be used as the only source of financial information to evaluate the VI's performance and condition
- The analysis is an overall rating of the VI 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 (Deficit) at Year End



Net assets include all assets of the VI, 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.

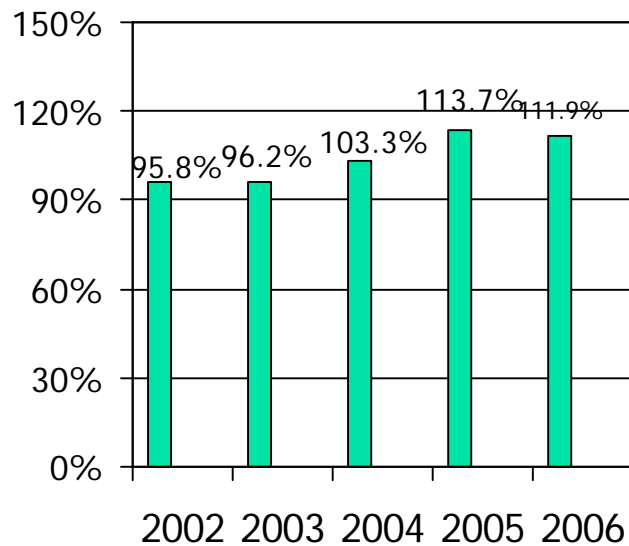
For the year ended September 30, 2006, the total net assets (deficit) decreased by \$126.3 million or 89.7% from the prior year, which leaves a total net assets (deficit) of approximately \$14.4 million at year end. This overall decrease of the net assets deficit is indicative of the VI earning more revenue than incurring expenses during the current year, and continues a trend of deficit reduction over the past four periods shown in this analysis.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-9.4%	29.5%	10.2%	49.5%	89.7%					

Intergenerational Equity

Who is paying for today's costs of services?

Revenues as a % of Annual Expenses



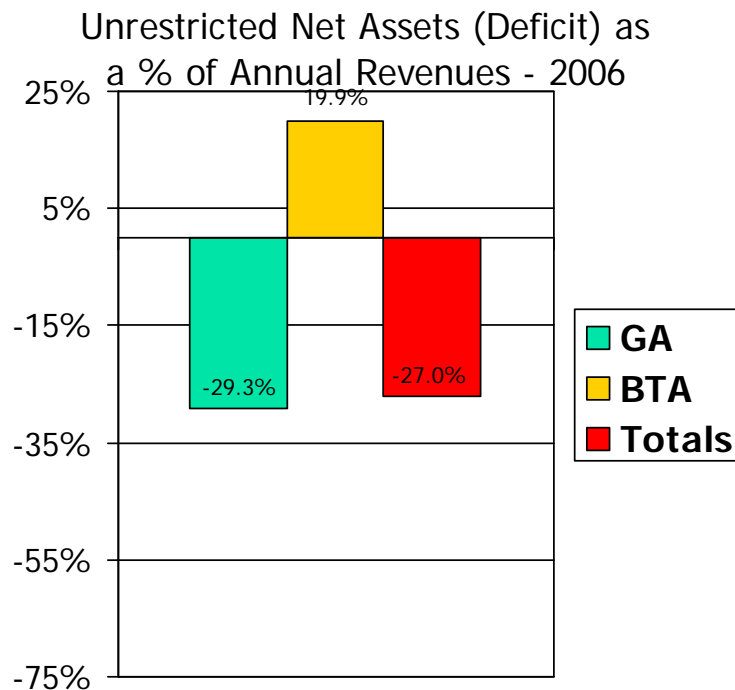
A measure of whether the government lived within its means in the measurement year, or was required to use prior year resources to fund a portion of current year costs, or shifted the funding of some of the current year costs to future periods.

For the year ended September 30, 2006, the VI funded 111.9% of their expenses with current year revenues, which is an excellent percentage, and relatively consistent with that of the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
95.8%	96.2%	103.3%	113.7%	111.9%					

Level of Unrestricted Net Assets

How do our total rainy day funds look?



The level of total unrestricted net assets is an indication of the amount of unexpended and available resources the VI has at a point in time to fund emergencies, shortfalls or other unexpected needs.

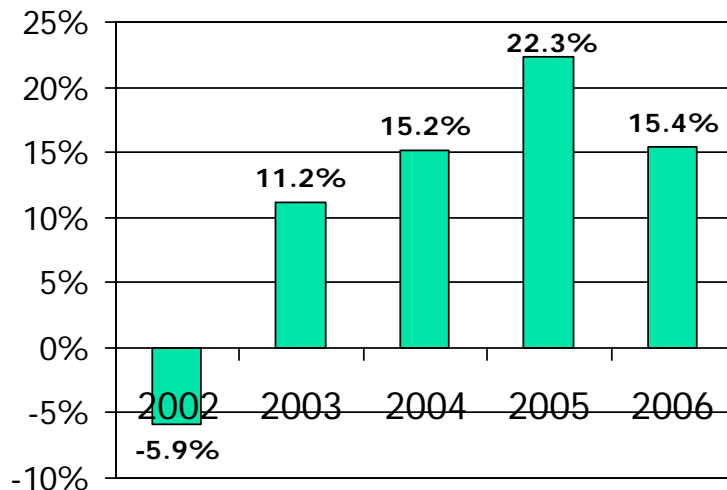
For the year ended September 30, 2006, the VI's total unrestricted net assets (deficit) approximated \$319.2 million or 27% of annual total revenues, continuing a trend of decreasing the size of the deficit as a percentage of revenue as reported in the four prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-100.4%	-81.2%	-70.0%	-51.4%	-27.0%					

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 the VI 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.

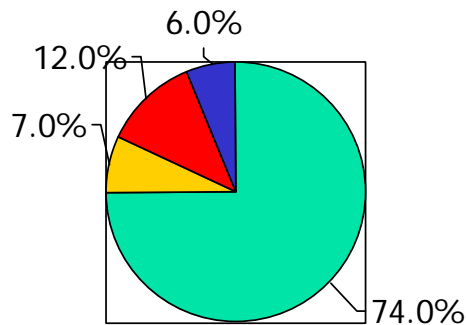
For the year ended September 30, 2006, the VI's unreserved fund balance of the General Fund was 15.4% of annual General Fund revenues. This is considered a good ratio and financial position for the General Fund to be in, although a slight decrease from the ratio in the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-5.9%	11.2%	15.2%	22.3%	15.4%					

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 the VI is on certain types of revenue. The more dependent the VI is on revenue sources beyond its direct control, such as grants and certain taxes, the less favorable the dispersion.

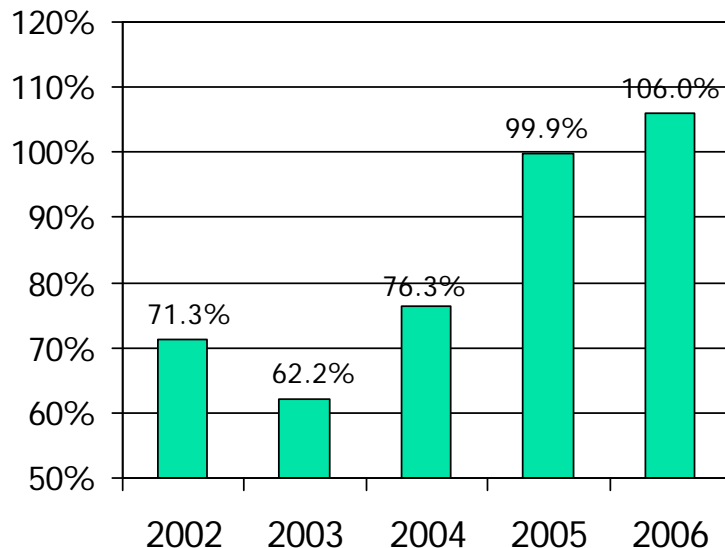
For the year ended September 30, 2006, the VI had direct control over 37.4% of its revenues (some taxes and charges for services). This ratio indicates that the VI has some exposure, as do most governments, to financial difficulties due to reliance on non-controlled revenue (62.6%). This ratio is relatively consistent with that of the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
41.2%	44.6%	43.1%	41.8%	37.4%					

BTA Self-Sufficiency

Did current year business-type activities (BTA) pay for themselves?

Percentage of BTA Expenses Covered By BTA Revenues



The self-sufficiency ratio indicates the level at which business-type activities covered their current costs with current year revenues, without having to rely on subsidies, grants or use of prior year reserves.

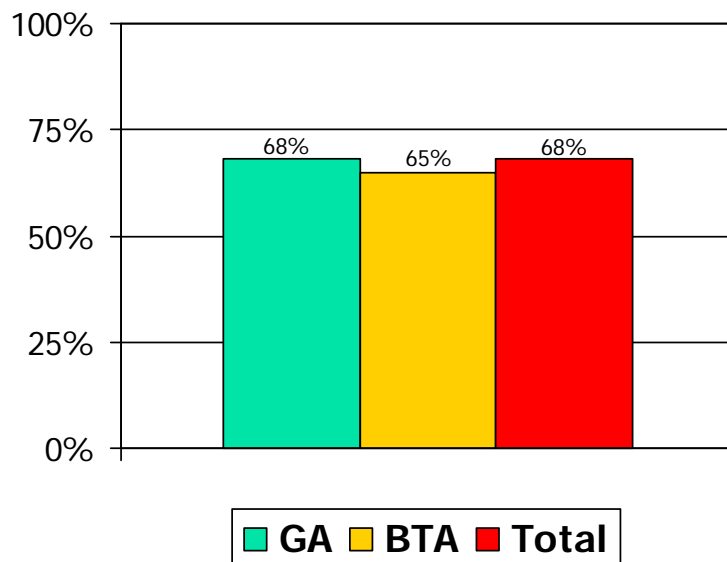
For the year ended September 30, 2006, the VI's total business-type activities were 106% self-sufficient. This indicates that all of the current year costs were funded by recurring current year revenues, and is an increase from that reported in the prior years.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
71.3%	62.5%	76.3%	99.9%	106.0%					

Capital Asset Condition

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

Percentage of Capital Assets'
Useful Life Remaining - 2006



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.

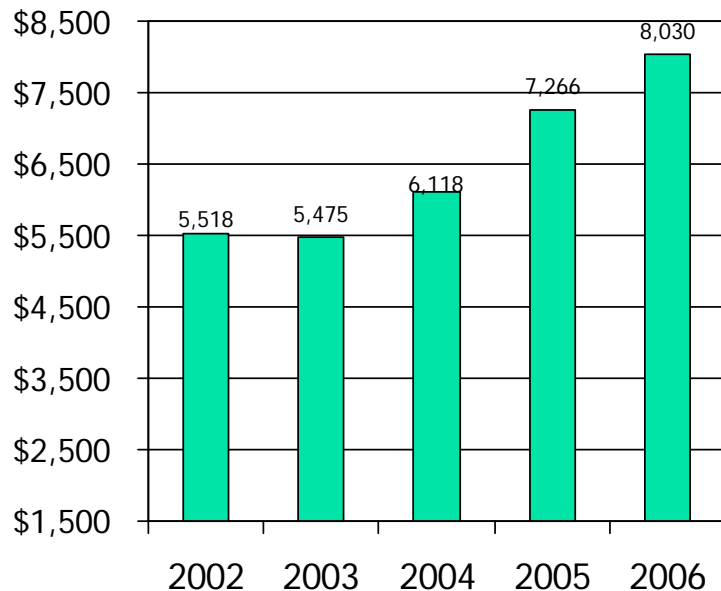
At September 30, 2006, the VI's depreciable capital assets amounted to \$596.9 million while accumulated depreciation totaled \$193.7 million. This indicates that, on the average, the VI's capital assets have 68% of their useful lives remaining. This is a favorable financial indicator and consistent with the ratios from the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
72%	71%	68%	68%	68%					

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 the VI's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including income taxes, and other taxes.

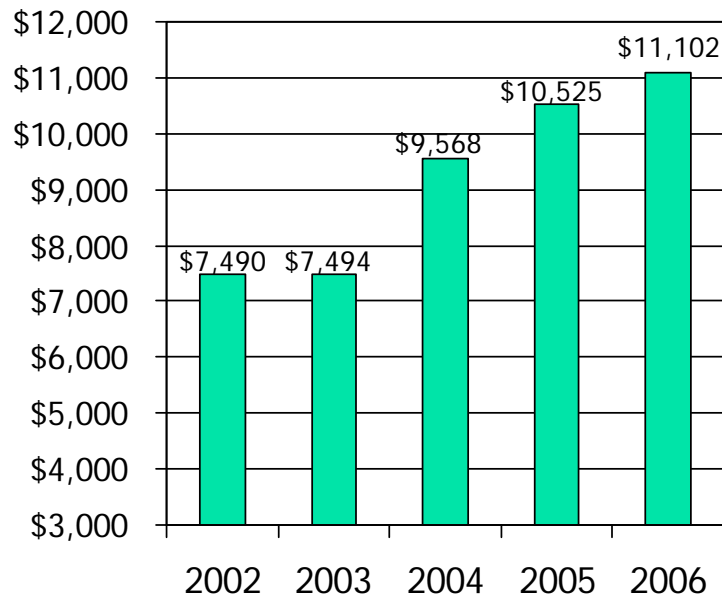
For the year ended September 30, 2006, total taxes amounted to \$872.1 million or \$8,030 per capita. This is considered a high tax burden (when compared to other insular governments), and continues a trend of increases from the ratios reported prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
\$5,518	\$5,475	\$6,118	\$7,266	\$8,030					

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 VI's debt burden on its citizens and other taxpayers.

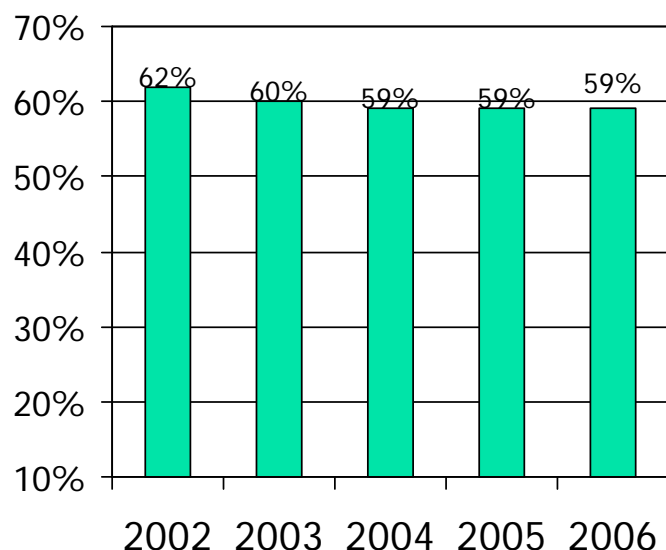
For the year ended September 30, 2006, the VI had \$1.206 billion of long-term debt or \$11,102 per capita which is a high debt burden on its citizens (when compared to other insular governments) and an increase from the ratios reported in prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
\$7,490	\$7,494	\$9,568	\$10,525	\$11,102					

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.

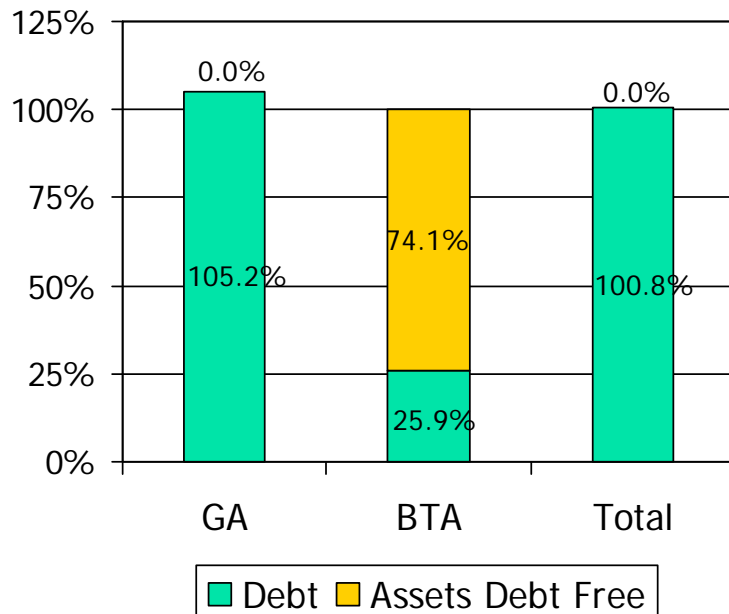
At September 30, 2006, based upon the most recent actuarial valuation, the VI's pension plan assets were 59% of the accrued pension benefit liability, indicating the plan was slightly more than half funded, and an indicator of potential long-term cash demands to fund the future needs of the plan. The funded portion of the plan has remained relatively constant in the past few periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
62%	60%	59%	59%	59%					

Debt to Assets

Who really owns the VI?

Percentage of Debt to Assets - 2006



The debt to assets ratio measures the extent to which the VI had funded its assets with debt. The lower the debt percentage, the more equity the VI has in its assets.

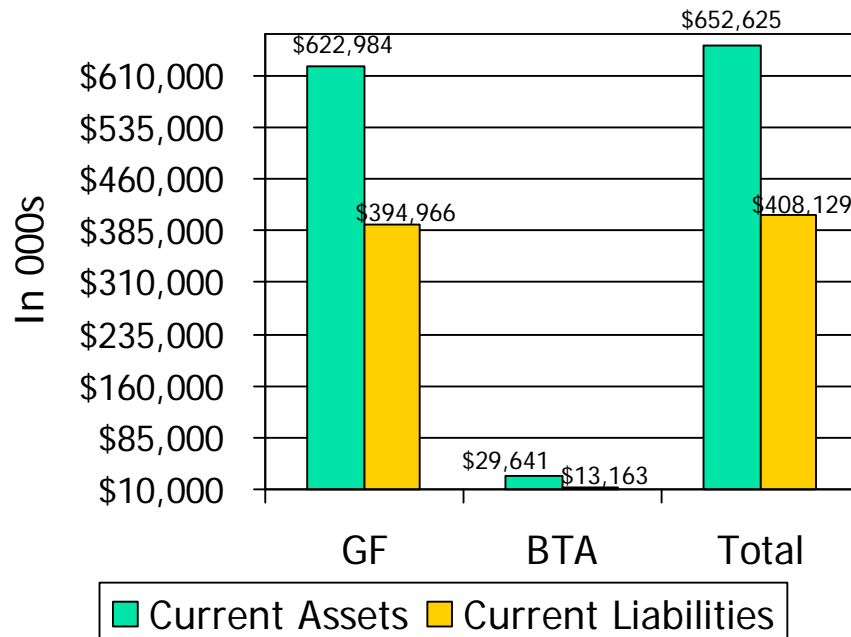
At September 30, 2006, the VI had debt or other obligations that exceeded its total assets by .8%. This is an unfavorable financial indicator and indicates that none of the VI's assets are debt-free, and for each dollar of assets the VI owns, it owes \$1 in liabilities to others. However, this ratio has continued to improve from the ratios reported in the previous periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
134.6%	122.4%	117.4%	107.4%	100.8%					

Current Ratio

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

Current Assets Compared to Current Liabilities - 2006



The current ratio is one measure of the VI'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 and business-type activities of the Enterprise Funds, the VI's primary operating funds.

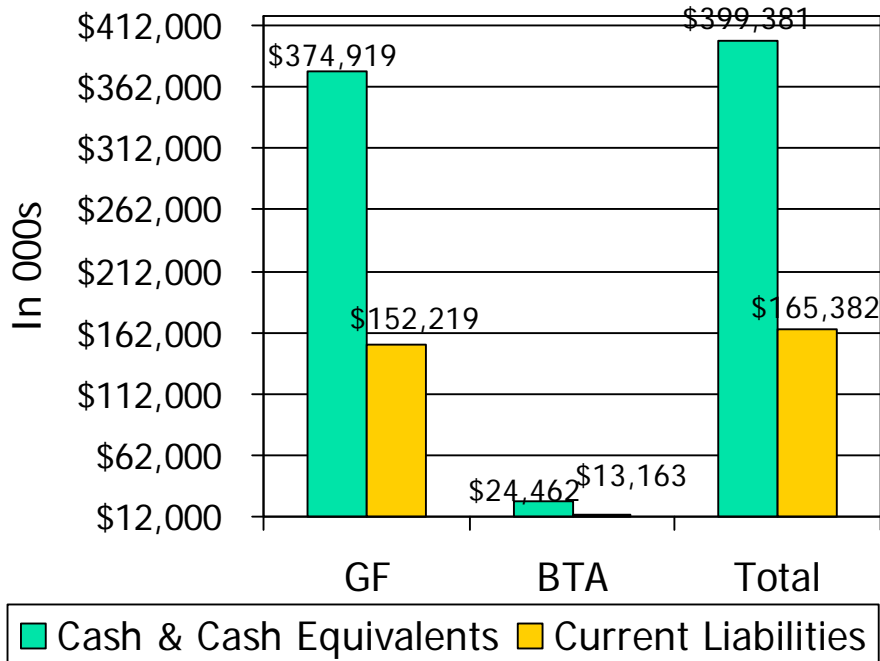
At September 30, 2006, the VI had ratios of current assets to current liabilities of \$1.60 to \$1. This indicates that for every dollar of current liabilities, the VI had \$1.60 to fund them. Although the ratio improved during this year, it is considered a less than satisfactory ratio, and is consistent with the ratio in the previous period.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1.10	1.39	1.44	1.44	1.60					

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities - 2006



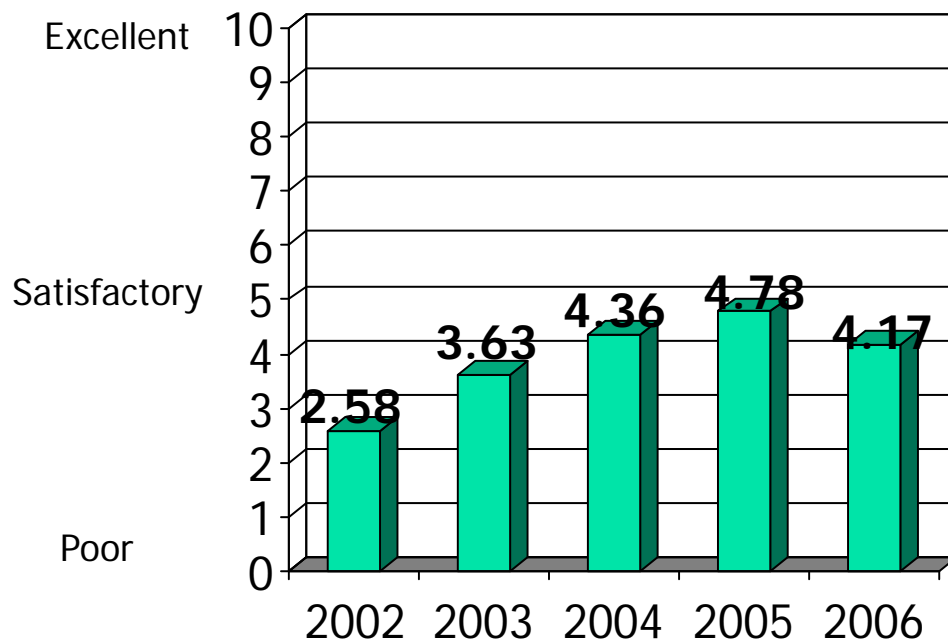
The quick ratio is another, more conservative, measure of the VI's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations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

At September 30, 2006, the VI had a ratio of cash and cash equivalents to current liabilities of 2.41 to \$1. This indicates that for every dollar of current liabilities, the VI had \$2.41 in cash and cash equivalents to fund them. This is considered an excellent ratio, and continues a trend of improvement from ratios reported in the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1.09	1.30	1.57	1.74	2.41					

Performer[®] Reading

Overall Reading



The 2006 reading of 4.17 indicates the evaluator's opinion that the VI's overall financial health and performance continued to be slightly below satisfactory as of and for the fiscal year ended September 30, 2006, with a slight decline from the rating in the prior year.

This decrease in the rating is primarily related to a decline in General Fund unreserved fund balance, and a decline in debt service coverage. High tax and debt burdens per capita (when compared to other insular governments) also contributes to the less than satisfactory rating. Improvements were made in decreasing the size of the unrestricted net asset deficit, and quick ratio calculations.



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.

	2002	2003	2004	2005	2006
Number of F.S. Opinion Qualifications/Exceptions	12	11	10	9	7
Number of Major Federal Program Qualifications/Exceptions	5	3	3	3	6
Number of F.S. Findings					
A. Internal Control and Compliance	0	1	1	1	3
B. Internal Control Only	2	2	2	2	0
C. Compliance Only	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
TOTAL	3	3	3	3	4
Percentage of Findings Repeated	100%	100%	100%	100%	Unable to determine
Number of A-133 Findings					
A. Internal Control and Compliance	45	13	16	36	22
B. Internal Control Only	1	40	15	0	0
C. Compliance Only	<u>11</u>	<u>12</u>	<u>1</u>	<u>2</u>	<u>0</u>
TOTAL	57	65	32	38	22
Percentage of A-133 Findings Repeated	70%	53.8%	71.9%	47.4%	Unable to determine
Number of months after Y/E the F.S. were Released	21	21	24	30	30
Number of Qualifications/Exceptions Related to C.U.	3	3	6	4	5
\$ of Questioned Costs-Current Year	\$6,192,702	\$2,678,871	\$478,569	\$9,056,788	\$3,829,679
\$ of Questioned Costs- Cumulative	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine
\$ of Questioned Costs Resolved – Current Year	Unable to determine	Unable to determine	Unable to determine	Unable to determine	Unable to determine



Thank You

We would like to commend and thank the management of the Government of the U.S. Virgin Islands, 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 VI'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.