



CHUUK

FISCAL YEAR 2023

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 Territory of Chuuk as of and for the Year Ended September 30, 2023



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 Chuuk's financial health and performance

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 Chuuk as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

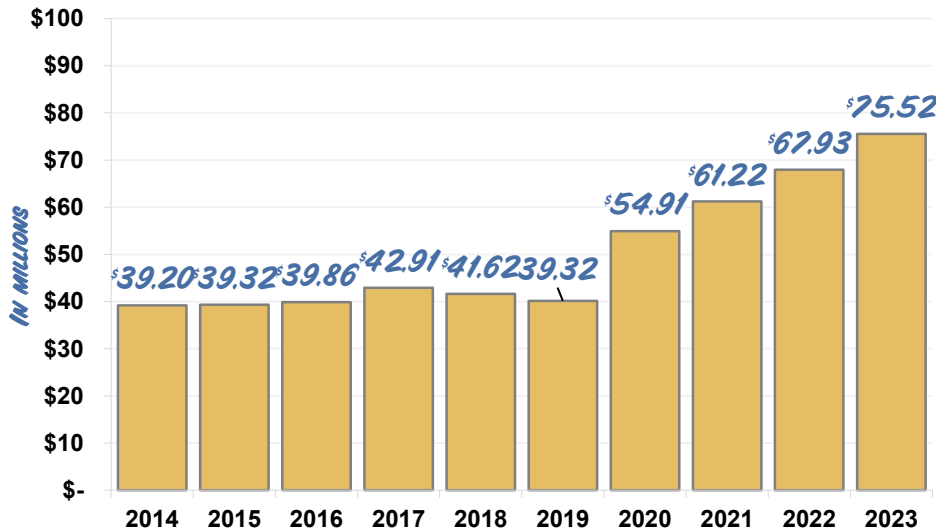
LIMITATIONS OF THE PERFORMETER®

- The Performer® should not be used as the only source of financial information to evaluate Chuuk's performance and condition
- The analysis is an overall rating of Chuuk 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 Chuuk. 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, 2023, total net position increased by \$7.6 million or 11.2% from the prior year. This continues the trend of increases in net position for the past four years.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
-3.7%	+0.3%	+0.7%	+7.6%	-3.0%	-3.6%	+36.8%	+11.5%	+11%	+11.2%

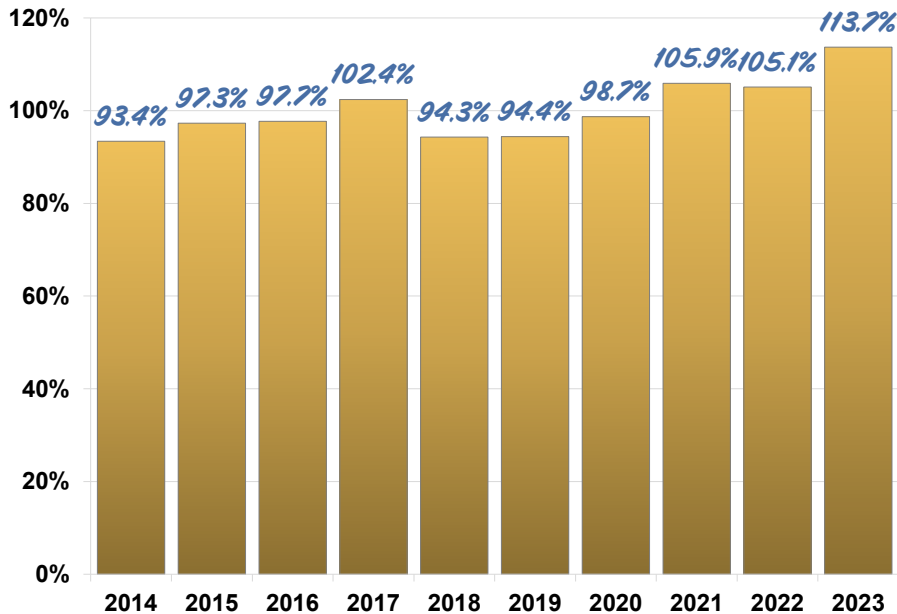
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INTERGENERATIONAL EQUITY

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, 2023, Chuuk funded 113.7% of their expenses with current year revenues, which is considered an excellent ratio, and represents an improvement when compared with the ratio of the prior year.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
93.4%	97.3%	97.7%	102.4%	94.3%	94.4%	98.7%	105.9%	105.1%	113.7%

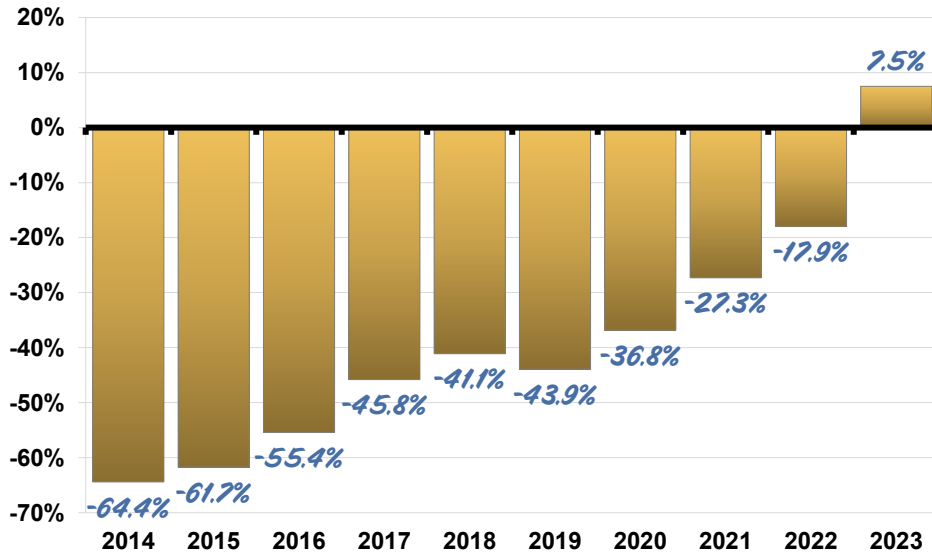
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LEVEL OF UNRESTRICTED NET POSITION

HOW DO OUR TOTAL RAINY DAY FUNDS LOOK?

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



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

For the year ended September 30, 2023, Chuuk's total unrestricted net position was \$3.7 million, which is equivalent to 7.5% of annual total revenues, and is considered a near satisfactory financial indicator. This is the first year in the past 10 years that Chuuk has reported a positive unrestricted net position.

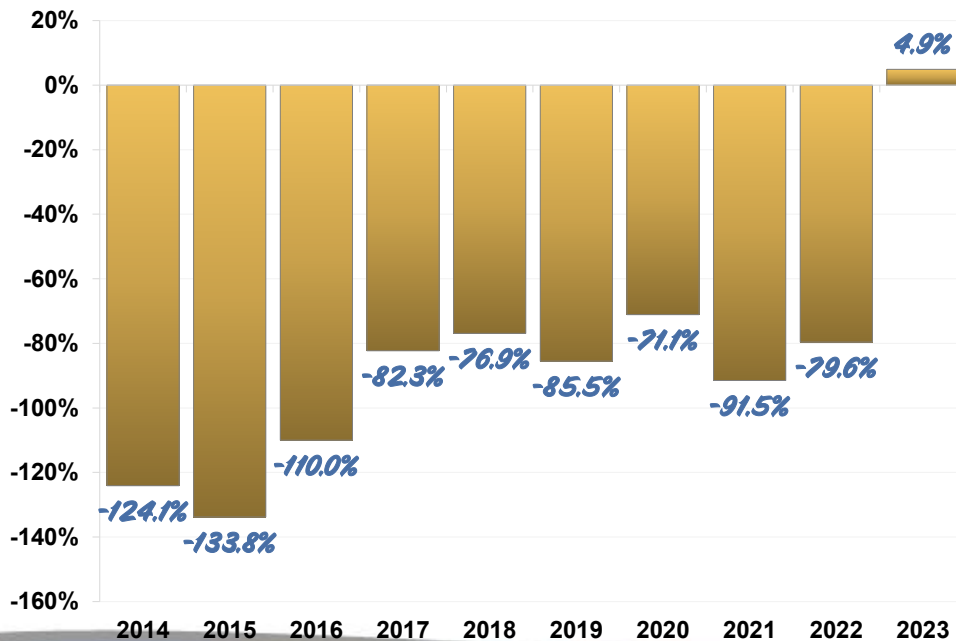
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	PERFORMETER® RATING
-64.4%	-61.7%	-55.4%	-45.8%	-41.1%	-43.9%	-36.8%	-27.3%	-17.9%	+7.5%	4.7

4.7

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 Chuuk has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs.

For the year ended September 30, 2023, Chuuk’s unassigned fund balance of the General Fund was \$0.7 million, or the equivalent of 4.9% of annual General Fund revenues. This is considered a significant improvement in the ratio and is the first year that Chuuk has reported a positive unassigned fund balance in the General Fund in the past 10 years.

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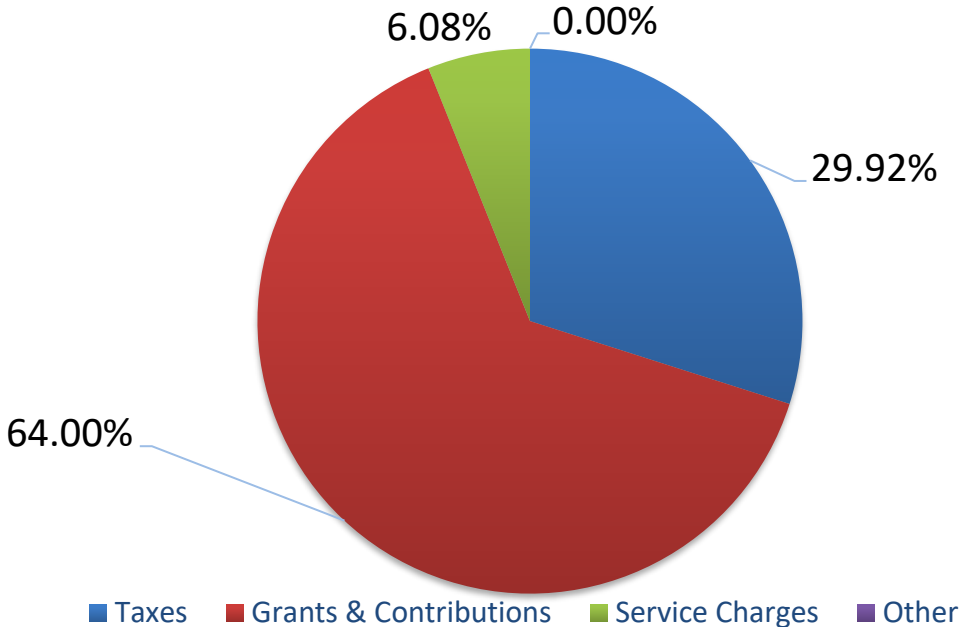
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2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
-124.1%	-133.8%	-110.2%	-82.3%	-76.9%	-85.5%	-71.1%	-91.5%	-79.6%	+4.9%

REVENUE DISPERSION

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

2023 REVENUE PERCENTAGES BY SOURCE



The percentage dispersion of revenue by source indicates how dependent Chuuk is on certain types of revenue. The more dependent Chuuk is on revenue sources beyond its direct control, such as grants, the less favorable the dispersion.

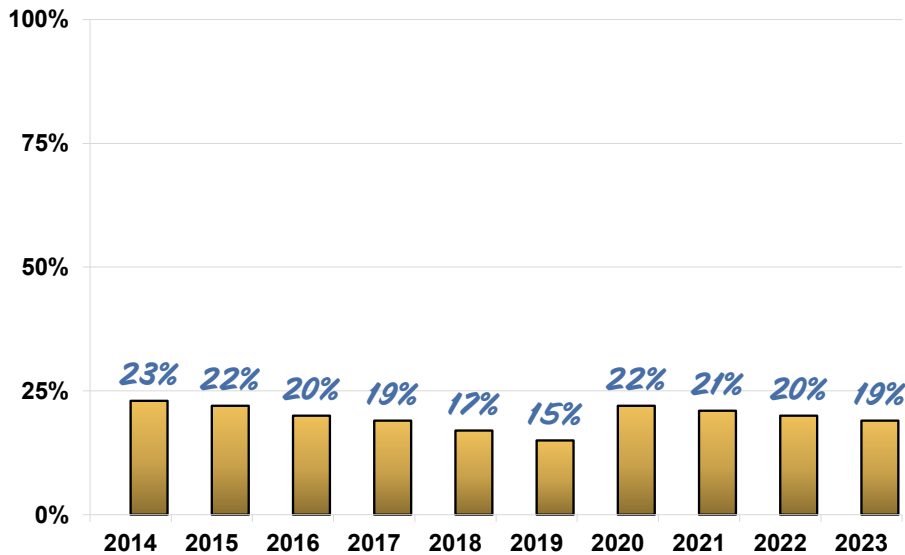
For the year ended September 30, 2023, Chuuk had direct control over 14.6% of its revenues (Excise taxes and charges for services). This ratio indicates Chuuk has significant exposure, as do most insular governments, to financial difficulties due to reliance on non-controlled revenue (85.4%).

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	PERFORMETER® RATING
11.3%	11.5%	12.0%	11.6%	13.2%	16.9%	14.1%	13.9%	14.2%	14.6%	0.6

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 significant capital assets.

At September 30, 2023, Chuuk's depreciable capital assets amounted to \$115 million while accumulated depreciation totaled \$93 million. This indicates that, on the average, Chuuk's capital assets have 19% of their useful lives remaining. This is considered an unfavorable financial indicator and is a slight decrease in the ratio when compared to the prior year.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
23%	22%	20%	19%	17%	15%	22%	21%	20%	19%

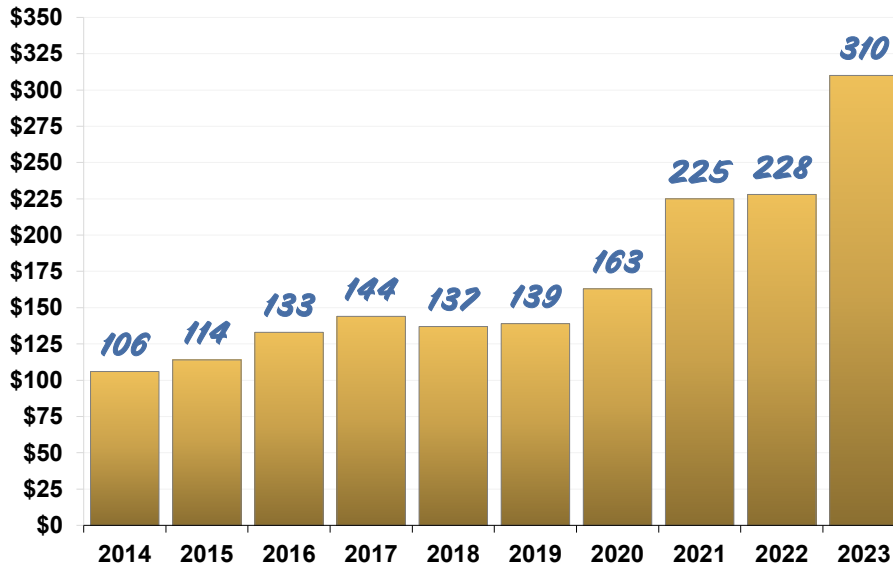
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FINANCING MARGIN - TAXES

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 Chuuk’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, 2023, total taxes amounted to \$14.5 million or \$310 per capita. This indicates a very low tax burden when compared to other insular governments, and is considered an excellent ratio, although an increase from prior year levels.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$106	\$114	\$133	\$144	\$137	\$139	\$163	\$225	\$228	\$310

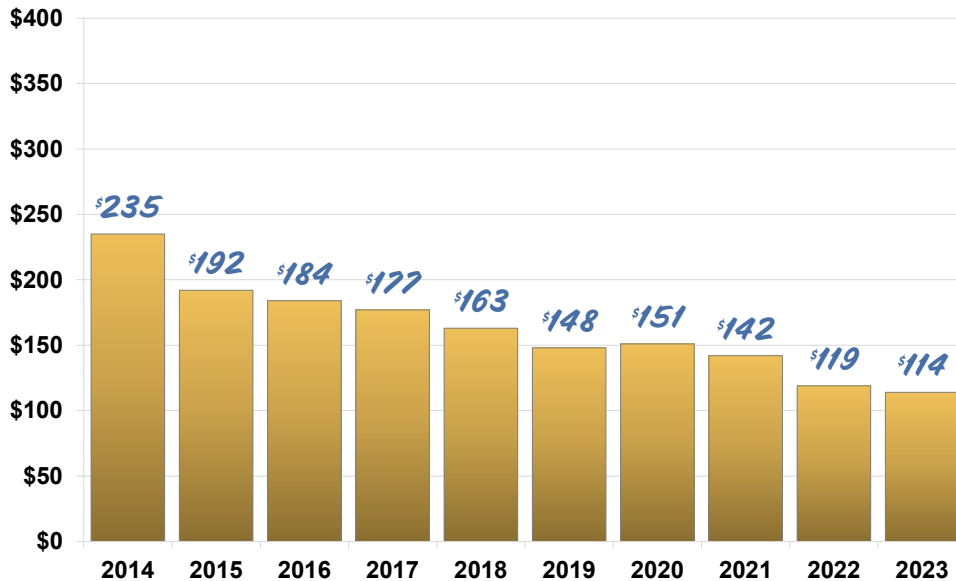
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FINANCING MARGIN - DEBT

WILL WE BE ABLE TO ISSUE MORE DEBT, IF NEEDED?

Debt Per Capita



The financial ratio of debt per capita is an indication of Chuuk’s debt burden on its citizens and other taxpayers.

For the year ended September 30, 2023, Chuuk had \$5.3 million of long-term debt or \$114 per capita. This rating remains indicative of a relatively low debt burden on its citizens when compared with other insular governments. Along with being a relatively consistent ratio over the past several years, it is also considered an excellent ratio.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
\$235	\$192	\$184	\$177	\$163	\$148	\$151	\$142	\$119	\$114

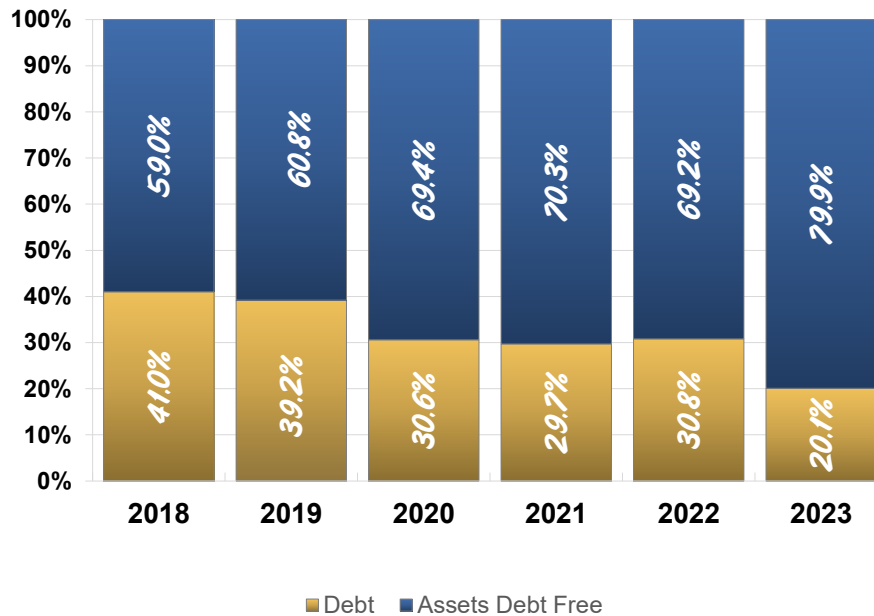
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DEBT TO ASSETS

WHO REALLY OWNS CHUUK?

PERCENTAGE OF DEBT TO ASSETS



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

At September 30, 2023, 20.1% of Chuuk’s \$94.5 million of total assets, were funded with debt or other obligations. This is an above satisfactory financial indicator and indicates that for each dollar of assets Chuuk owns, it owes 20.1 cents of that dollar to others. This is an improvement in the ratio when compared to the prior year.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
39.4%	37.9%	37.2%	38.6%	41.0%	39.2%	30.6%	29.7%	30.8%	20.1%

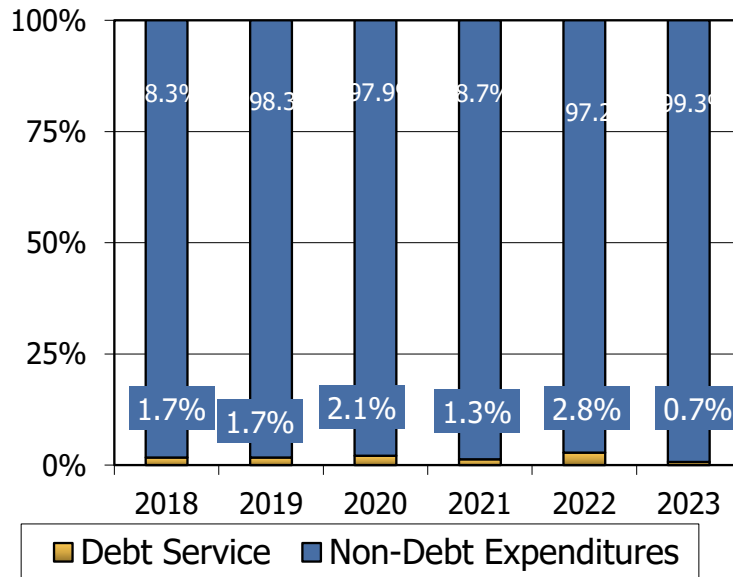
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DEBT SERVICE LOAD

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

For the year ended September 30, 2023, Chuuk's total non-capital expenditures amounted to \$44 million, of which \$0.3 million (or 0.7%), 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 Chuuk spent on non-capital items, 0.7 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.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
N/A	1.4%	1.2%	1.4%	1.7%	1.7%	2.1%	1.3%	2.8%	0.7%

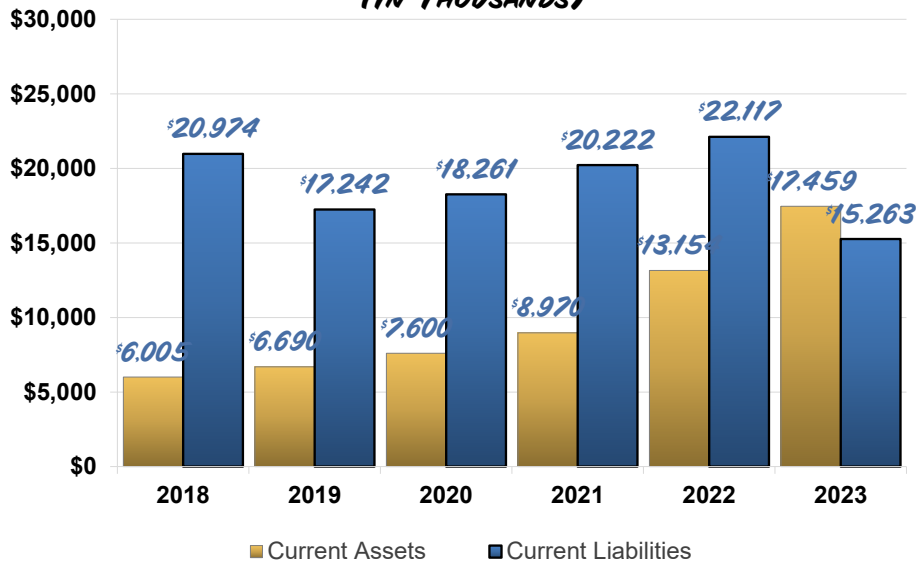
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CURRENT RATIO

WILL OUR VENDORS AND EMPLOYEES BE PLEASED WITH OUR ABILITY TO PAY THEM ON TIME?

**CURRENT ASSETS COMPARED TO CURRENT LIABILITIES
(IN THOUSANDS)**



The current ratio is one measure of CHUUK’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 includes only the General Fund (Chuuk’s primary operating fund) and Chuuk’s proprietary type enterprise funds.

At September 30, 2023, Chuuk’s General Fund had a ratio of current assets to current liabilities of 1.14 to 1. This indicates that Chuuk has \$1.14 of current assets to fund each dollar of current liabilities. This is considered an unfavorable ratio, although it does represent an improvement in the ratio from the prior year and is at the highest level in 10 years.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
.22	.20	.33	.38	.29	.39	.42	.44	.59	1.14

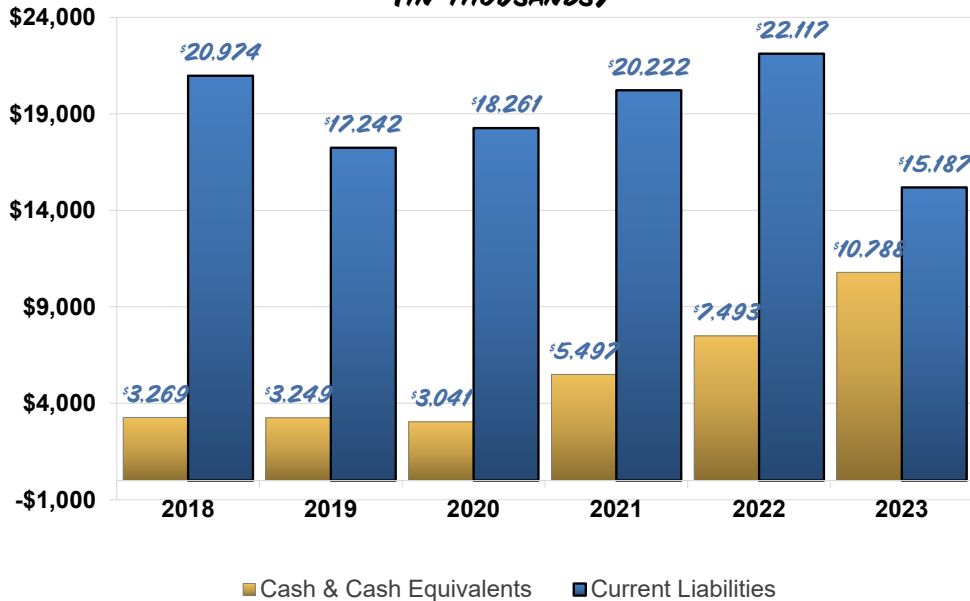
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QUICK RATIO

HOW IS OUR SHORT-TERM CASH POSITION?

**CASH AND CASH EQUIVALENTS COMPARED TO CURRENT LIABILITIES
(IN THOUSANDS)**



The quick ratio is another, more conservative, measure of Chuuk’s ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities, less deferred revenue. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations with cash. This measure includes only the General Fund, Chuuk’s primary operating fund.

At September 30, 2023, Chuuk’s General Fund had a ratio of cash and cash equivalents to current liabilities of 0.71 to 1. This indicates that Chuuk has, for every one dollar of current liabilities, 71 cents of cash and cash equivalents to fund them. This is an unsatisfactory indicator of liquidity but does represent a significant improvement when compared to the ratio of the prior year.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
.07	.08	.08	.12	.16	.19	.17	.27	.34	.71

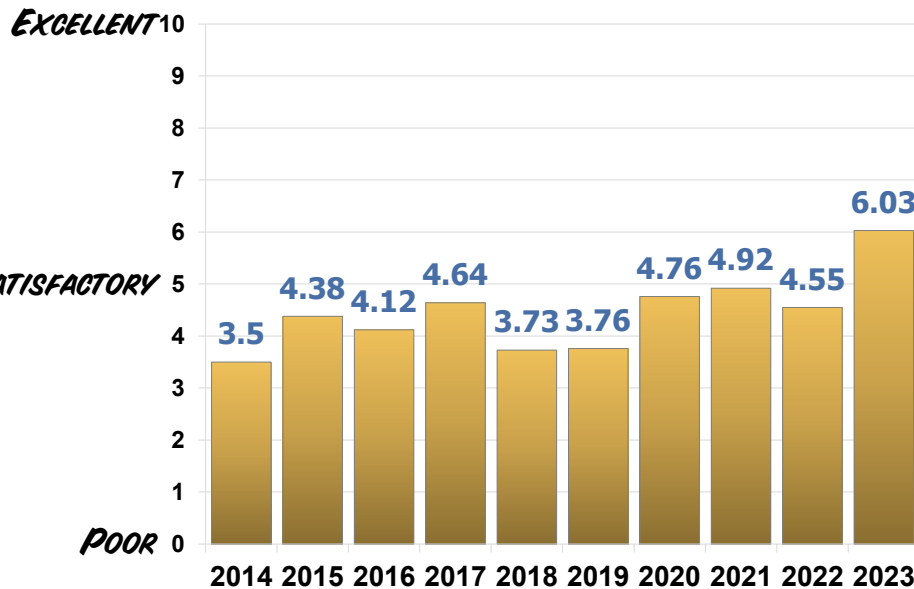
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PERFORMETER® READING

HOW WAS OUR OVERALL FINANCIAL PERFORMANCE?

OVERALL READING



For the 2023 fiscal year, the readings by ratio category were as follows:

Financial Position	3.33
Financial Performance	10.0
Financial Capability	7.43

The 2023 reading of 6.03 indicates the evaluator’s opinion that Chuuk Government’s overall financial health and performance was considered above satisfactory as of and for the fiscal year ended September 30, 2023, and represents an increase from the reading of the prior year.

Chuuk’s change in net position improvement was the major contributor to the increase in the overall score. The unrestricted net position, General Fund unassigned fund balance, and quick ratios improvements also contributed to the highest overall score for Chuuk in the past 10 years.

FY 23 OVERALL PERFORMETER® READING: **6.03**

Ratio	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Change in Net Position	-3.0%	-3.6%	36.8%	11.5%	11.0%	11.2%
Intergenerational Equity	94.3%	94.4%	98.7%	105.9%	105.1%	113.7%
Level of Unrestricted Net Position	-41.1%	-43.9%	-36.8%	-27.3%	-17.9%	7.5%
Level of Unassigned Fund Balance	-76.9%	-85.5%	-71.1%	-91.5%	-79.6%	4.9%
Revenue Dispersion	13.2%	16.9%	14.1%	13.9%	14.2%	14.6%
Capital Asset Condition	17%	15%	22%	21%	20%	19%
Financing Margin – Taxes	\$137	\$139	\$163	\$225	\$228	\$310
Financing Margin – Debt/Obligations	\$163	\$148	\$151	\$142	\$119	\$114
Debt Service Load	1.7%	1.7%	2.1%	1.3%	2.8%	0.7%
Debt to Assets	41%	39.2%	30.6%	29.7%	30.8%	20.1%
Current Ratio	0.29	0.39	0.42	0.44	0.59	1.14
Quick Ratio	0.16	0.19	0.17	0.27	0.34	0.71
Overall Performeter Reading	3.73	3.76*	4.76*	4.92*	4.55*	6.03

**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.

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of F.S. Opinion Qualifications/Exceptions	2	1	1	1	1	1	1	3	2
Number of Major Federal Program Qualifications/Exceptions	0	0	0	0	1	1	1	1	1
Number of F.S. Findings									
A. Internal Control and Compliance	0	0	0	0	0	0	1	2	0
B. Internal Control Only	2	2	2	3	3	3	1	0	2
C. Compliance Only	0	0	0	0	0	0	0	1	0
TOTAL	2	2	2	3	3	3	2	3	2
Percentage of Findings Repeated	100%	100%	100%	67%	100%	100%	100%	67%	100%
Number of Single Audit Findings									
A. Internal Control and Compliance	4	1	0	1	3	3	1	1	2
B. Internal Control Only	0	0	1	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0	0
TOTAL	4	1	1	1	3	3	1	1	2
Percentage of S.A. Findings Repeated	25%	100%	100%	100%	33%	33%	0%	0%	0%
Number of months after Y/E the F.S. were Released	9	9	9	9	15	15	15	22	24
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$55,292	\$0	\$0	\$0	\$32,532	\$32,532	\$0	\$0	\$408,730
\$ of Questioned Costs- Cumulative	\$364,448	\$364,448	\$0	\$0	\$32,532	\$32,532	\$0	\$0	\$408,730
\$ of Questioned Costs Resolved – Current Year	\$0	\$0	\$364,448	\$0	\$0	\$0	\$32,532	\$0	\$0

THANK YOU!

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