PERFORMETER.

Yap

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 Yap 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 Yap'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 Yap 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 Yap's performance and condition
- The analysis is an overall rating of Yap 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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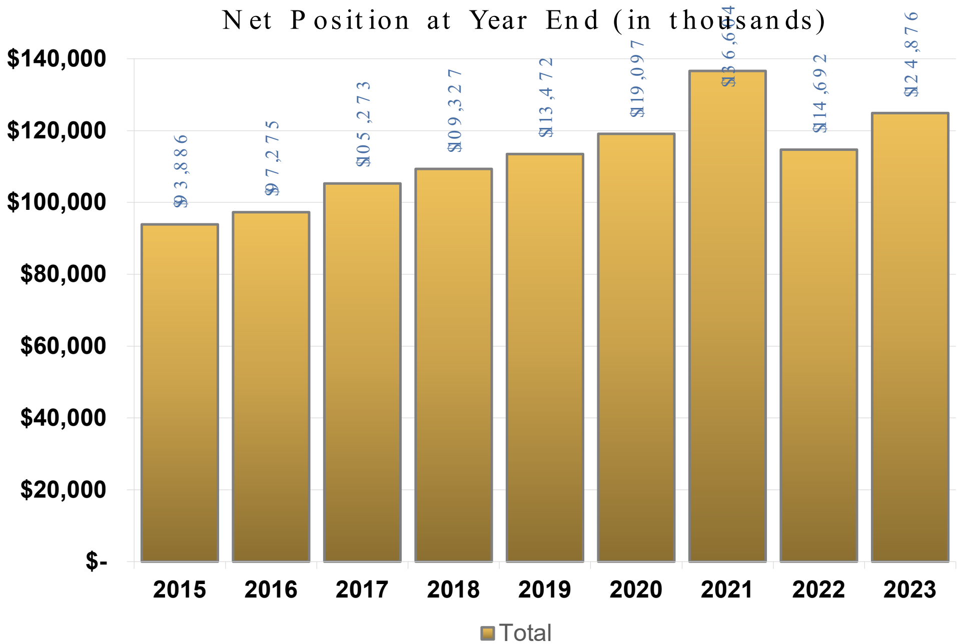
Change in Net Position

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



Net position includes all assets of Yap. It is measured as the difference between total assets, including capital assets, and deferred outflows, netted against all liabilities, including long-term debt, and deferred inflows.

For the year ended September 30, 2023, total net position increased by $10.2million, or 8.9%.

Governmental activities (GA) net position increased by $10.3 million, while business-type activities (BTA) net position decreased by $67,000. This is due primarily to a positive change in investments' fair market value.

Only the total activities is presented on the chart due to the immateriality of the business-type activities and space limitation.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
4.4%	-5.1%	-2.4%	8.2%	3.9%	3.8%	5.0%	14.7%	-16.0%	8.9%

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9.4

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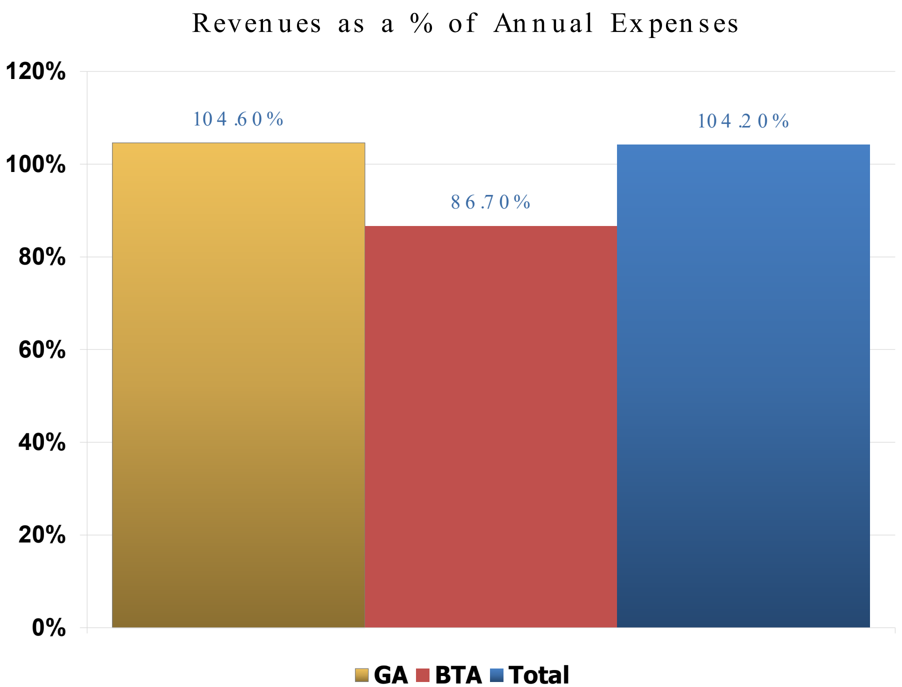
Intergenerational Equity

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, Yap funded 104.2% of their total expenses with current year revenues. This represents a significant increase in the ratio when compared to the ratio of the prior year, due primarily to an increase of $4 million in unrestricted investment earnings.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
101.6%	81.8%	92.5%	102.3%	95.3%	108.8%	87.9%	109.4%	85.7%	104.2%

Performeter® Rating

10

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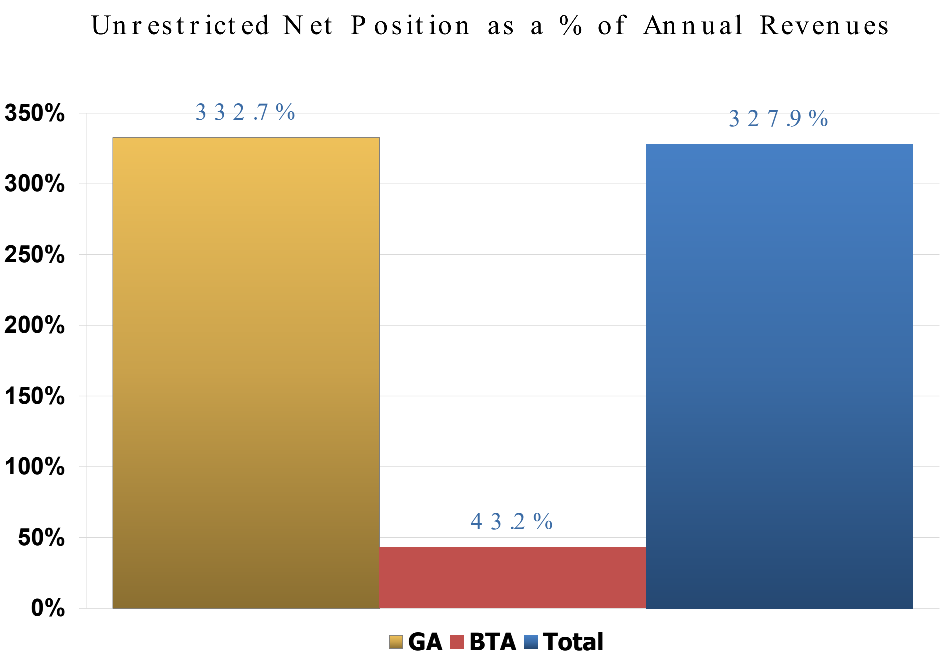
Level of Unrestricted Net Position

How do our total rainy day funds look?



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

For the year ended September 30, 2023, Yap's total unrestricted net position approximated 327.9% of annual total revenues, representing a slight decrease from the ratio of the previous period, but still considered an excellent ratio.

The governmental activities had a 332.7% level of unrestricted net position, while business-type activities had a 43.2% level.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
224.8%	277.4%	284.7%	222.4%	314.3%	286.6%	337.6%	344.4%	340.1%	327.9%

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10

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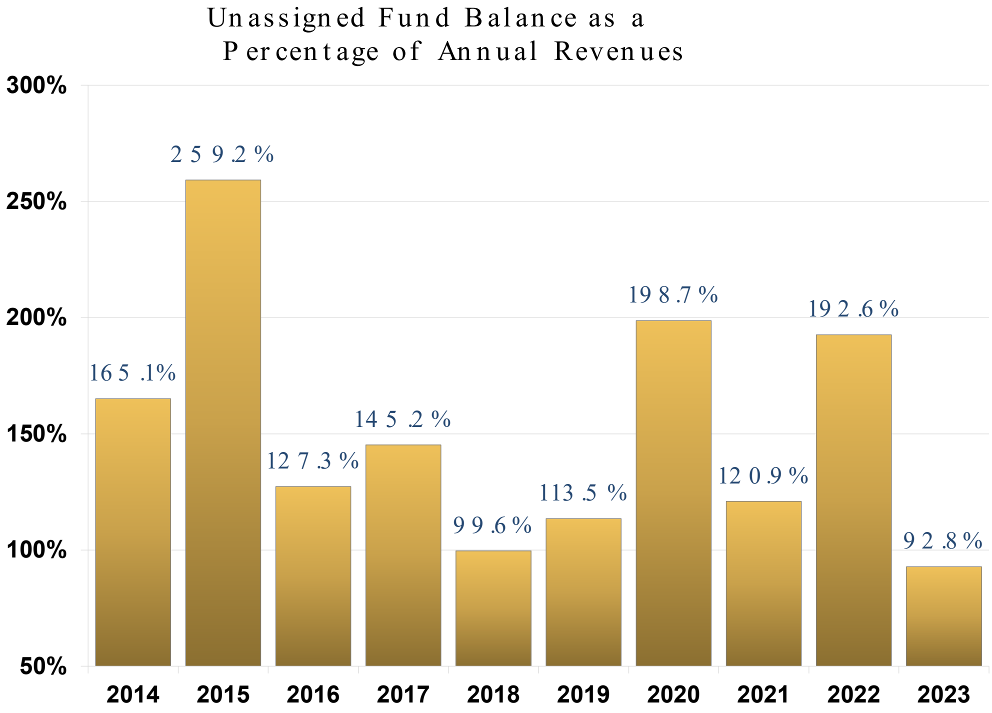
Level of Unassigned Fund Balance

How does our carryover look?



The level of unassigned fund balance is an indication of the amount of unexpended, unencumbered and available resources Yap 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, 2023, Yap's unassigned fund balance of the General Fund was 92.8% of total general fund revenues. This is considered an excellent financial indicator although it represents a decrease from the ratio of the previous period. This was due to a significant increase in unassigned fund balance related to a restatement of a YSPSC receivable of $8.5 million this year and an increase in revenue mainly from increase in fair market value of investments of $5 million.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
165.1%	259.2%	127.3%	145.2%	99.6%	113.5%	198.7%	120.9%	192.6%	92.8%

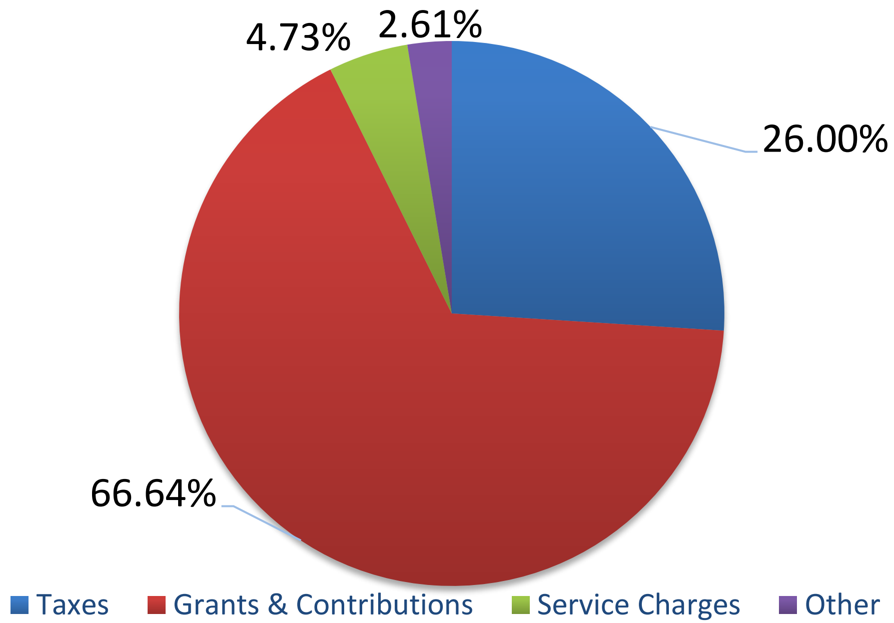
Performeter® Rating

10

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

For the year ended September 30, 2023, Yap had direct control of 15.1% of its revenues. This ratio indicates Yap has some significant exposure, as do most insular governments, to financial difficulties due to reliance on non-controlled revenue (84.9%).

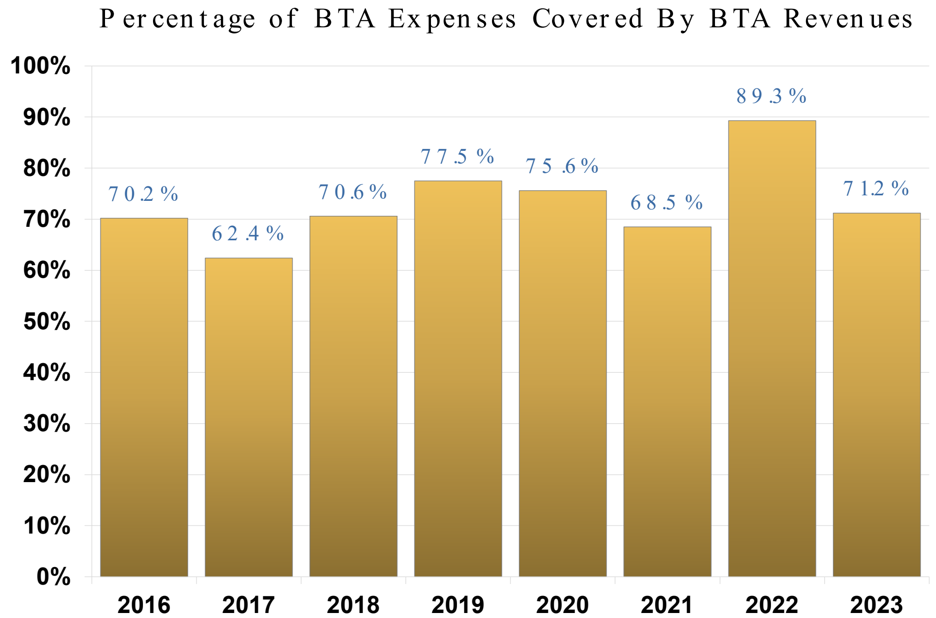
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
11.4%	15.0%	14.5%	11.9%	16.0%	12.5%	13.7%	14.2%	17.3%	15.1%

Performeter® Rating

0.6

BTA Self-Sufficiency

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



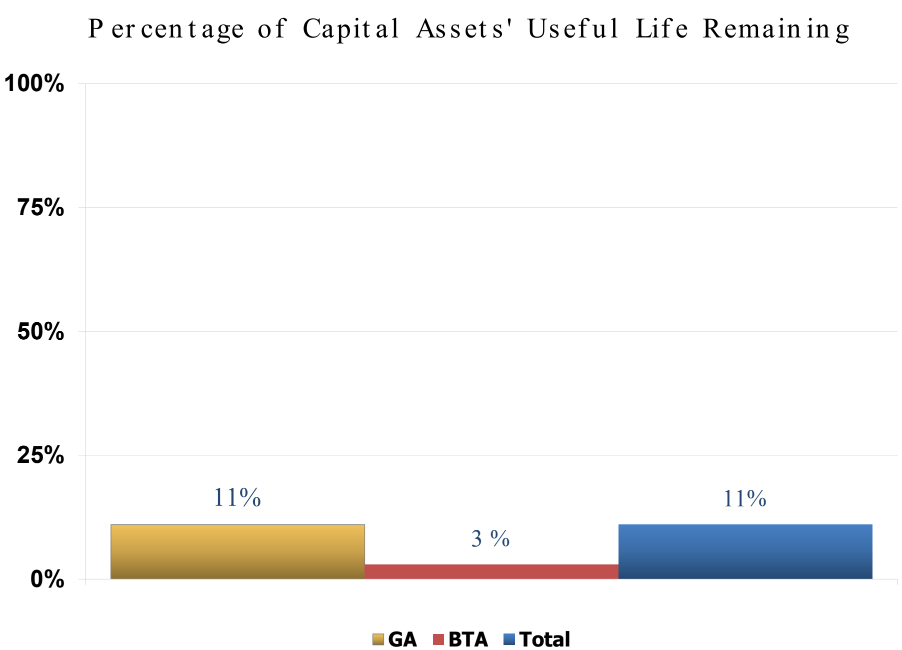
The self-sufficiency ratio indicates the level at which business-type activities covered their current costs with current year revenues, without having to rely on subsidies or use of prior year reserves.

For the year ended September 30, 2023, Yap's total business-type activities were 71.2% self-sufficient, a decrease from the ratio of the prior year. This indicates the business-type activities still require a subsidy to cover costs of operations, the use of grant proceeds, or the use of unrestricted reserves to fund current year expenses.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Performeter® Rating
78.9%	67.5%	70.2%	62.4%	70.6%	77.5%	75.6%	68.5%	89.3%	71.2%	0

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, Yap's depreciable capital assets amounted to $122 million while accumulated depreciation totaled $109 million. This indicates that, on average, Yap's capital assets have 11% of their useful lives remaining. This is an unsatisfactory financial indicator and could be indicative of a need for large amounts of capital expenditures in the near future. However, the ratio is consistent over the past few periods.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
21%	18%	16%	16%	16%	14%	13%	13%	12%	11%

Performeter® Rating

0

Financing Margin - Taxes

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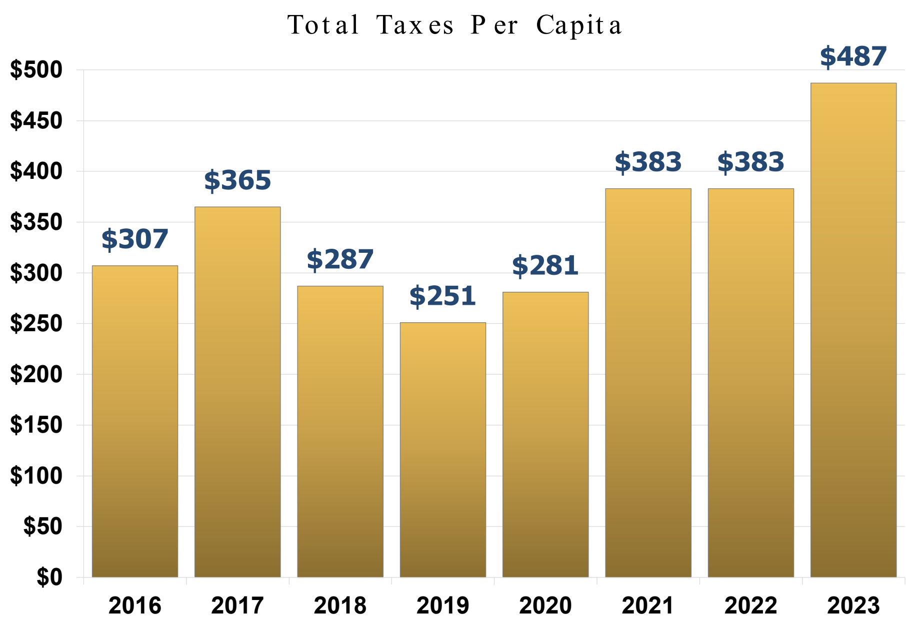
Will our citizens be willing to pay increased taxes for operations or capital improvements, if needed?



The financial ratio of taxes per capita is an indication of Yap'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 $5.6 million or $487 per capita, which increased when compared to the ratio of the prior period. However, this still represents a low tax burden on Yap's citizens when compared to other insular governments.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
$287	$290	$307	$365	$287	$251	$281	$383	$383	$487

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10

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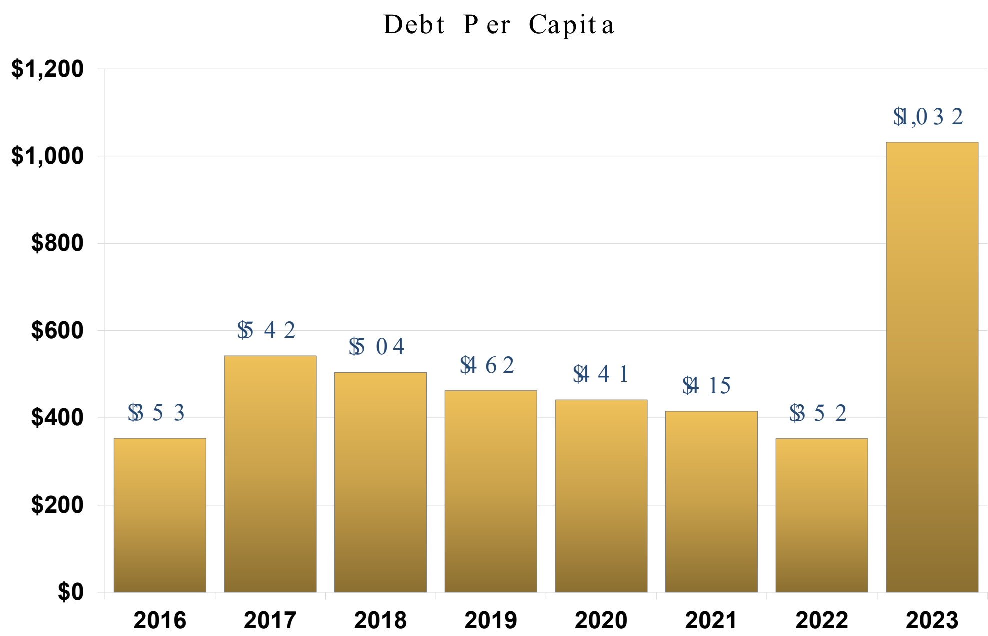
Financing Margin - Debt

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



The financial ratio of debt per capita is an indication of Yap's debt burden on its citizens and other taxpayers. The ratio does not consider debt payable from enterprise activities or alternate revenues.

For the year ended September 30, 2023, Yap had approximately $12 million of long-term debt or $1,032 per capita. This represents a significant increase from the ratio of the prior year due to a restatement of an ADB loan of $8.4 million. it is still considered a relatively low debt burden on its citizens when compared to other insular governments.

2014 1	2015	2016	2017	2018	2019	2020	2021	2022	2023
$448	$369	$353	$542	$504	$462	$441	$415	$352	$1,032

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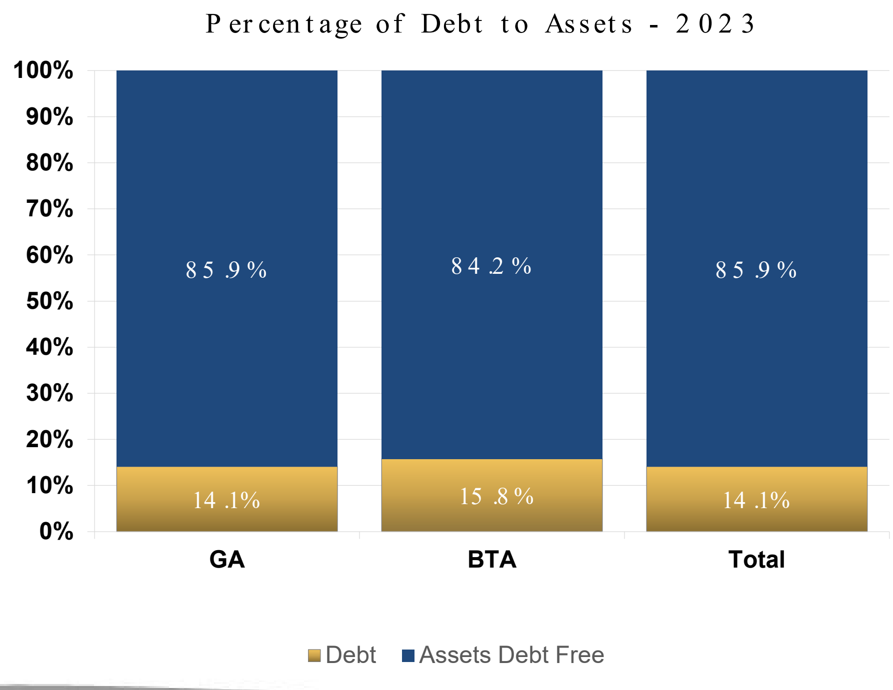
9.9

Debt to Assets

Who really owns Yap?



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

At September 30, 2023, 14.1% of Yap's $145.4 million of total assets were funded with debt or other obligations. This is an increase in the ratio from the prior year but is still considered an excellent financial indicator and indicates that for each dollar of assets Yap owns, it owes 14.1 cents of that dollar to others.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
10.6%	9.6%	8.6%	10.2%	10.7%	8.4%	9.0%	8.1%	8.6%	14.1%

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9.5

Debt Service Load

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

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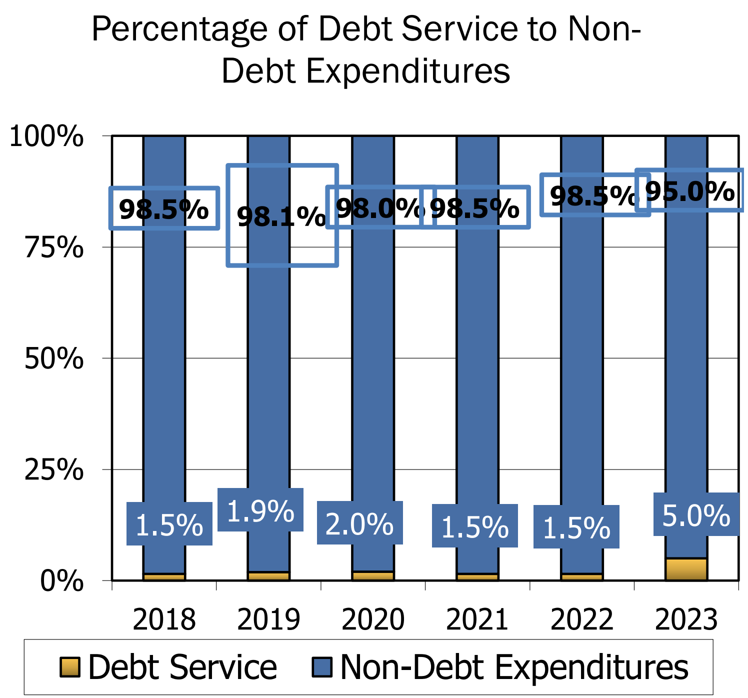


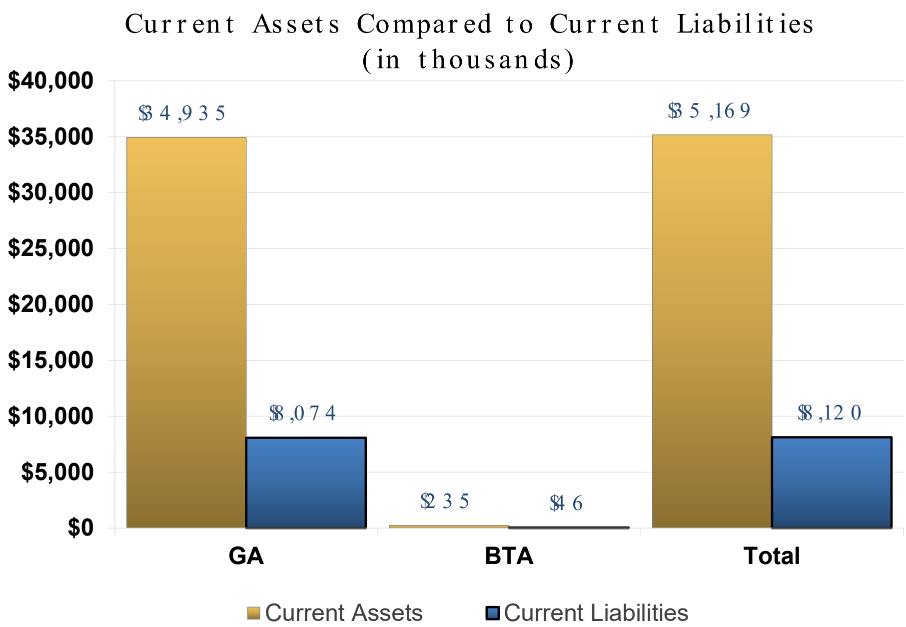
The debt service load ratio measures the extent to which Yap's non-capital expenditures were comprised of debt service payments on long-term debt.

For the year ended September 30, 2023, YAP's total non-capital expenditures amounted to $23.7 million, of which $1,185,579 (or 5%), 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 Yap spent on non-capital items, 5 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	2.1%	2.2%	1.5%	1.5%	1.9%	2.0%	1.5%	1.5%	5.0%	10

Current Ratio

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



The current ratio is one measure of Yap'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 only includes the General Fund and the Enterprise Fund, which are Yap's primary operating funds.

At September 30, 2023, Yap had a ratio of current assets to current liabilities in these funds of 4.33 to 1. This indicates that Yap had just over four and one-third times the amount of current assets to pay current liabilities and remains an excellent indicator of liquidity.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
3.29	3.10	3.46	3.15	3.22	4.70	3.92	4.45	3.63	4.33

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10

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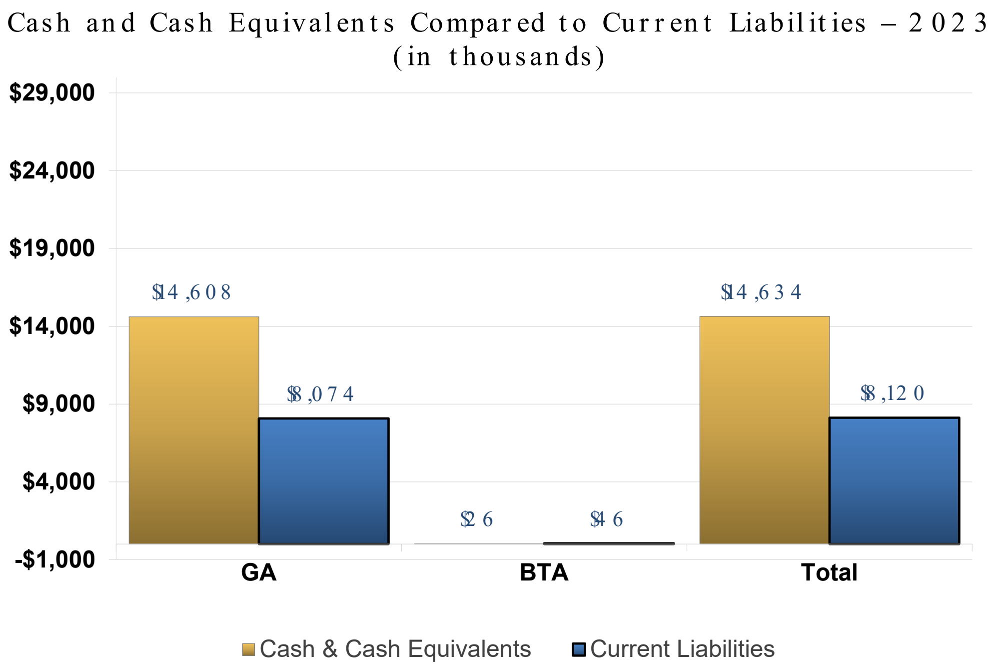
Quick Ratio

How is our short-term cash position?



The quick ratio is another, more conservative, measure of Yap'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 the Enterprise Fund, which are Yap's primary operating funds.

At September 30, 2023, Yap had a ratio of cash and cash equivalents to current liabilities of 1.80 to 1 in these funds. This indicates that Yap had just under two times cash and short-term investments for every $1 of current liabilities. This is considered a near excellent indicator of liquidity although it is a decrease from the ratio of the previous period.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2.69	2.60	2.79	2.72	2.43	3.07	2.47	2.81	2.02	1.80

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9.0

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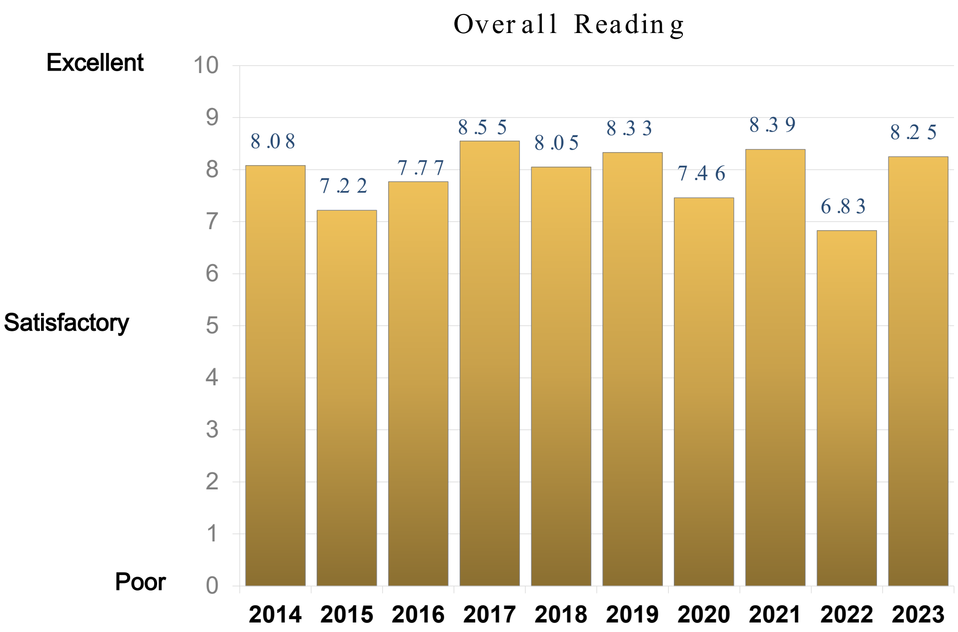
Performeter® Reading

How Was Our Overall Financial Performance?



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

Financial Position	9.79
Financial Performance	8.05
Financial Capability	6.81

The 2023 overall reading of 8.25 indicates the evaluator's opinion that the Government of Yap's overall financial health and performance increased during the year and is a well above satisfactory number.

Yap's significant increases in change in net position and intergenerational equity, due in large part to gains in the fair value of investments.

FY23 Overall Performeter® Reading: 8.25

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Ratio	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Change in Net Position	3.9%	3.8%	5.0%	14.7%	-16.0%	8.9%
Intergenerational Equity	95.3%	108.8%	87.9%	109.4%	85.7%	104.2%
Level of Unrestricted Net Position	314.3%	286.6%	337.6%	344.4%	340.1%	327.9%
Level of Unassigned Fund Balance	99.6%	113.5%	198.7%	120.9%	192.6%	92.8%
Revenue Dispersion	16%	13%	13.7%	14.2%	17.3%	15.1%
BTA Self-Sufficiency	70.6%	77.5%	75.6%	68.5%	89.3%	71.2%
Capital Asset Condition	16%	14%	13%	13%	12%	11%
Financing Margin – Taxes	$287	$251	$281	$383	$383	$487
Financing Margin – Debt/Obligations	$504	$462	$441	$415	$352	$1,032
Debt Service Load	1.5%	1.9%	2.0%	1.5%	1.5%	5.0%
Debt to Assets	10.7%	8.4%	9.0%	8.1%	8.6%	14.1%
Current Ratio	3.22	4.70	3.92	4.45	3.63	4.33
Quick Ratio	2.43	3.07	2.47	2.81	2.02	1.80
Overall Performeter Reading	8.05	8.33	7.46	8.39	6.83	8.25

*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.

	2016	2017	2018	2019	2020	2021	2022	2023
Number of F.S. Opinion Qualifications/Exceptions	2	1	1	1	1	1	1	1
Number of Major Federal Program Qualifications/Exceptions	1	1	1	1	0	0	0	0
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	0 0 2 2	1 0 0 1	1 0 0 1	1 0 0 1	0 1 0 1	0 1 0 1	1 0 0 1	0 1 0 1
Percentage of Findings Repeated	50%	100%	100%	100%	100%	100%	100%	100%
Number of Single Audit Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	4 0 0 4	2 0 0 2	2 0 0 2	2 0 0 2	0 0 0 0	0 0 0 0	3 0 0 3	0 1 0 1
Percentage of S.A. Findings Repeated	25%	0%	50%	50%	0%	50%	0%	100%
Number of months after Y/E the F.S. were Released	9	9	9	15	15	15	24	28.3
Number of Qualifications/Exceptions Related to C.U.	2	1	1	1	1	1	1	1
$ of Questioned Costs-Current Year	$74,514	$95,055	$375,880	$174,758	$0	$0	$0	$0
$ of Questioned Costs- Cumulative	$1,098,512	$277,044	$652,924	$645,693	$645,693	$174,758	$174,758	$174,758
$ of Questioned Costs Resolved – Current Year	$0	$916,523	$0	$7,231	$0	$470,935	$0	$0

Thank You!

- We would like to commend and thank the Yap'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 Yap'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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