



Pohnpei

Fiscal Year 2022

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, 2022



This presentation is available online at <http://www.pitiviti.org>

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 0-10
- 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

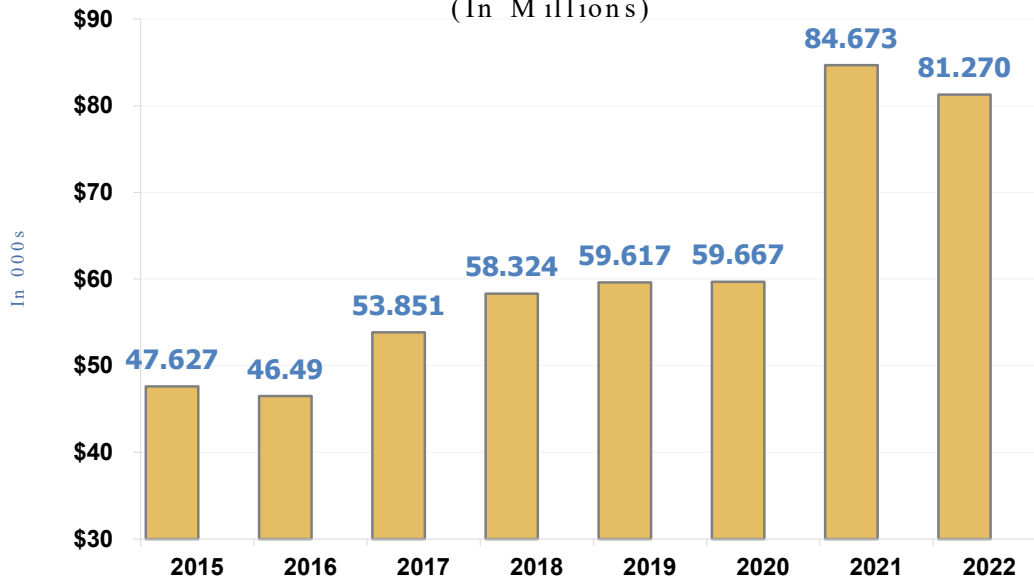
Limitations of the Performer®

- 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 Position

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

Net Position at Year End
(In Millions)



Net position includes all assets of Pohnpei, excluding discretely presented component units. 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 2022, total net position decreased by \$3,403,411 or 4% from the prior year restated net position. This represents a decrease in the overall total net position when compared to the restated prior period and was primarily due to a decrease in grants and contributions and unrestricted investment earnings.

**The 2021 balance above was restated due mainly to revaluation and restatement of a stock investment (Fisheries Corporation)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
-5.7%	23.7%	-3.0%	-3.5%	15.8%	8.3%	2.2%	0.1%	13.8%	-4.0%

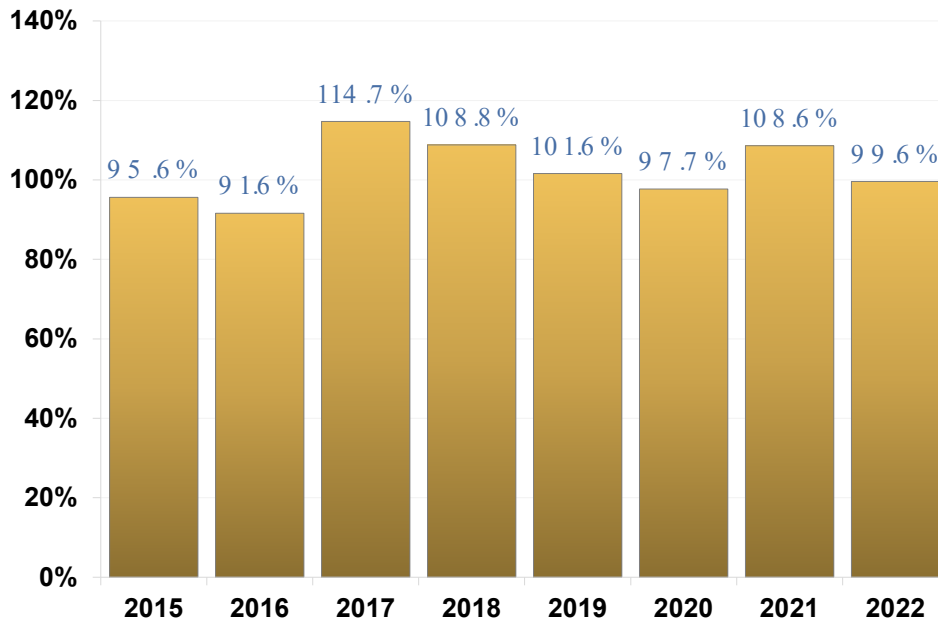
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3.0

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, 2022, Pohnpei funded 99.6% of their expenses with current year revenues. This is considered an excellent ratio but represents a decrease when compared to the ratio of the prior year.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
93%	123.8%	95.6%	91.6%	114.7%	108.8%	101.6%	97.7%	108.6%	99.6%

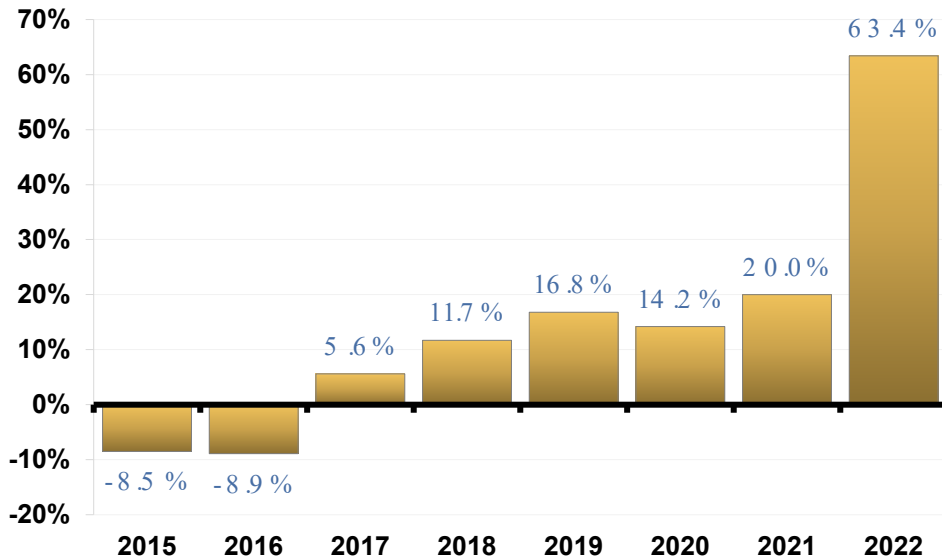
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Level of Unrestricted Net Position

How do our total rainy day funds look?

Unrestricted Net Position (Deficit) as a % of Annual Revenues



The level of total unrestricted net position (deficit) 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, 2022, Pohnpei's total unrestricted net position approximated a positive 63.4% of annual total revenues and represents a significant improvement from the ratio reported in the prior period due mainly to the revaluation and restatement of a stock investment (Fisheries Corporation).

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
-6.5%	-7%	-8.5%	-8.9%	5.6%	11.7%	16.8%	14.2%	20%	63.4%

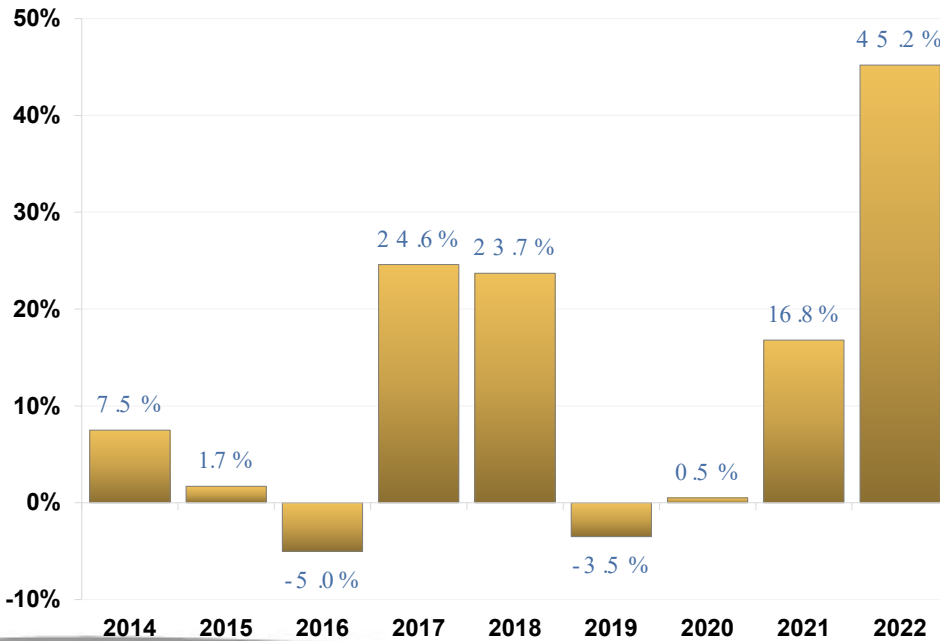
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Level of Unassigned Fund Balance

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 Pohnpei has at a point in time to carryover into the next fiscal year to fund emergencies, shortfalls or other unexpected needs. In this analysis, only the General Fund is considered.

For the year ended September 30, 2022, Pohnpei's unassigned fund balance of the General Fund was approximately 45.2% of annual revenues. This represents a significant improvement from the ratio of the prior period due mainly to the revaluation of a stock investment (Fisheries Corporation).

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
14.2 %	7.5 %	1.7 %	-5.0 %	24.6 %	23.7 %	-3.5 %	0.5 %	16.8 %	45.2 %

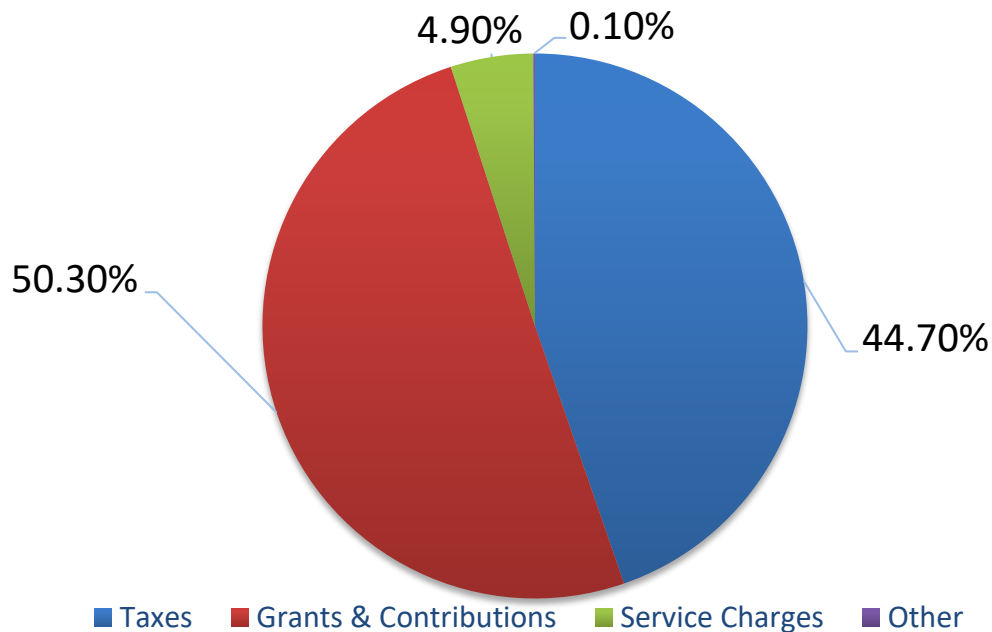
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Revenue Dispersion

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

2022 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, 2022, Pohnpei had direct control over 16.7% of its revenues, including charges for services and some local taxes. This ratio indicates Pohnpei has exposure, as do most insular governments, to financial difficulties due to reliance (83.3%) on non-controlled revenues.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
12.6%	9.3%	12.4%	14.8%	14.1%	16.0%	17.6%	16.9%	15.9%	16.7%

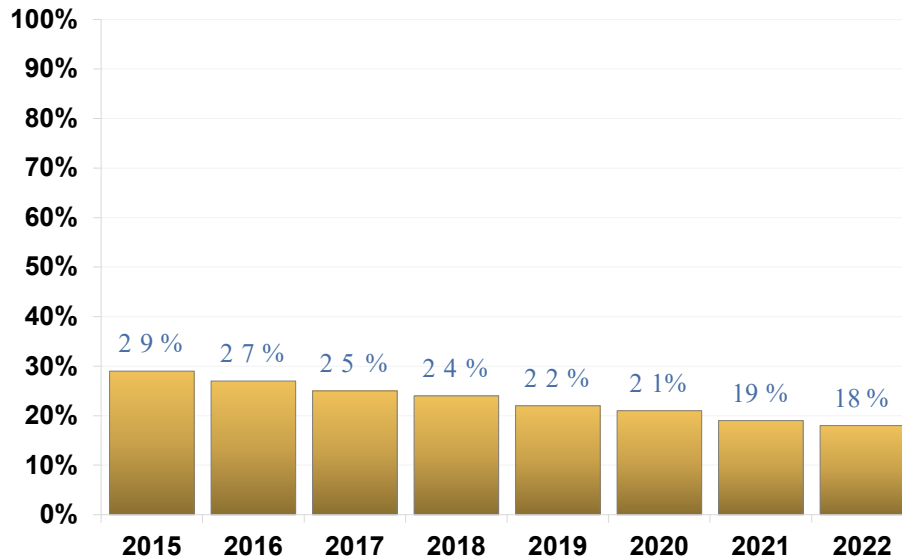
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Capital Asset Condition

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, 2022, Pohnpei's depreciable capital assets amounted to \$107 million while accumulated depreciation totaled \$87.8 million. This indicates that, on the average, Pohnpei's capital assets have 18% of their useful lives remaining, which is a well below satisfactory ratio, and represents a continued decline when compared to the ratios of the prior periods.

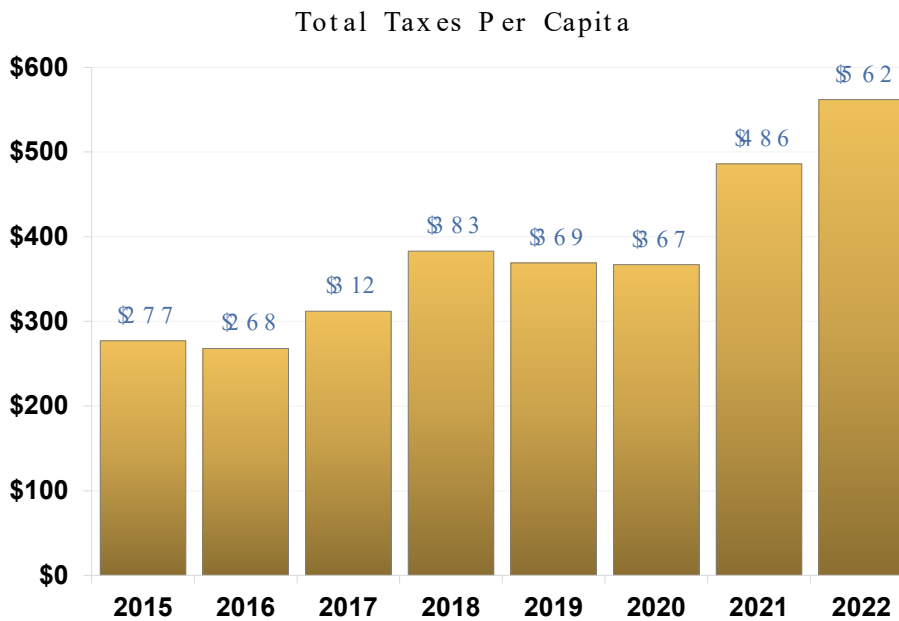
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
24%	31%	29%	27%	25%	24%	22%	21%	19%	18%

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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, 2022, total taxes amounted to \$20.2 million or \$562 per capita. This indicates a favorable tax burden when compared with other insular governments but does represent an increase from the ratio of the prior year.

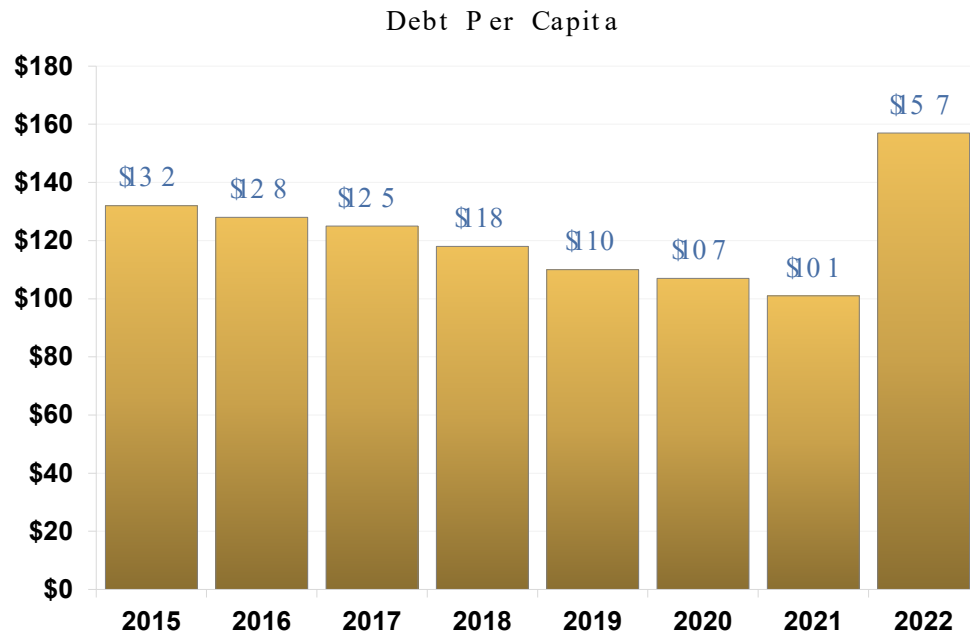
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
\$48	\$51	\$77	\$68	\$12	\$83	\$69	\$67	\$86	\$62

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9.8

Financing Margin - Debt

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



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, 2022, Pohnpei had \$5.6 million in long-term debt, or \$157 per capita. This is considered a low debt burden on its citizens when compared to other insular governments, although it has increased in comparison to the prior periods.

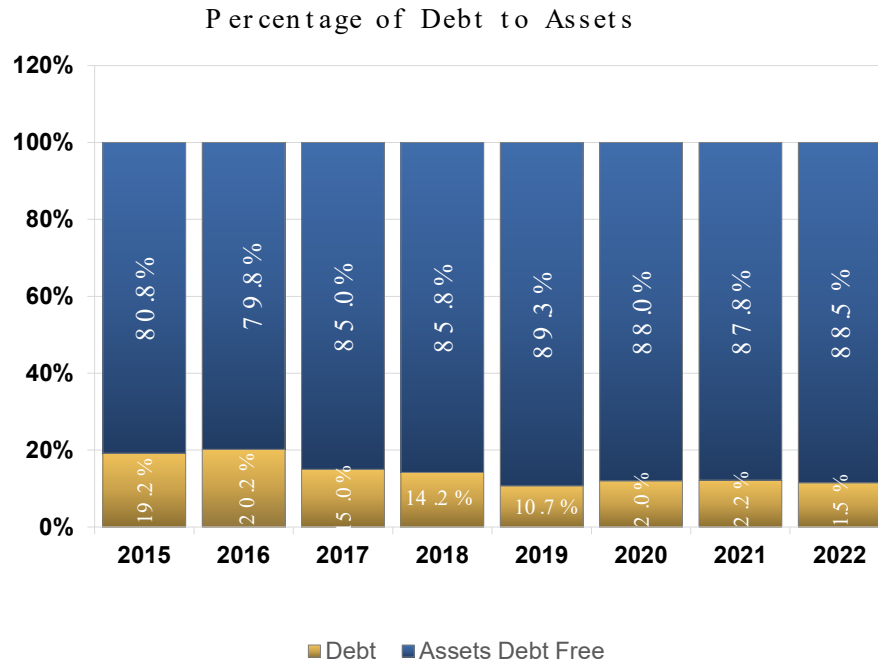
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
\$158	\$154	\$132	\$128	\$125	\$118	\$110	\$107	\$101	\$157

Performer®
Rating

10

Debt to Assets

Who really owns Pohnpei?



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, 2022, 11.5% of Pohnpei's \$91.8 million of total assets were funded with debt or other obligations. This is a near excellent financial indicator and indicates that for each dollar of assets Pohnpei owns, it owes 11.5 cents of that dollar to others.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
10.3%	10.9%	19.2%	20.2%	15.0%	14.2%	10.7%	12.0%	12.2%	11.5%

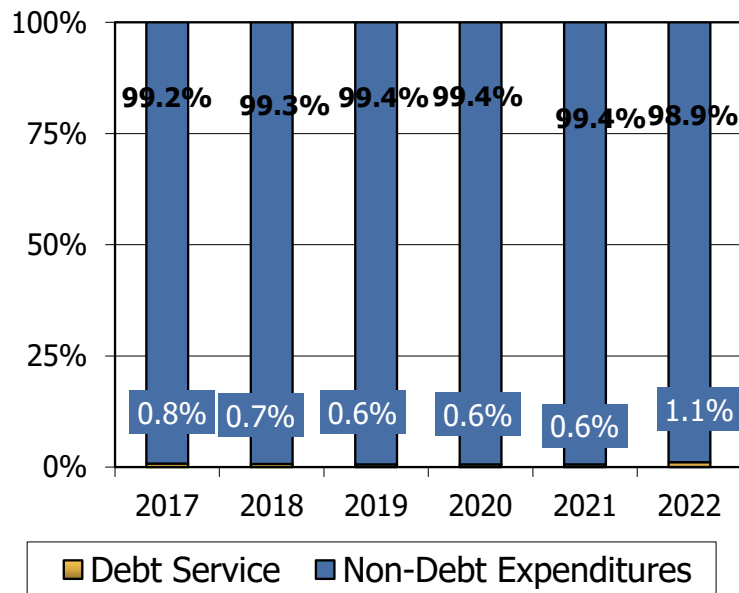
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Debt Service Load

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 Pohnpei's non-capital expenditures were comprised of debt service payments on long-term debt.

For the year ended September 30, 2022, Pohnpei's total non-capital expenditures amounted to \$43.9 million, of which \$488,870 (or 1.1%), were payments for principal and interest on long-term debt. In our model, this is considered an excellent ratio and indicates that for every dollar Pohnpei spent on non-capital items, 1.1 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.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
n/a	n/a	0.4%	19%	0.8%	0.7%	0.6%	0.6%	0.6%	1.1%

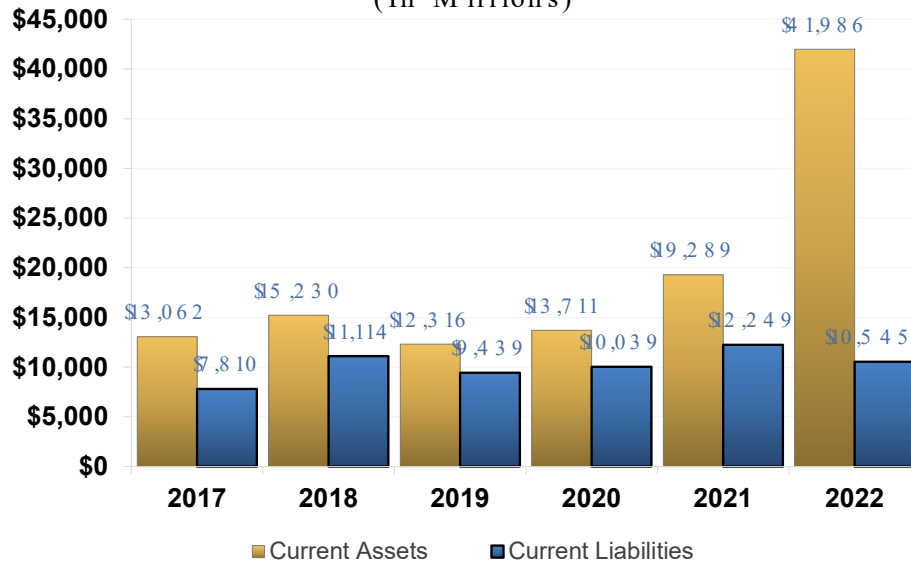
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Current Ratio

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

Current Assets Compared to Current Liabilities
(In Millions)



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, 2022, Pohnpei had a General Fund ratio of current assets to current liabilities of 3.98 to 1. This indicates that Pohnpei had nearly four times the amount of current assets to pay current liabilities. This is considered to be an excellent indicator of liquidity and shows a significant improvement when compared to prior periods. Once again, this ratio was affected significantly by the revaluation of the stock investment (Fisheries Corporation).

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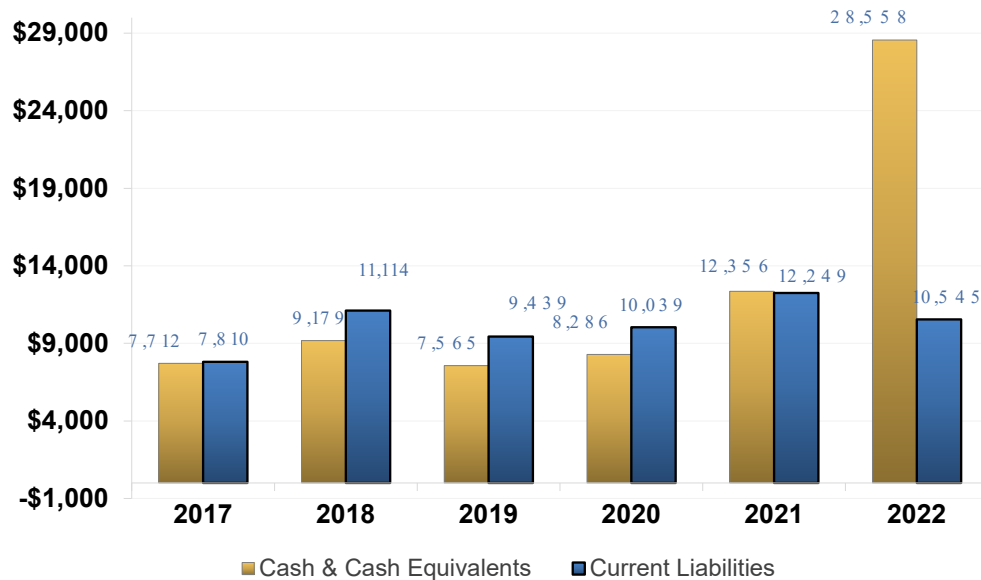
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
2.05	1.88	1.80	1.76	1.67	1.37	1.30	1.37	1.57	3.98

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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, 2022, Pohnpei had a General Fund ratio of cash and cash equivalents to current liabilities of 2.71 to 1. This indicates that Pohnpei had \$2.71 of cash and cash equivalents available to pay each \$1 of current liabilities, which is considered an excellent financial liquidity ratio and a significant improvement from the ratio of the previous period. Once again, this ratio was affected significantly by the revaluation of the stock investment (Fisheries Corporation).

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2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1.02	0.90	0.77	0.68	0.99	0.83	0.80	0.83	1.01	2.71

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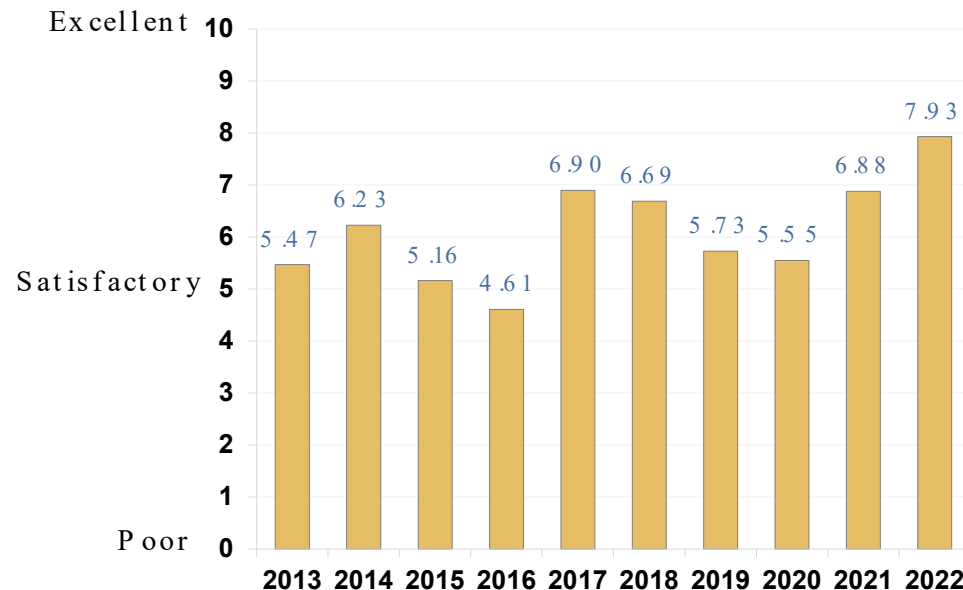
Performer® Reading

How Was Our Overall Financial Performance?

For the 2022 fiscal year, the readings by ratio category were as follows:

Financial Position	10.00
Financial Performance	5.62
Financial Capability	6.83

Overall Reading



The 2022 overall reading of 7.93 indicates the evaluator’s opinion that Pohnpei’s overall financial health and performance improved when compared to the prior period. Once again, this overall reading was affected significantly by the revaluation and restatement of the stock investment (Fisheries Corporation).

Pohnpei’s overall financial health improved during the 2022 fiscal year and achieved a well above satisfactory reading. The primary reasons for the improvement in the reading are the stock investment restatement and the related increase in both the current and quick ratios, and improvement in the level of unassigned fund balance caused by the revaluation of the investments.

FY 22 Overall Performer® Reading: **7.93**

Ratio	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Change in Net Position	15.8%	8.3%	2.2%	0.1%	13.8%	-4.0%
Intergenerational Equity	114.7%	108.8%	101.6%	97.7%	108.6%	99.6%
Level of Unrestricted Net Position	5.6%	11.7%	16.8%	14.2%	2.0%	63.4%
Level of Unassigned Fund Balance	24.6%	23.7%	-3.5%	0.5%	16.8%	45.2%
Revenue Dispersion	14.1%	16%	17.6%	16.9%	15.9%	16.7%
Capital Asset Condition	2.5%	2.4%	2.2%	2.1%	19%	18%
Financing Margin – Taxes	\$ 12	\$ 83	\$ 69	\$ 67	\$ 86	\$ 62
Financing Margin – Debt/ Obligations	\$25	\$18	\$10	\$07	\$01	\$57
Debt Service Load	0.8%	0.7%	0.6%	0.6%	0.6%	1.1%
Debt to Assets	15%	14.2%	10.7%	12%	12.2%	11.5%
Current Ratio	1.67	1.37	1.30	1.37	1.57	3.98
Quick Ratio	0.99	0.83	0.80	0.83	1.01	2.71
Overall Performer Reading	* 6.90	6.69	5.73	5.55	6.88	7.93

*Notes years that the overall score has been restated for comparison purposes

Performer 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.

	2015	2016	2017	2018	2019	2020	2021	2022
Number of F.S. Opinion Qualifications/Exceptions	0	1	1	1	1	1	1	2
Number of Major Federal Program Qualifications/Exceptions	1	0	0	0	2	2	2	1
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	1	2	1	1	2	2	1	5
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	1	2	1	1	2	2	1	5
Percentage of Findings Repeated	0%	0%	100%	100%	50%	50%	100%	20%
Number of Single Audit Findings								
A. Internal Control and Compliance	4	0	1	1	7	7	4	3
B. Internal Control Only	0	1	0	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>	<u>0</u>	<u>0</u>
TOTAL	4	1	1	1	7	7	4	3
Percentage of S.A. Findings Repeated	25%	100%	100%	0%	14%	14%	50%	33%
Number of months after Y/E the F.S. were Released	9	9	9	9	15	15	19	23
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$368,539	\$0	\$0	\$0	\$735,506	\$735,506	\$961,312	\$8,165
\$ of Questioned Costs- Cumulative	\$1,032,816	\$1,032,816	\$584,803	\$584,803	\$1,320,309	\$1,320,309	\$1,735,558	\$1,179,570
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$448,013	\$0	\$0	\$0	\$439,426	\$564,153

Thank You!

- We would like to commend and thank Pohnpei'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 Pohnpei'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.