PERFORMETER.

Pohnpei

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 Government of **Pohnpei** as of and for the Year Ended September 30, 2023

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

The Performeter® is developed by Crawford & Associates, LLC, with support from the Graduate School USA's PITI-VITI Program through the United States Department of the Interior.

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 Pohnpei's financial health and performance

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

Limitations of the Performeter®

- The Performeter® 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 Performeter® is based on Crawford & Associates' professional judgment and is limited as to its intended use

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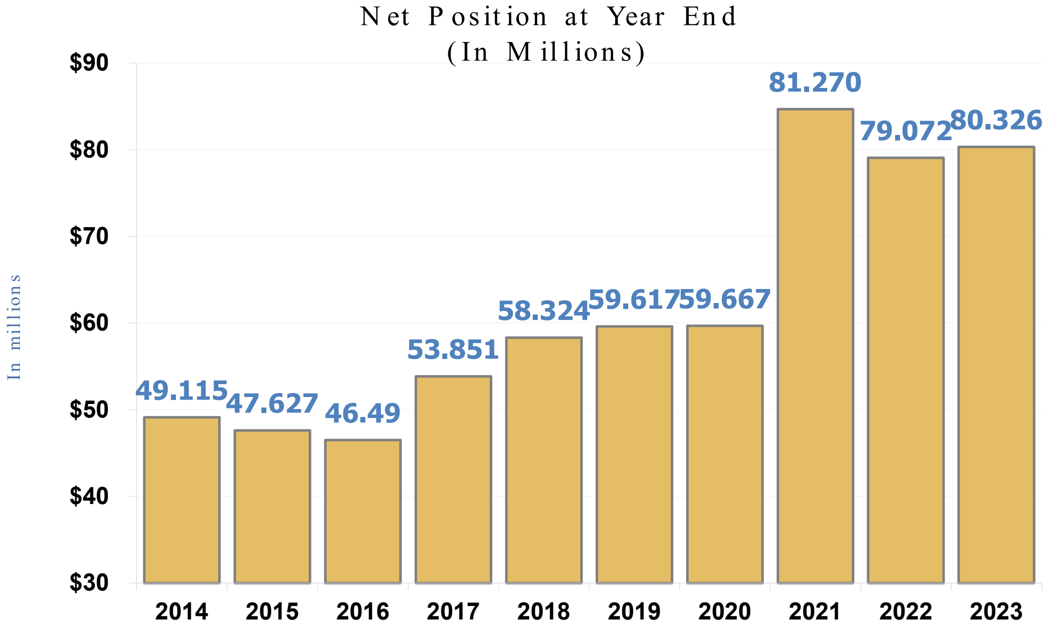
Change in Net Position

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



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 2023, total net position increased by $1,254,434 or 1.6% from the prior year restated net position. This represents an improvement in the overall total net position when compared to the restated prior period.

**The 2021 balance above was restated due mainly to revaluation and restatement of a stock investment (Fisheries Corporation)
The 2022 balance above was restated due mainly to restatement to decrease tax receivables

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
23.7%	-3.0%	-3.5%	15.8%	8.3%	2.2%	0.1%	13.8%	-4.0%	1.6%

Performeter® Rating

5.8

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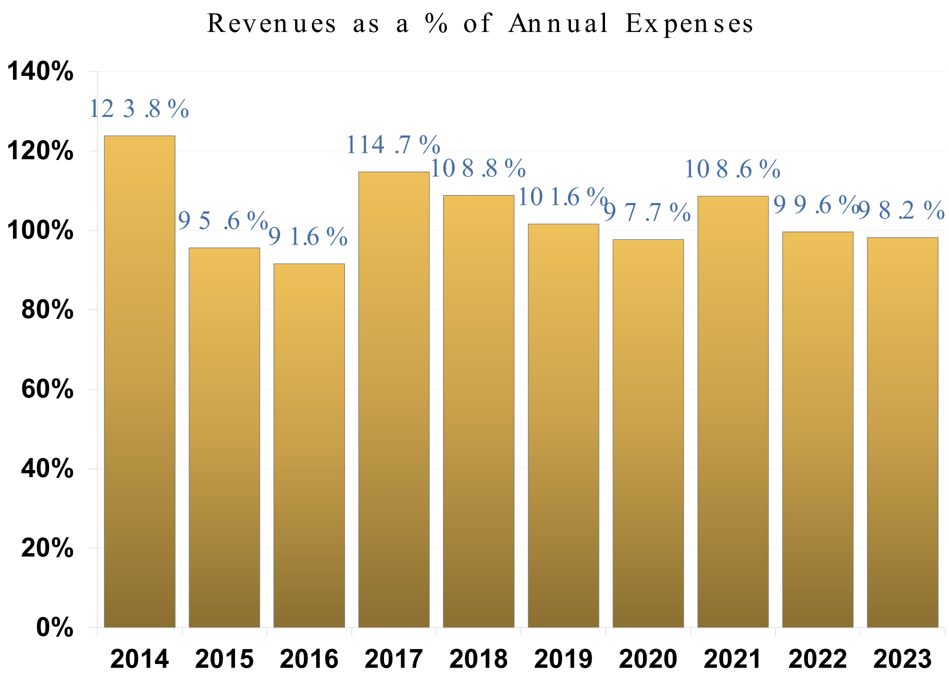
Intergenerational Equity

Who is paying for today's costs of services?



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, Pohnpei funded 98.2% of their expenses with current year revenues. This is considered an excellent ratio but represents a slight decrease when compared to the ratio of the prior year.

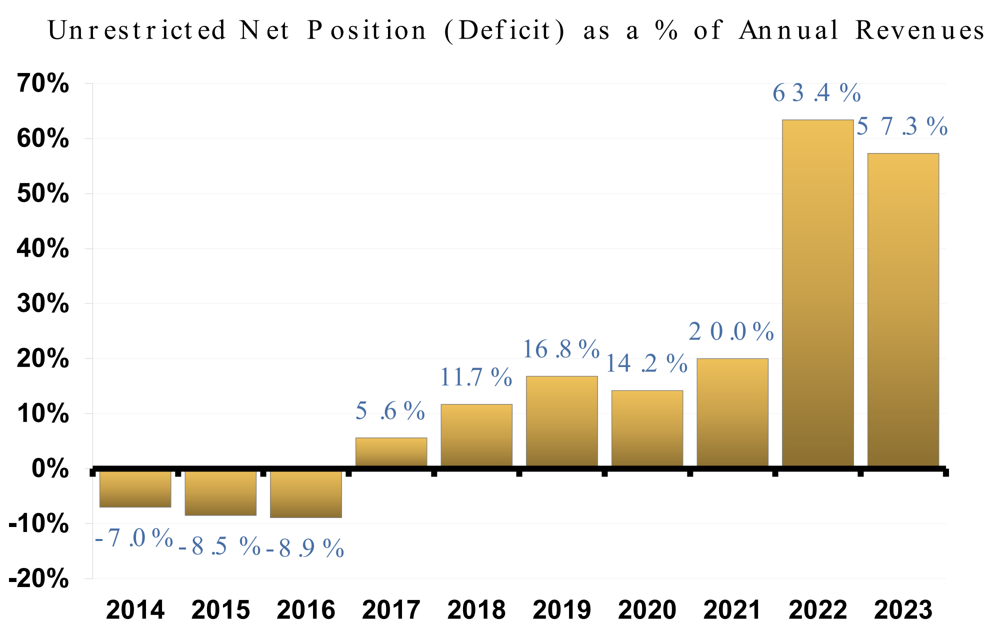
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
123.8%	95.6%	91.6%	114.7%	108.8%	101.6%	97.7%	108.6%	99.6%	98.2%

Performeter® Rating

8.2

Level of Unrestricted Net Position

How do our total rainy day funds look?



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, 2023, Pohnpei's total unrestricted net position approximated a positive 57.3% of annual total revenues and represents a slight decrease from the ratio reported in the prior period.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Performeter® Rating
-7%	-8.5%	-8.9%	5.6%	11.7%	16.8%	14.2%	20%	63.4%	57.3%	10

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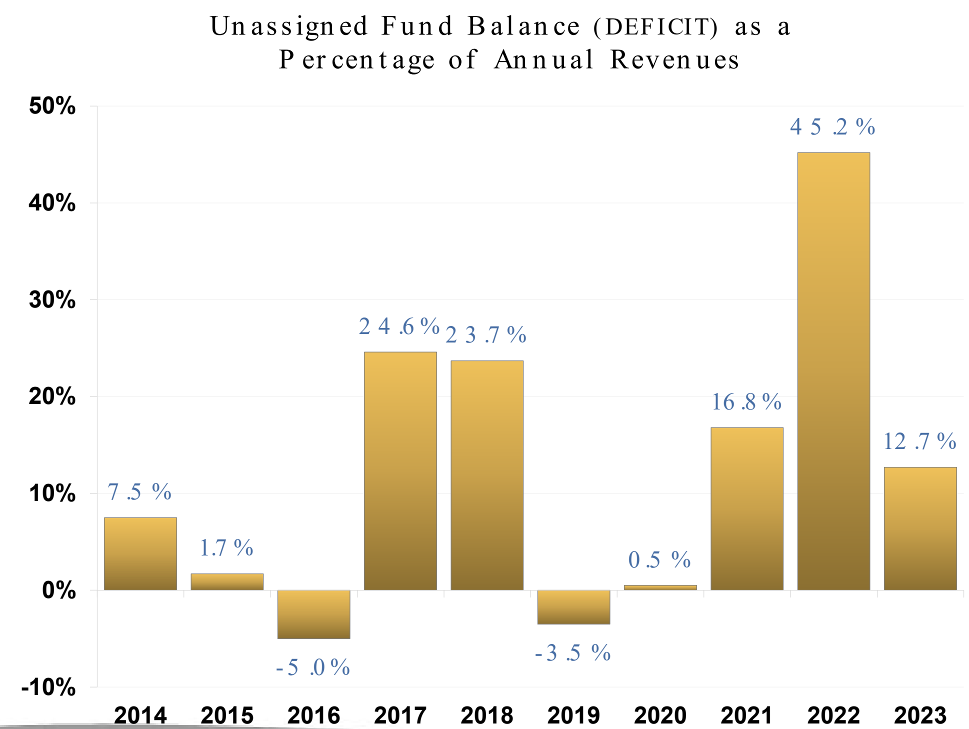
Level of Unassigned Fund Balance

How does our carryover look?



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, 2023, Pohnpei's unassigned fund balance of the General Fund was approximately 12.7% of annual revenues. This represents a significant decline from the ratio of the prior period.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
7.5%	1.7%	-5.0%	24.6%	23.7%	-3.5%	0.5%	16.8%	45.2%	12.7%

Performeter® Rating

5.7

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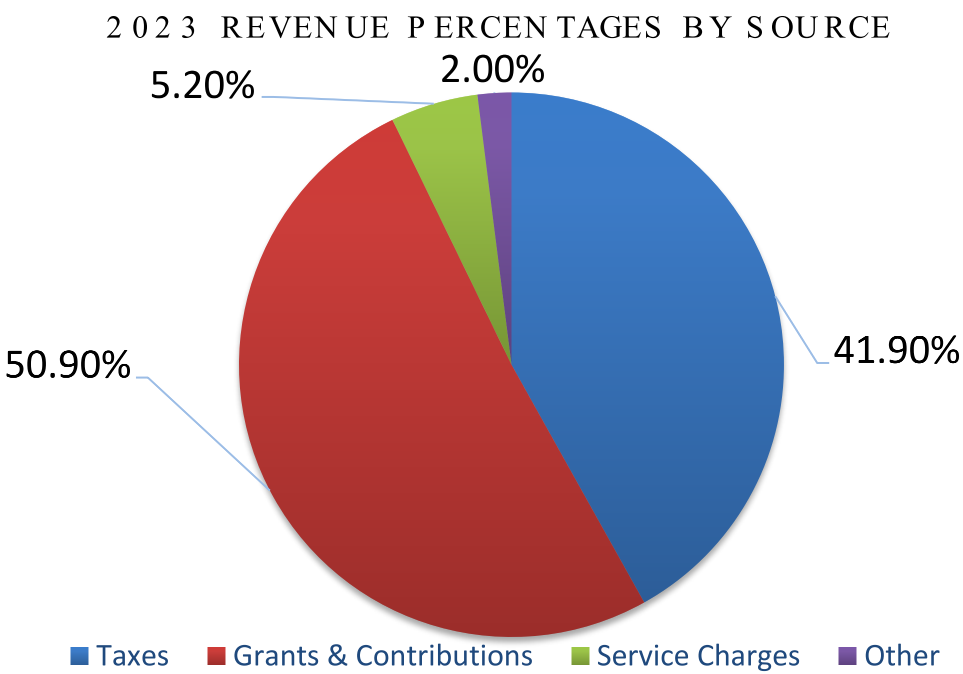
Revenue Dispersion

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



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, 2023, Pohnpei had direct control over 16.6% 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 (83.4%) on non-controlled revenues.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
9.3%	12.4%	14.8%	14.1%	16.0%	17.6%	16.9%	15.9%	16.7%	16.6%

Performeter® Rating
0.8

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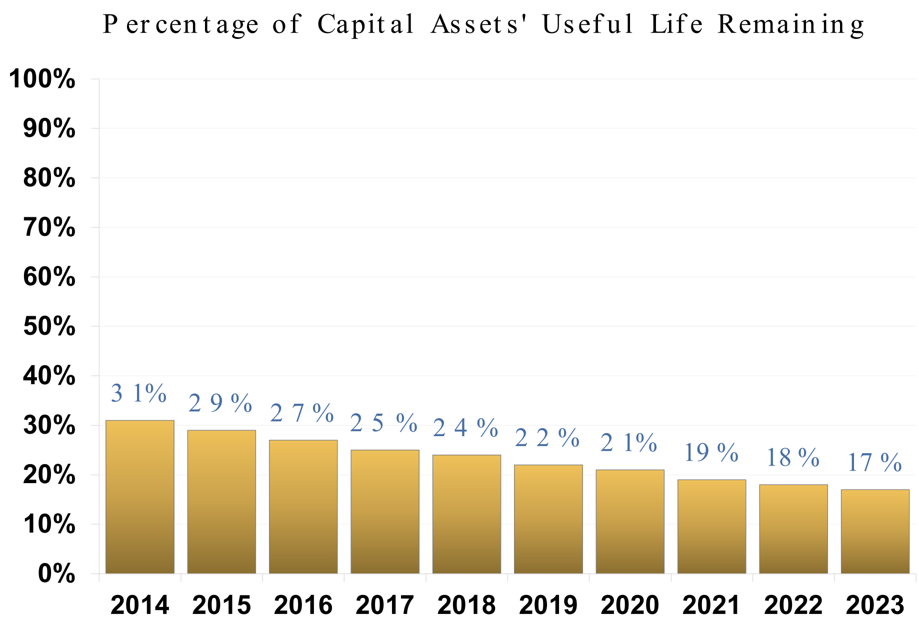
Capital Asset Condition

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



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, 2023, Pohnpei's depreciable capital assets amounted to $108 million while accumulated depreciation totaled $89.8 million. This indicates that, on the average, Pohnpei's capital assets have 17% 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.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Performeter® Rating
31%	29%	27%	25%	24%	22%	21%	19%	18%	17%	0

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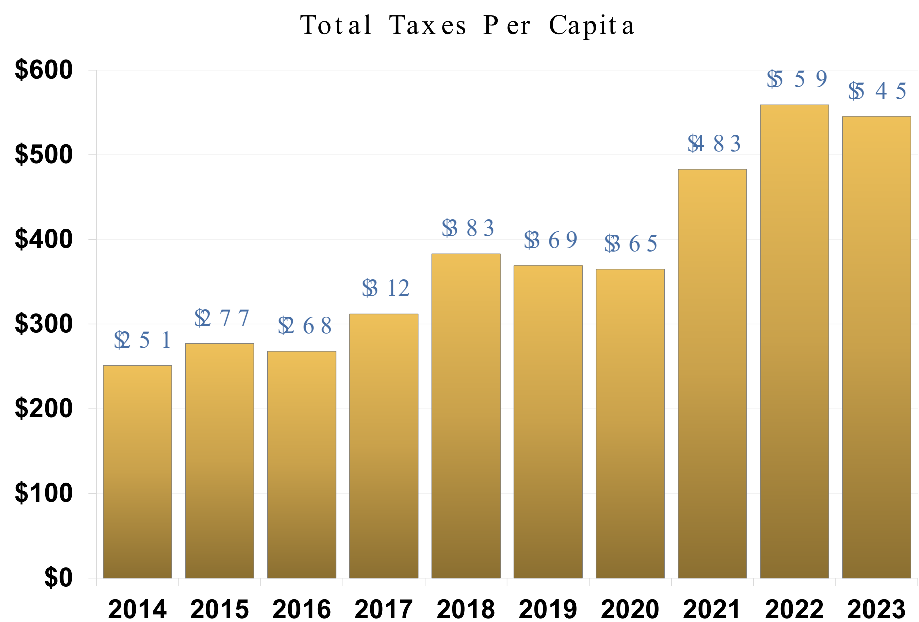
Financing Margin - Taxes

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, 2023, total taxes amounted to $19.7 million or $545 per capita. This indicates a favorable tax burden when compared with other insular governments but does represent a decrease from the ratio of the prior year.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
$251	$277	$268	$312	$383	$369	$365	$483	$559	$545

Performeter® Rating

9.9

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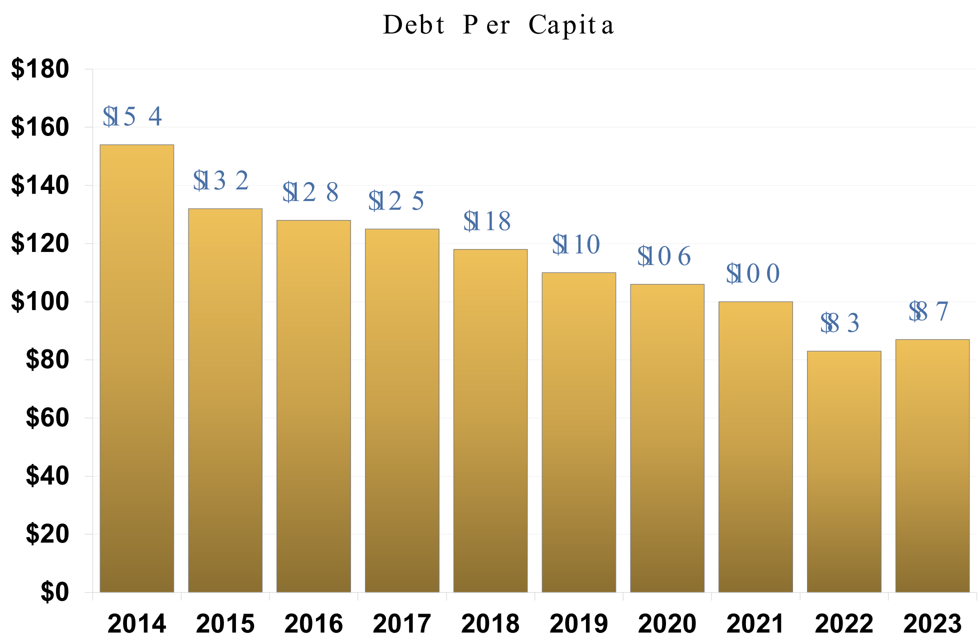
Financing Margin - Debt

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, 2023, Pohnpei had $3.1 million in long-term debt, or $87 per capita. This is considered a low debt burden on its citizens when compared to other insular governments and has increased in comparison to the prior period.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
$154	$132	$128	$125	$118	$110	$106	$100	$83	$87

Performeter® Rating

10

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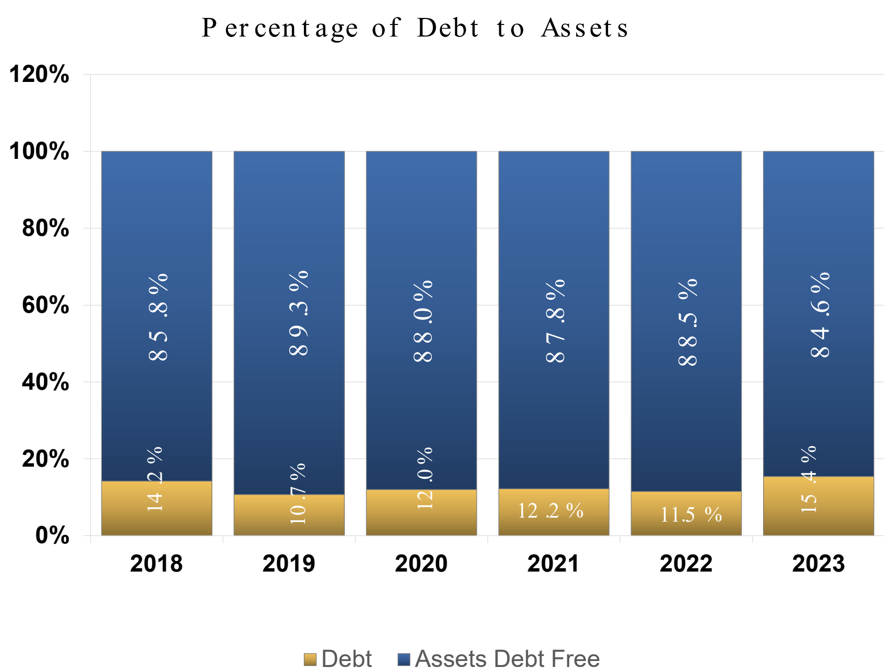
Debt to Assets

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, 2023, 15.4% of Pohnpei's $94.9 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 15.4 cents of that dollar to others.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
10.9%	19.2%	20.2%	15.0%	14.2%	10.7%	12.0%	12.2%	11.5%	15.4%

Performeter® Rating

9.3

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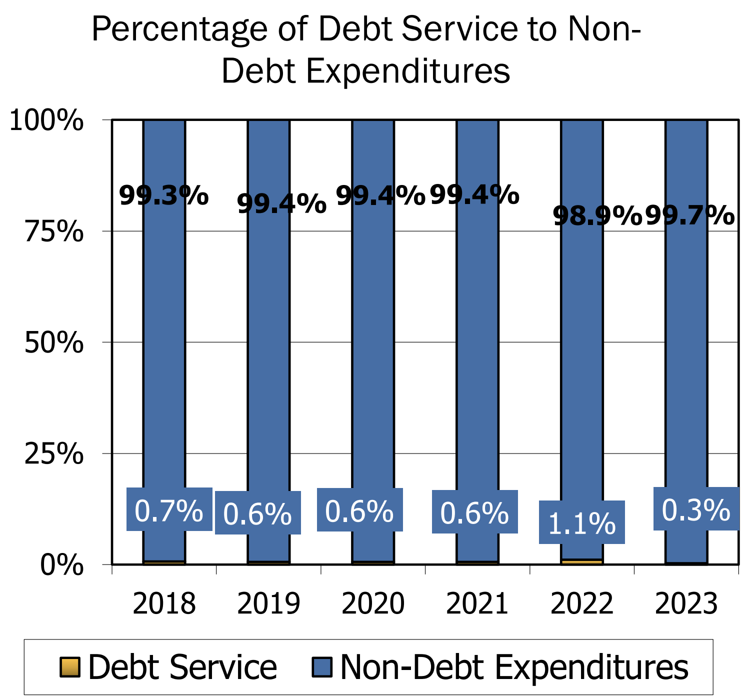
Debt Service Load

How much of our annual non-capital budget is loaded with disbursements to pay off long-term debt



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, 2023, Pohnpei's total non-capital expenditures amounted to $46.1 million, of which $124,160 (or 0.3%), 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, 0.3 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	Performeter® Rating
n/a	0.4%	1.9%	0.8%	0.7%	0.6%	0.6%	0.6%	1.1%	0.3%	10

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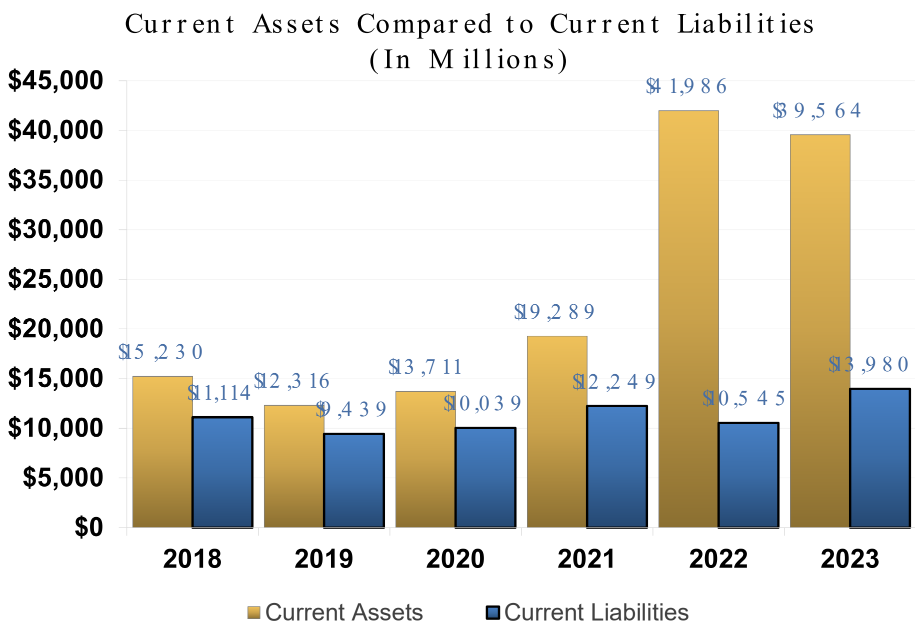
Current Ratio

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



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, 2023, Pohnpei had a General Fund ratio of current assets to current liabilities of 2.83 to 1. This indicates that Pohnpei had nearly three times the amount of current assets to pay current liabilities. This is considered to be a near excellent indicator of liquidity and shows a slight decline when compared to prior period.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1.88	1.80	1.76	1.67	1.37	1.30	1.37	1.57	3.98	2.83

Performeter® Rating

9.2

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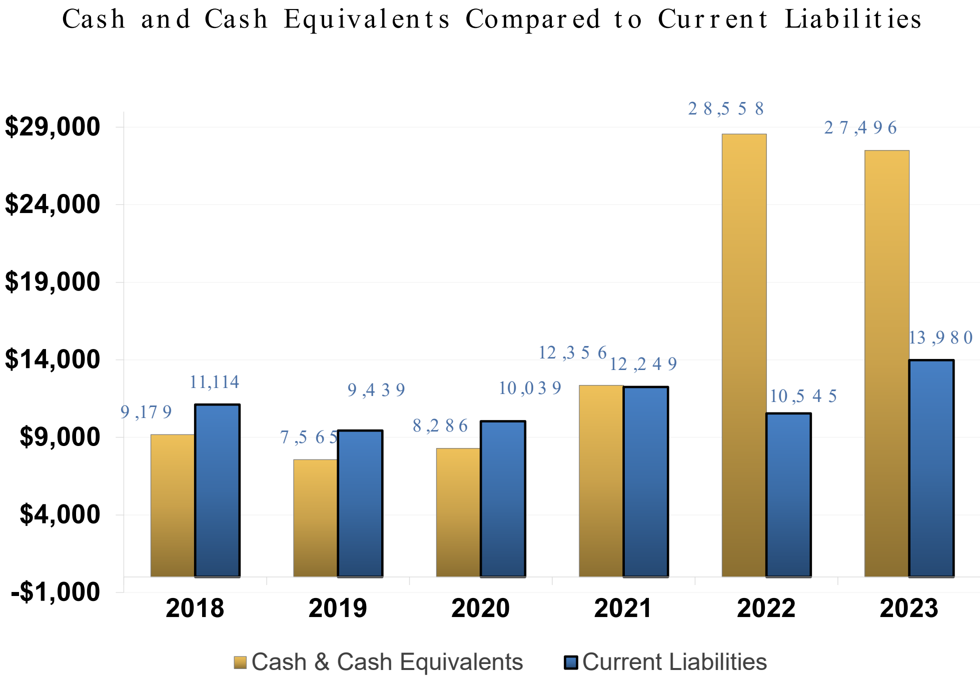
Quick Ratio

How is our short-term cash position?



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, 2023, Pohnpei had a General Fund ratio of cash and cash equivalents to current liabilities of 1.97 to 1. This indicates that Pohnpei had $1.97 of cash and cash equivalents available to pay each $1 of current liabilities, which is considered an excellent financial liquidity ratio but a slight decline from the ratio of the previous period.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
0.90	0.77	0.68	0.99	0.83	0.80	0.83	1.01	2.71	1.97

Performeter® Rating

9.8

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Performeter® Reading

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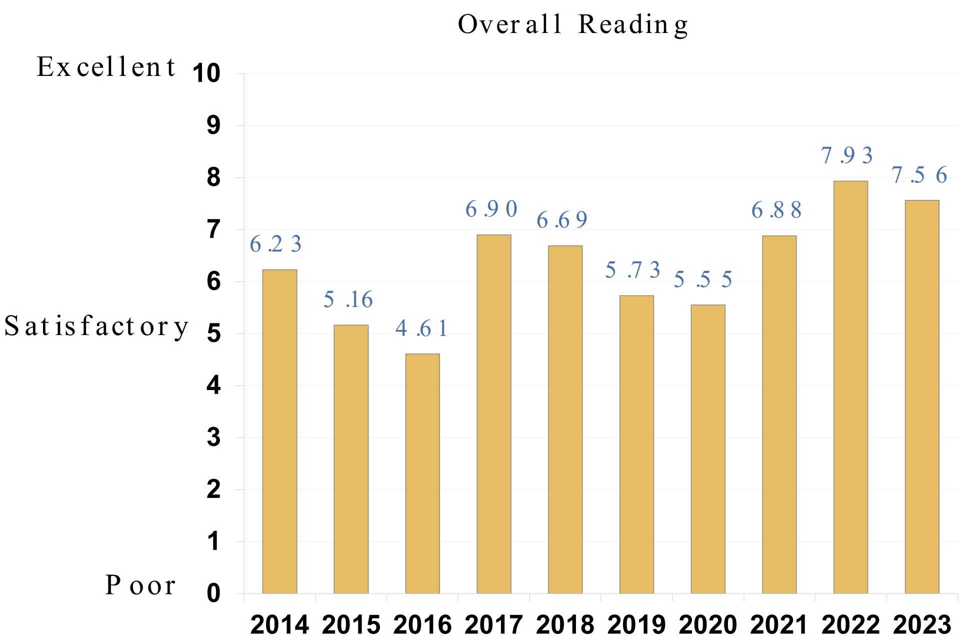
How Was Our Overall Financial Performance?



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

Financial Position	8.62
Financial Performance	6.74
Financial Capability	6.84

The 2023 overall reading of 7.56 indicates the evaluator's opinion that Pohnpei's overall financial health and performance declined when compared to the prior period.

Even though Pohnpei's overall financial health declined during the 2023 fiscal year, it still achieved a well above satisfactory reading. The primary reason for the decline in the reading is the decrease in the unassigned fund balance of the general fund.

FY 23 Overall Performeter® Reading: 7.56

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Ratio	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Change in Net Position	8.3%	2.2%	0.1%	13.8%	-4.0%	1.6%
Intergenerational Equity	108.8%	101.6%	97.7%	108.6%	99.6%	98.2%
Level of Unrestricted Net Position	11.7%	16.8%	14.2%	20%	63.4%	57.3%
Level of Unassigned Fund Balance	23.7%	-3.5%	0.5%	16.8%	45.2%	12.7%
Revenue Dispersion	16%	17.6%	16.9%	15.9%	16.7%	16.6%
Capital Asset Condition	24%	22%	21%	19%	18%	17%
Financing Margin – Taxes	$383	$369	$365	$483	$559	$545
Financing Margin – Debt/Obligations	$118	$110	$106	$100	$83	$87
Debt Service Load	0.7%	0.6%	0.6%	0.6%	1.1%	0.3%
Debt to Assets	14.2%	10.7%	12%	12.2%	11.5%	15.4%
Current Ratio	1.37	1.30	1.37	1.57	3.98	2.83
Quick Ratio	0.83	0.80	0.83	1.01	2.71	1.97
Overall Performeter Reading	6.69	5.73	5.55	6.88	7.93	7.56

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

Performeter Individual Ratios - Summary and Comparison to Prior Years

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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.

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	2016	2017	2018	2019	2020	2021	2022	2023
Number of F.S. Opinion Qualifications/Exceptions	1	1	1	1	1	1	2	1
Number of Major Federal Program Qualifications/Exceptions	0	0	0	2	2	2	1	2
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	 0 2 0 2	 0 1 0 1	 0 1 0 1	 0 2 0 2	 0 2 0 2	 0 1 0 1	 0 5 0 5	 0 1 0 1
Percentage of Findings Repeated	0%	100%	100%	50%	50%	100%	20%	100%
Number of Single Audit Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	 0 1 0 1	 1 0 0 1	 1 0 0 1	 7 0 0 7	 7 0 0 7	 4 0 0 4	 3 0 0 3	 7 0 0 7
Percentage of S.A. Findings Repeated	100%	100%	0%	14%	14%	50%	33%	14%
Number of months after Y/E the F.S. were Released	9	9	9	15	15	19	23	25.1
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0	0	0
$ of Questioned Costs-Current Year	$0	$0	$0	$735,506	$735,506	$961,312	$8,165	$261,684
$ of Questioned Costs- Cumulative	$1,032,816	$584,803	$584,803	$1,320,309	$1,320,309	$1,735,558	$1,187,735	$269,849
$ of Questioned Costs Resolved – Current Year	$0	$448,013	$0	$0	$0	$439,426	$564,153	$1,179,570

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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.

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