



**YAP**  
**FISCAL YEAR 2018**

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, 2018



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 Yap's financial health and performance

# *HOW TO USE THE PERFORMETER®*

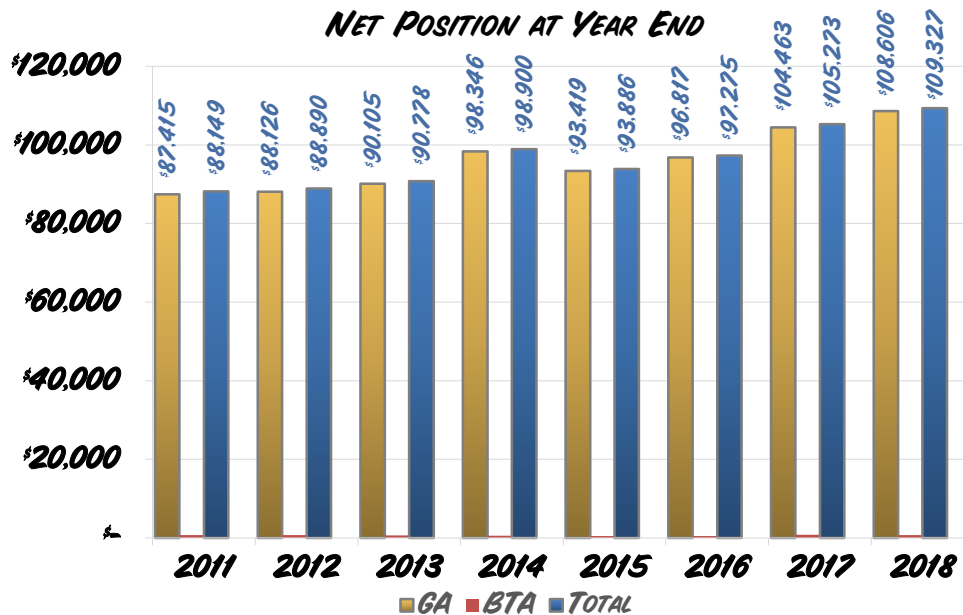
- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of Yap as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

# ***LIMITATIONS OF THE PERFORMETER®***

- The Performer® should not be used as the only source of financial information to evaluate 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 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 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, 2018, total net position increased by \$4.1 million, or 3.9%.

Governmental activities (GA) net position increased by \$4.1 million, while business-type activities (BTA) net position decreased by \$89 thousand.

Only the governmental activities (gold colored bar) and total activities (blue colored bar) are legible on the chart due to the immateriality of the business-type activities (red colored bar).

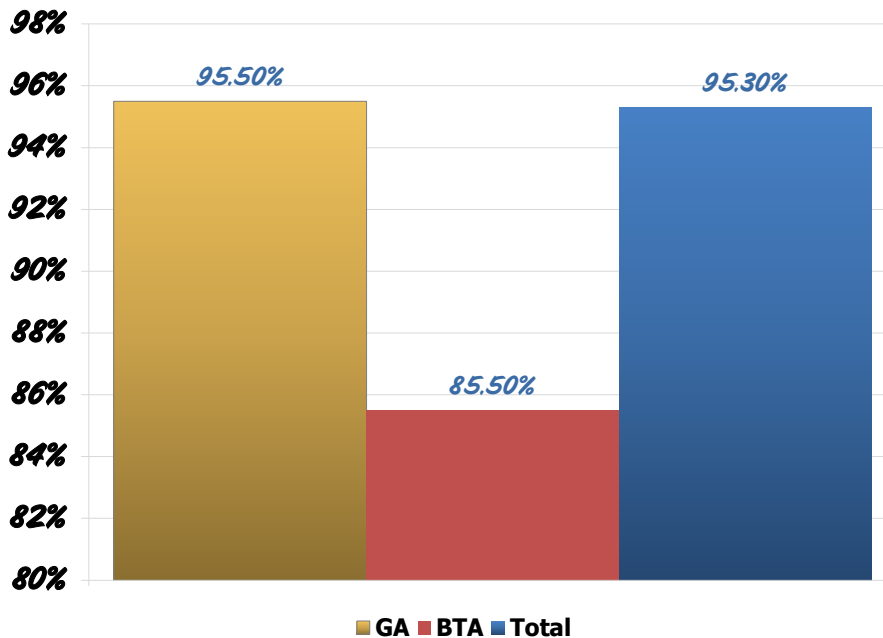
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
0.5%	0.6%	-7%	0.9%	5.7%	4.4%	-5.1%	-2.4%	8.2%	3.9%



# 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, 2018, Yap funded 95.3% of their expenses with current year revenues. This represents a decrease in the ratio when compared to the ratio of the prior year, due primarily to a decrease of \$4.5 million in operating grants, capital grants, and contributions in the current year.

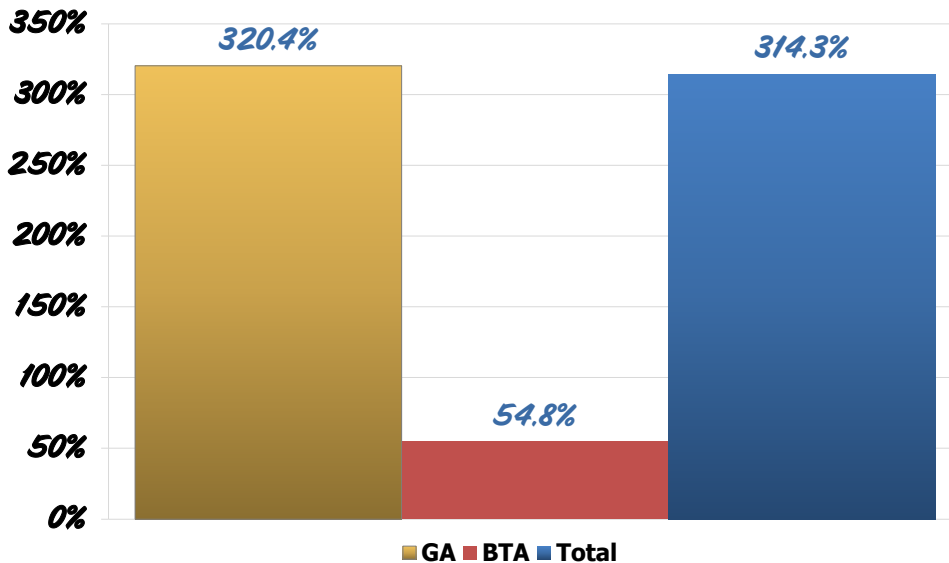
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
101.9%	111.7%	74.2%	88%	98.2%	101.6%	81.8%	92.5%	102.3%	95.3%



# LEVEL OF UNRESTRICTED NET POSITION

## HOW DO OUR TOTAL RAINY DAY FUNDS LOOK?

UNRESTRICTED NET POSITION AS A % OF ANNUAL REVENUES



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, 2018, Yap's total unrestricted net position approximated 314.3% of annual total revenues, representing an increase from the ratio of the previous period.

The governmental activities had a 320.4% level of unrestricted net position, while business-type activities had a 54.8% level.

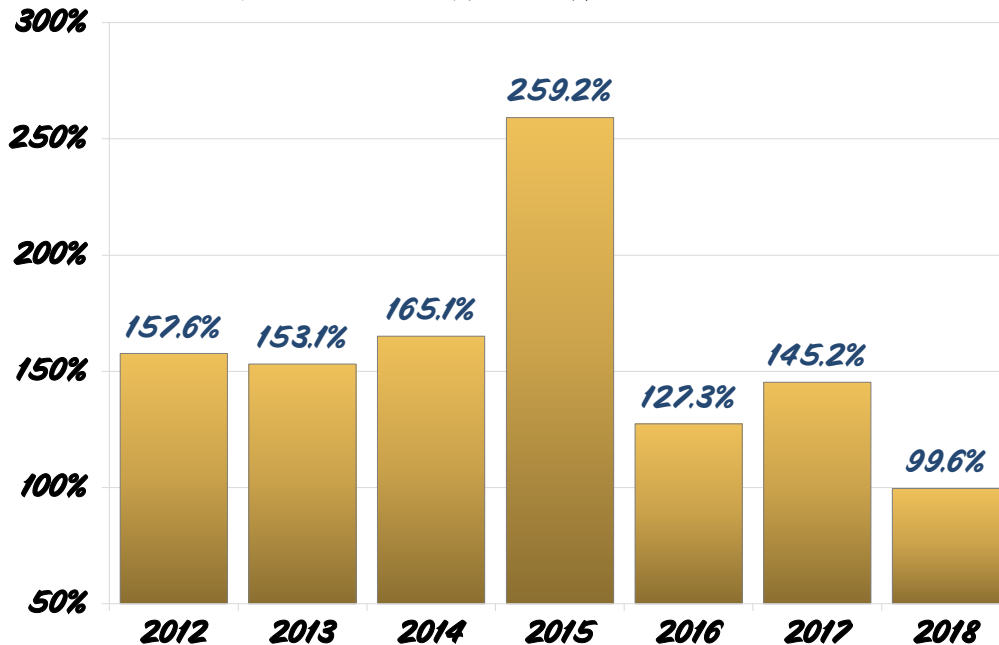
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
94.6%	7%	61.8%	211.1%	210.2%	224.8%	277.4%	284.7%	222.4%	314.3%



# LEVEL OF UNASSIGNED FUND BALANCE

## HOW DOES OUR CARRYOVER LOOK?

UNASSIGNED FUND BALANCE AS A PERCENTAGE OF ANNUAL REVENUES



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, 2018, Yap's unassigned fund balance of the General Fund was 99.6% of total general fund revenues. This is considered an excellent financial indicator but does represent a decrease from the ratio of the previous period.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
438.3%	200.6%	234.6%	157.6%	153.1%	165.1%	259.2%	127.3%	145.2%	99.6%

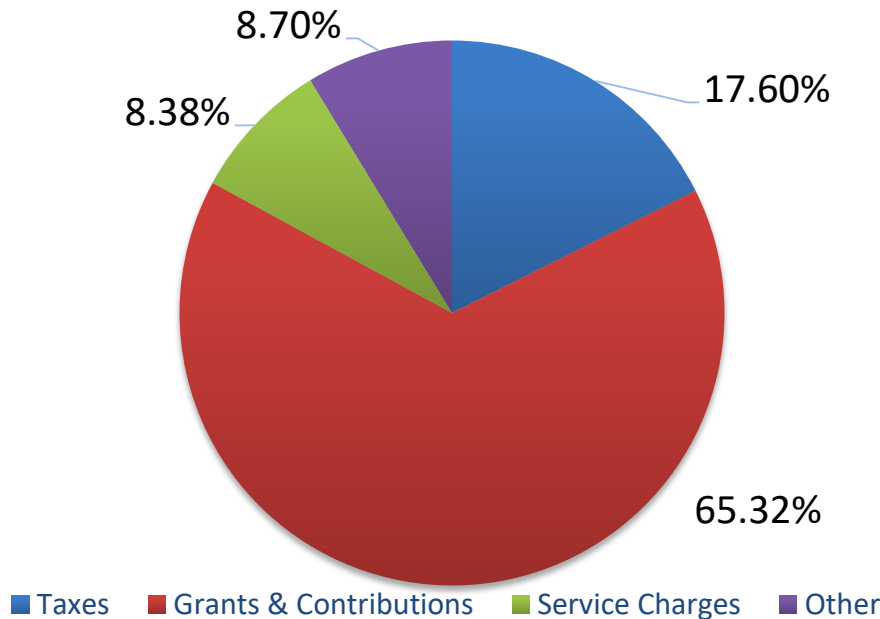




# REVENUE DISPERSION

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

**2018 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, 2018, Yap had direct control of 16.0% 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 (84.0%).

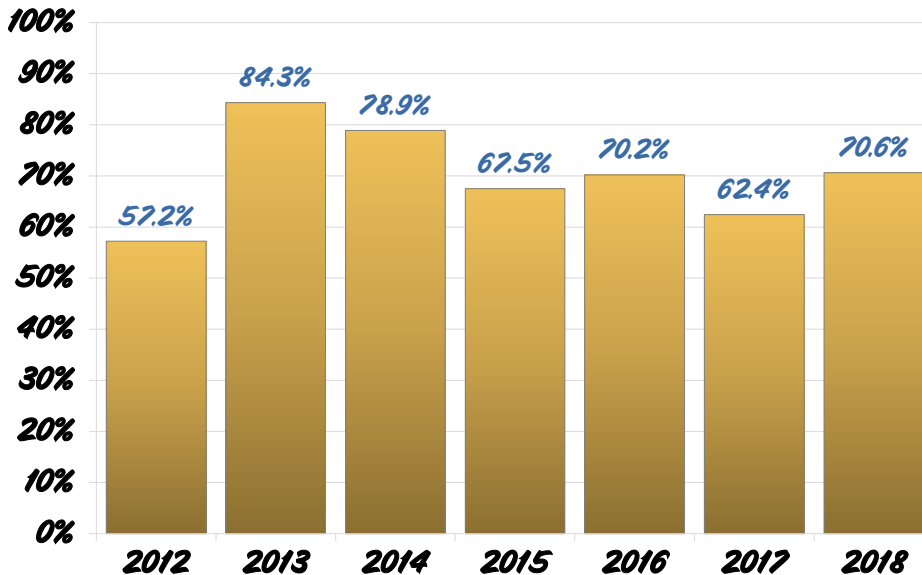
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
11.9%	10%	13%	12.2%	11%	11.4%	15%	14.5%	11.9%	16.0%



# 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 or use of prior year reserves.

For the year ended September 30, 2018, Yap's total business-type activities were 70.6% self-sufficient, an increase 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 expenses.

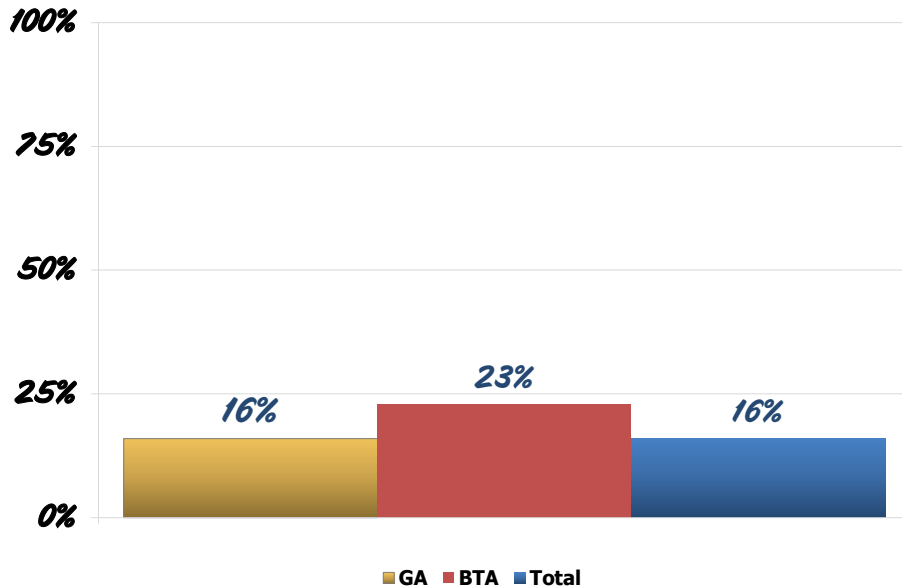
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
81.6%	63.1%	55.5%	57.2%	84.3%	78.9%	67.5%	70.2%	62.4%	70.6%



# 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 a significant amount of capital assets.

At September 30, 2018, Yap's depreciable capital assets amounted to \$122.3 million while accumulated depreciation totaled \$102.9 million. This indicates that, on average, Yap's capital assets have 16% 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.

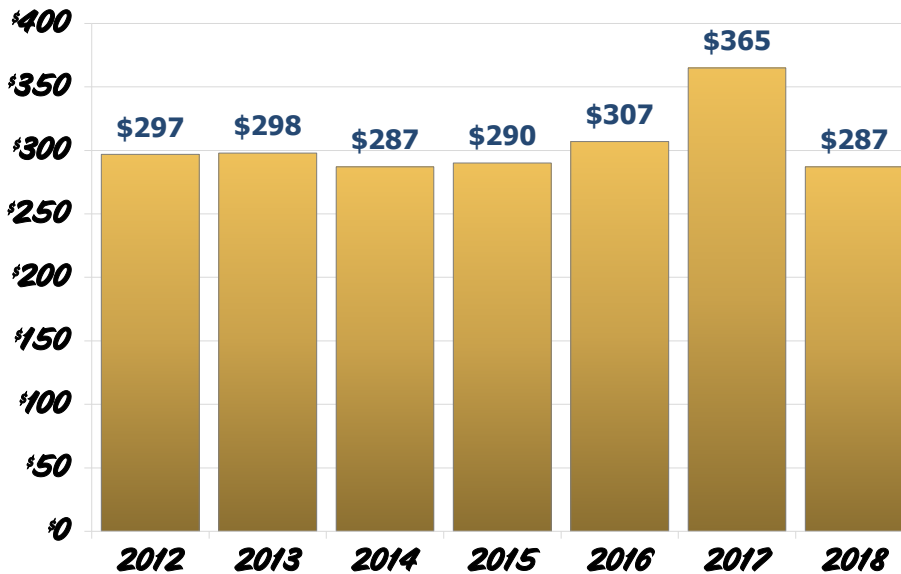
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
29%	27%	24%	21%	19%	21%	18%	16%	16%	16%



# 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 Yap's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes.

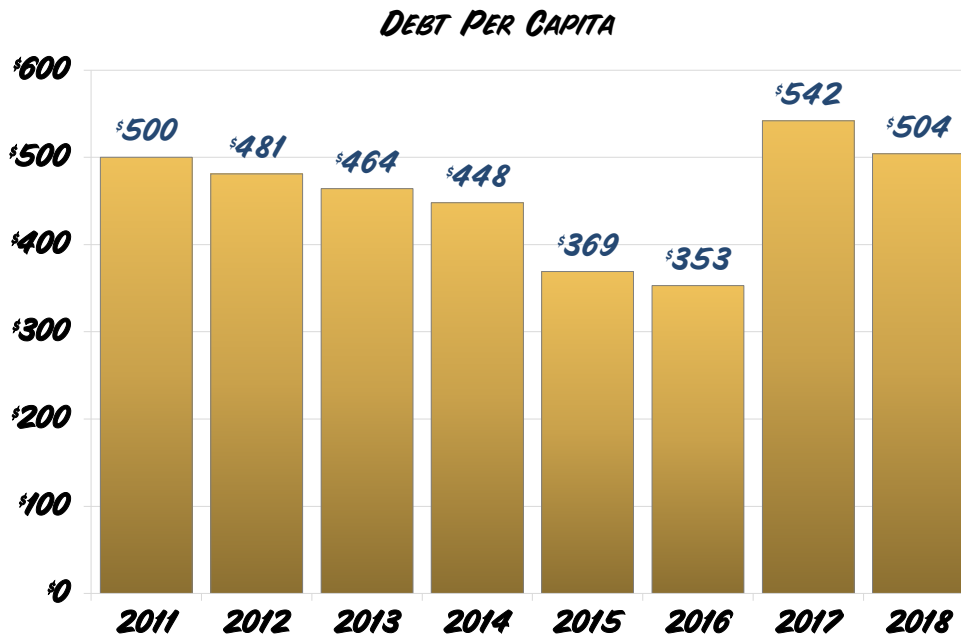
For the year ended September 30, 2018, total taxes amounted to \$3.3 million or \$287 per capita, which is a decrease when compared to the ratio of the prior period. This represents a low tax burden on Yap's citizens when compared to other insular governments.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$314	\$341	\$298	\$297	\$298	\$287	\$290	\$307	\$365	\$287



# 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.

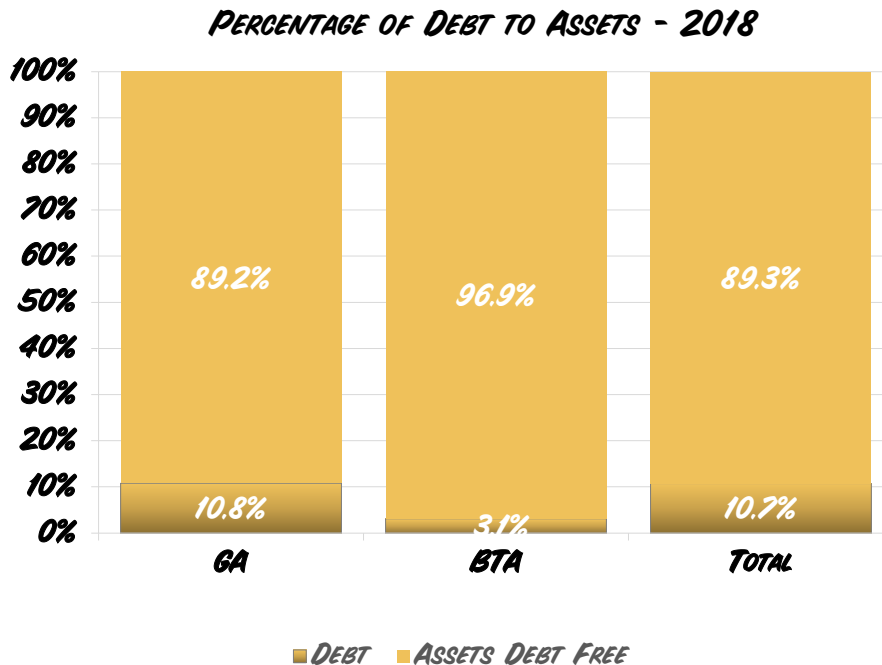
For the year ended September 30, 2018, Yap had approximately \$5.7 million of long-term debt or \$504 per capita. This represents a decrease from the ratio of the prior year and it is considered a relatively low debt burden on its citizens when compared to other insular governments.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$489	\$523	\$500	\$482	\$464	\$448	\$369	\$353	\$542	\$504



# 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, 2018, 10.7% of Yap's \$122 million of total assets were funded with debt or other obligations. Although a decrease in the ratio from the prior year, this remains a very favorable financial indicator and indicates that for each dollar of assets Yap owns, it owes 10.7 cents of that dollar to others.

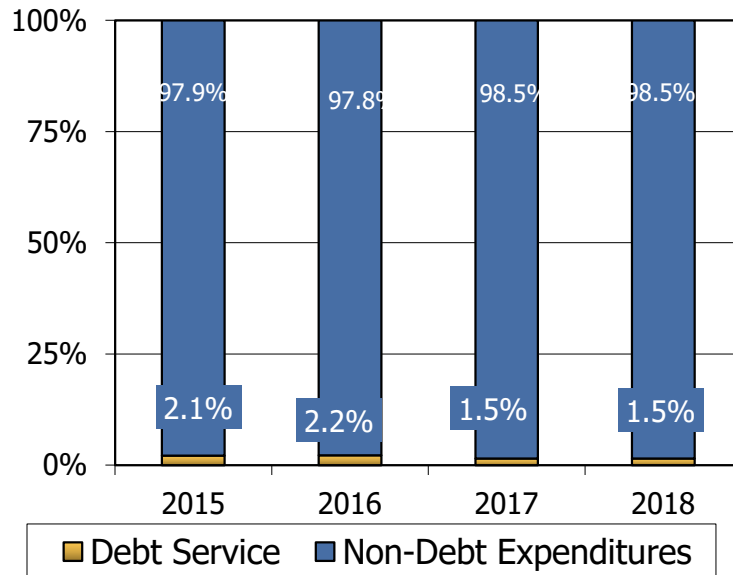
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
10.1%	10%	11%	11.9%	11%	10.6%	9.6%	8.6%	10.2%	10.7%



# 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 Palau’s non-capital expenditures were comprised of debt service payments on long-term debt.

For the year ended September 30, 2018, YAP’s total non-capital expenditures amounted to \$20.7 million, of which \$313,136 (or 1.5%), 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, 1.5 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.

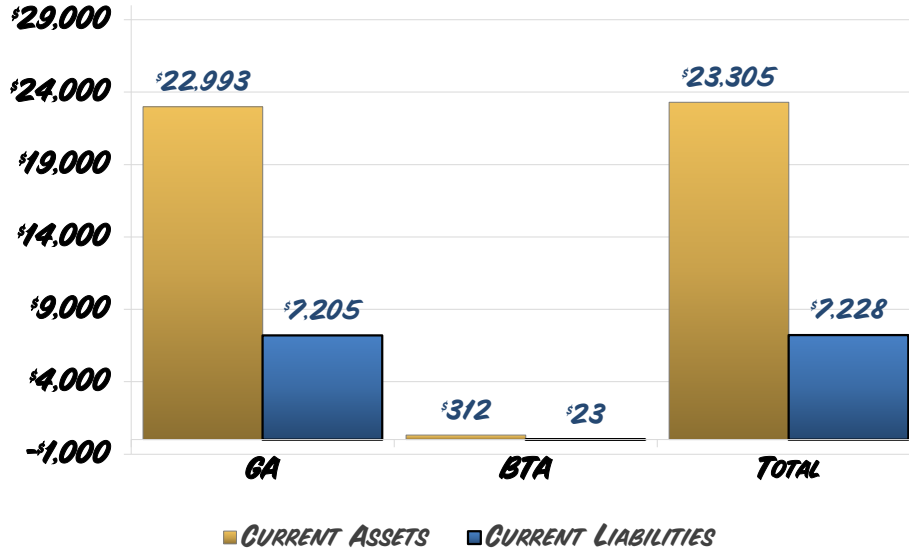
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
N/A	N/A	N/A	N/A	N/A	N/A	2.1%	2.2%	1.5%	1.5%



# CURRENT RATIO

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

**CURRENT ASSETS COMPARED TO CURRENT LIABILITIES**



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, 2018, Yap had a ratio of current assets to current liabilities in these funds of 3.22 to 1. This indicates that Yap had over three times the amount of current assets to pay current liabilities, and remains an excellent indicator of liquidity.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
8.69	5.81	7.15	3.57	3.70	3.29	3.10	3.46	3.15	3.22

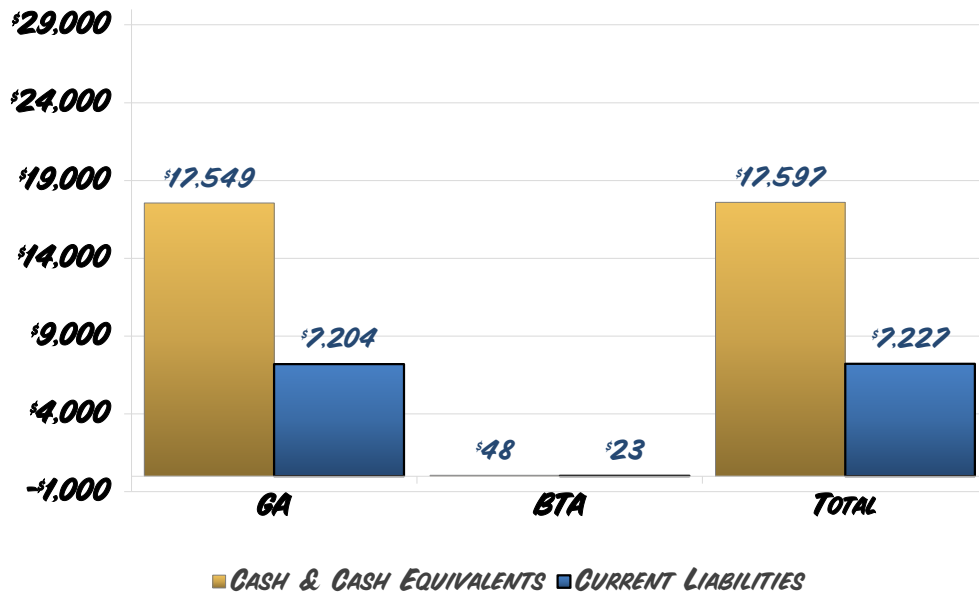




# QUICK RATIO

## HOW IS OUR SHORT-TERM CASH POSITION?

CASH AND CASH EQUIVALENTS COMPARED TO CURRENT LIABILITIES - 2018



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, 2018, Yap had a ratio of cash and cash equivalents to current liabilities of 2.43 to 1 in these funds. This indicates that Yap had nearly two and one-half times cash and short-term investments for every \$1 of current liabilities. This is considered an excellent indicator of liquidity although it does represent a decrease from the ratio of the previous period.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
7.54	5.13	6.04	2.65	2.82	2.69	2.60	2.79	2.72	2.43



# PERFORMETER® READING

## HOW WAS OUR OVERALL FINANCIAL PERFORMANCE?

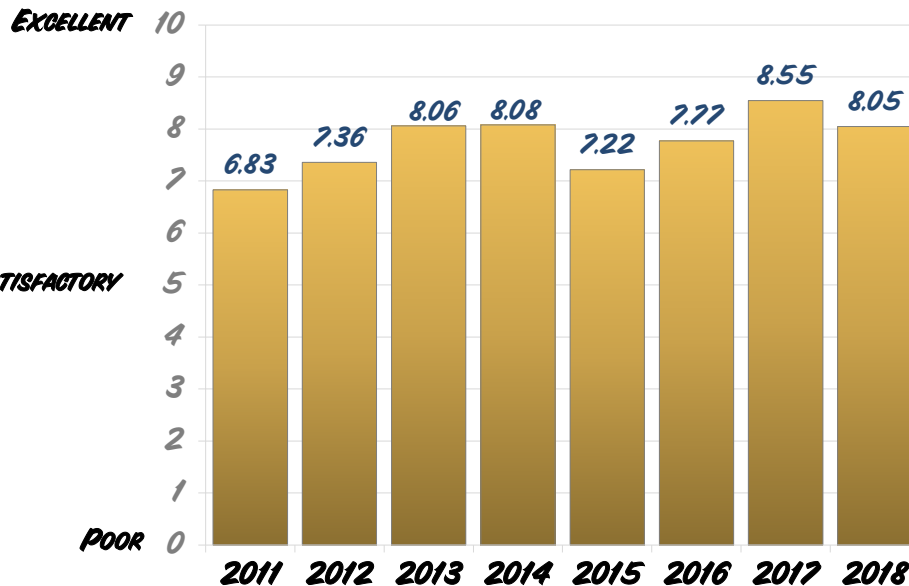
For the 2018 fiscal year, the readings by ratio category were as follows:

Financial Position	10.0
Financial Performance	6.3
Financial Capability	6.9

The 2018 overall reading of 8.05 indicates the evaluator's opinion that the Government of Yap's overall financial health and performance declined during the year, but remains well above satisfactory

Yap's overall unrestricted net position, the General Fund's level of unassigned fund balance, low tax and debt burdens per capita, an excellent debt-to-asset ratio, and excellent current and quick ratios are the primary reasons for the well above satisfactory rating.

OVERALL READING



FY 18 OVERALL PERFORMETER® READING: 8.05



<i>RATIO</i>	<i>FY 2013</i>	<i>FY 2014</i>	<i>FY 2015</i>	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>
<i>CHANGE IN NET POSITION</i>	<i>5.7%</i>	<i>4.4%</i>	<i>-5.1%</i>	<i>2.4%</i>	<i>8.2%</i>	<i>3.9%</i>
<i>INTERGENERATIONAL EQUITY</i>	<i>98.2%</i>	<i>101.6%</i>	<i>81.8%</i>	<i>92.5%</i>	<i>102.3%</i>	<i>95.3%</i>
<i>LEVEL OF UNRESTRICTED NET POSITION</i>	<i>210.2%</i>	<i>224.8%</i>	<i>277.4%</i>	<i>284.7%</i>	<i>222.4%</i>	<i>314.3%</i>
<i>LEVEL OF UNASSIGNED FUND BALANCE</i>	<i>153.1%</i>	<i>165.1</i>	<i>259.2%</i>	<i>127.3%</i>	<i>145.2%</i>	<i>99.6%</i>
<i>REVENUE DISPERSION</i>	<i>11%</i>	<i>11.4%</i>	<i>15%</i>	<i>14.5%</i>	<i>11.9%</i>	<i>16%</i>
<i>BTA SELF-SUFFICIENCY</i>	<i>84.3%</i>	<i>78.9%</i>	<i>67.5%</i>	<i>70.2%</i>	<i>62.4%</i>	<i>70.6%</i>
<i>CAPITAL ASSET CONDITION</i>	<i>19%</i>	<i>21%</i>	<i>18%</i>	<i>16%</i>	<i>16%</i>	<i>16%</i>
<i>FINANCING MARGIN - TAXES</i>	<i>\$298</i>	<i>\$287</i>	<i>\$290</i>	<i>\$307</i>	<i>\$365</i>	<i>\$287</i>
<i>FINANCING MARGIN - DEBT/OBLIGATIONS</i>	<i>\$464</i>	<i>\$448</i>	<i>\$369</i>	<i>\$353</i>	<i>\$542</i>	<i>\$504</i>
<i>DEBT SERVICE LOAD</i>	<i>N/A</i>	<i>N/A</i>	<i>2.1%</i>	<i>2.2%</i>	<i>1.5%</i>	<i>1.5%</i>
<i>DEBT TO ASSETS</i>	<i>11%</i>	<i>10.6%</i>	<i>9.6%</i>	<i>8.6%</i>	<i>10.2%</i>	<i>10.7%</i>
<i>CURRENT RATIO</i>	<i>3.70</i>	<i>3.29</i>	<i>3.10</i>	<i>3.46</i>	<i>3.15</i>	<i>3.22</i>
<i>QUICK RATIO</i>	<i>2.82</i>	<i>2.69</i>	<i>2.60</i>	<i>2.79</i>	<i>2.72</i>	<i>2.43</i>
<i>OVERALL PERFORMETER READING</i>	<i>8.06</i>	<i>8.08</i>	<i>*7.22</i>	<i>*7.77</i>	<i>*8.55</i>	<i>8.05</i>

*\*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.

	2011	2012	2013	2014	2015	2016	2017	2018
Number of F.S. Opinion Qualifications/Exceptions	1	2	2	2	2	2	1	1
Number of Major Federal Program Qualifications/Exceptions	5	5	2	2	1	1	1	1
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	1	1
B. Internal Control Only	3	4	1	1	1	0	0	0
C. Compliance Only	0	0	0	0	0	2	0	0
TOTAL	3	4	1	1	1	2	1	1
Percentage of Findings Repeated	100%	0%	0%	100%	100%	50%	100%	100%
Number of Single Audit Findings								
A. Internal Control and Compliance	3	2	3	5	3	4	2	2
B. Internal Control Only	0	0	0	0	0	0	0	0
C. Compliance Only	0	0	0	0	0	0	0	0
TOTAL	3	2	3	5	3	4	2	2
Percentage of S.A. Findings Repeated	67%	50%	0%	0%	67%	25%	0%	50%
Number of months after Y/E the F.S. were Released	6	9	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	1	2	2	2	2	2	1	1
\$ of Questioned Costs-Current Year	\$222,065	\$3,660	\$45,776	\$129,385	\$30,354	\$74,514	\$95,055	\$375,880
\$ of Questioned Costs- Cumulative	\$818,483	\$822,143	\$864,259	\$993,644	\$1,023,998	\$1,098,512	\$277,044	\$652,924
\$ of Questioned Costs Resolved – Current Year	\$1,115,668	\$0	\$3,660	\$0	\$0	\$0	\$916,523	\$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.