



THE PERFORMETER®

And A.F.T.E.R Analysis

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 Guam
as of and for the Year Ended September 30, 2012



Crawford & Associates, P.C.
Oklahoma City, Oklahoma



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 1-10
- The overall reading is a barometer of GovGuam'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 GovGuam as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

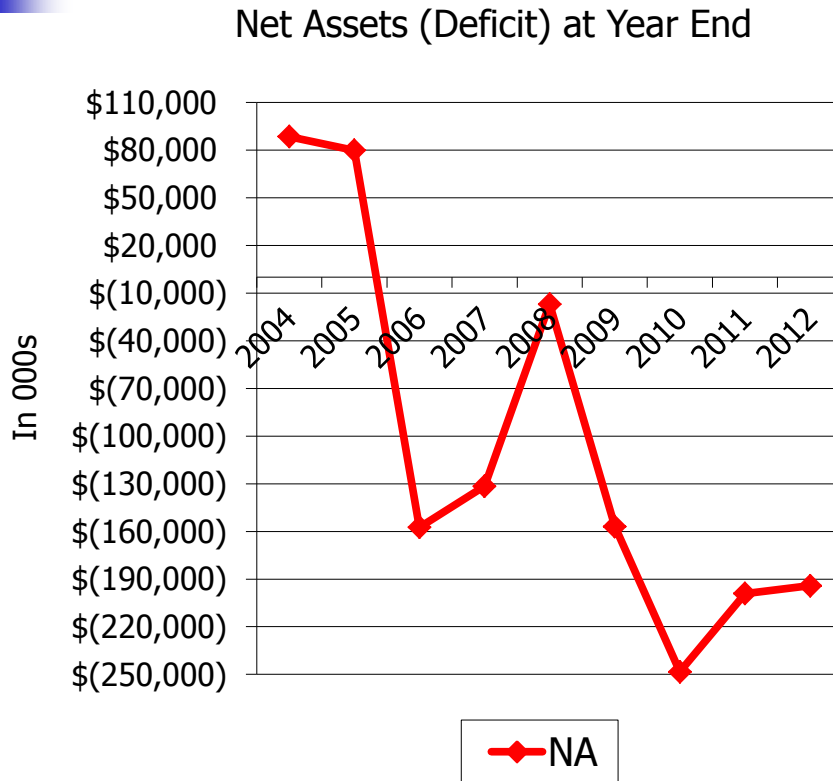


Limitations of the Performer®

- The Performer® should not be used as the only source of financial information to evaluate GovGuam's performance and condition
- The analysis is an overall rating of GovGuam 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 Assets

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



Net assets include all assets of GovGuam, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets, including capital assets, and total liabilities, including long-term debt.

For the year ended September 30, 2012, the total net assets (deficit) decreased by \$4.9 million or 2.6% from the prior year amount, indicative of revenues earned for the year exceeding expenses incurred during the year.

This continues a trend began in FY 2011 by reducing the overall net asset (deficit) that existed at the end of FY 2010.

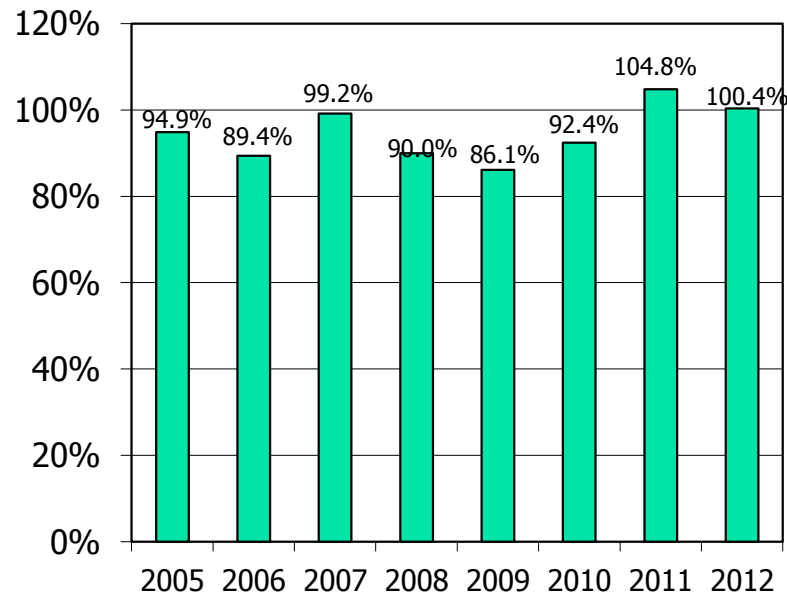
As of the end of FY 2012, the overall government-wide net asset (deficit) was a deficit of approximately \$194.2 million, down from a deficit high of \$248.4 million at the end of FY 2010.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-53.5%	-50.2%	124.6%	-9.8%	-297.2%	16.5%	87.1%	-825.9%	-49.5%	21.3%	2.6%

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. This measure also removes the effect of special items.

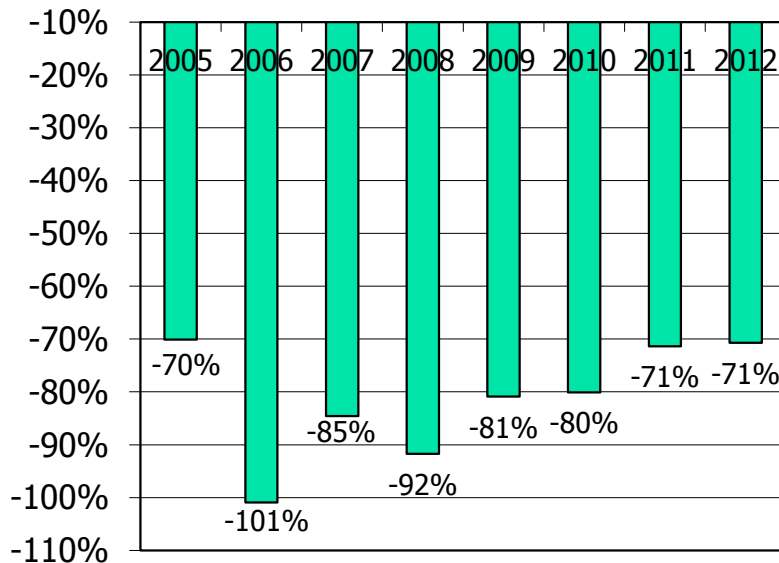
For the year ended September 30, 2012, GovGuam funded 100.4% of their current year expenses with current year revenues, which is considered an excellent percentage, but it is a slight decrease when compared to the ratio in the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
76.8%	97.2%	97.6%	94.9%	89.4%	99.2%	90.0%	86.1%	92.4%	104.8%	100.4%

Level of Unrestricted Net Assets

How do our total rainy day funds look?

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



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

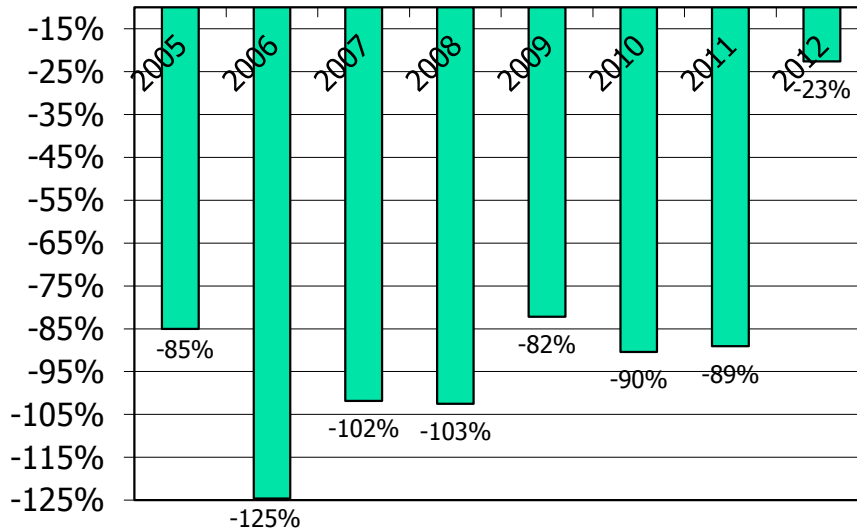
For the year ended September 30, 2012, GovGuam's total unrestricted net asset (deficit) approximated 70.7% of annual total revenues, which represents a improvement of .7% by reducing the size of the deficit-to-revenue percentage ratio of the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-61.5%	-56.1%	-75.2%	-70.1%	-100.9%	-84.6%	-91.6%	-80.9%	-80.1%	-71.4%	-70.7%

Level of Unassigned Fund Balance

How does our unassigned 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 GovGuam 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.

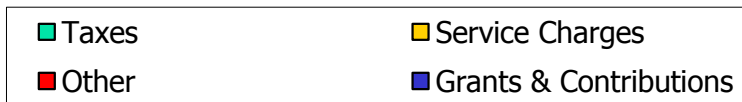
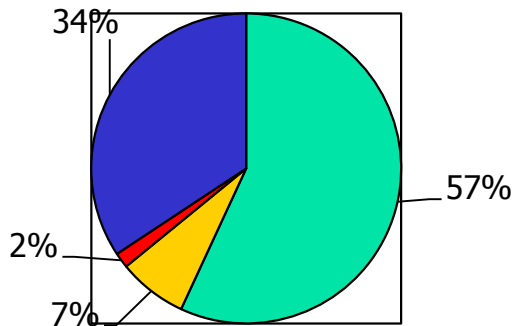
For the year ended September 30, 2012, GovGuam's unassigned fund balance (deficit) of the General Fund was a deficit of 22.6% of its annual revenues, which represents a significant decrease in the size of the deficit from the prior year. Although still considered an unfavorable ratio, the significant improvement is due primarily to the proceeds of the issuance of \$358.2 million in bonds.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-76.6%	-73.7%	-84.6%	-85%	-124.6	-101.8%	-102.5%	-82.2%	-90.4%	-89.1%	-22.6%

Revenue Dispersion

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

2012 Revenue Percentages by Source



The percentage dispersion of revenue by source indicates how dependent GovGuam is on certain types of revenue. The more dependent GovGuam is on revenue sources beyond its direct control, such as taxes tied to the I.R.S. codes and revenues from other governments such as grants, the less favorable the dispersion.

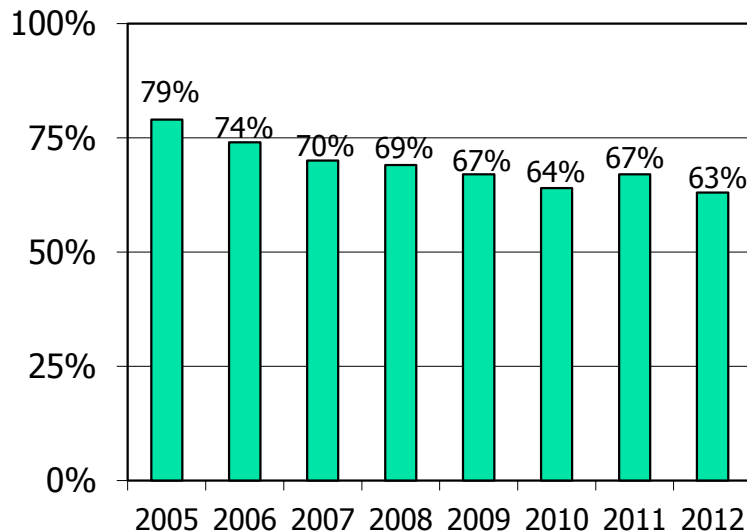
For the year ended September 30, 2012, GovGuam had direct control over 38.6% of its revenues, including charges for services and some local taxes. This ratio indicates GovGuam has exposure, as do most governments, to financial difficulties due to reliance (61.4%) non-controlled revenues.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
36.8%	35.6%	40.1%	36.7%	37.4%	35.6%	37.3%	33.9%	34.4%	30.5%	38.6%

Capital Asset Condition

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

Percentage of Capital Assets' Useful Life Remaining



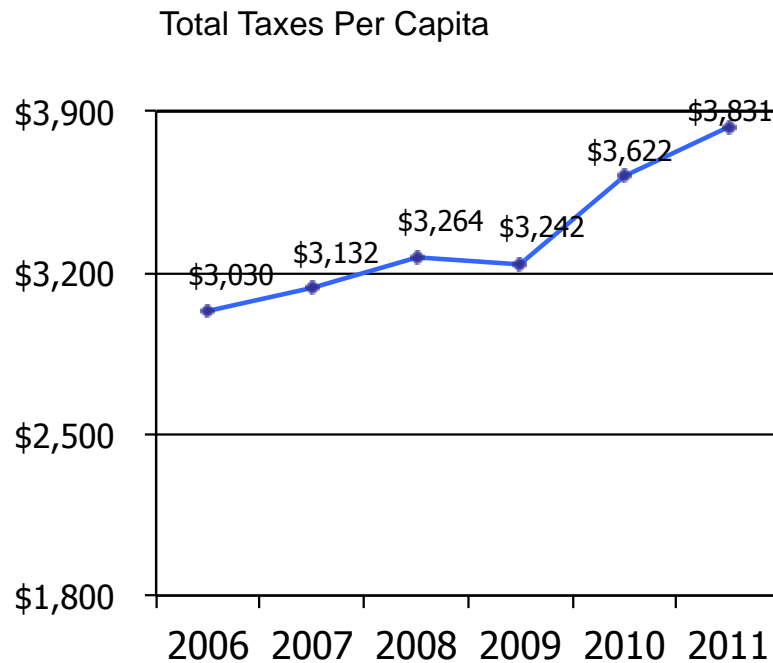
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2012, GovGuam's depreciable capital assets amounted to \$1.26 billion while accumulated depreciation totaled \$462 million. This indicates that, on the average, GovGuam's capital assets have 63% of their useful lives remaining. This is a favorable financial indicator, and is relatively consistent with the five prior years.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
66%	62%	80%	79%	74%	70%	69%	67%	64%	67%	63%

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 GovGuam's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes except for hotel taxes.

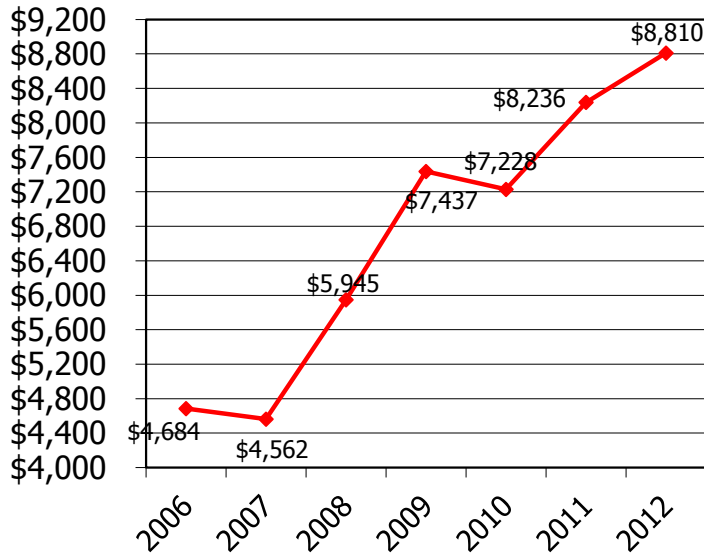
For the year ended September 30, 2012, total taxes amounted to \$610.5 million or \$3,831 per capita. This indicates a relatively high tax burden when compared to other insular governments, and it is an increase from the ratio of the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$1,972	\$2,458	\$2,364	\$2,722	\$2,565	\$3,030	\$3,132	\$3,264	\$3,242	\$3,622	\$3,831

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 GovGuam's debt burden on its citizens and other taxpayers.

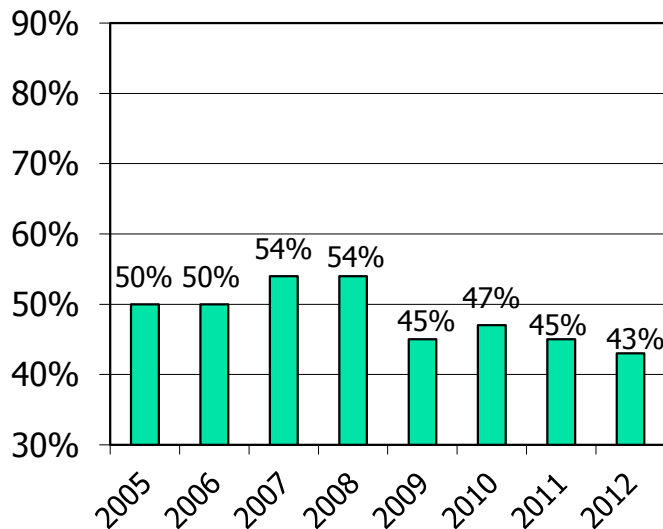
For the year ended September 30, 2012, GovGuam had \$1.4 billion of long-term debt or \$8,810 per capita which is considered a high debt burden on its citizens when compared to other insular governments. For consistency purposes of the comparison to prior years, the provision for tax refunds liability (approximately \$100 million) is included in this calculation.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$3,012	\$2,807	\$4,462	\$4,316	\$4,684	\$4,562	\$5,945	\$7,437	\$7,228	\$8,236	\$8,810

Pension Plan Funding Ratio

Will we be able to pay our employees when they retire?

Plan Assets as a Percentage of Accrued Liability



The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.

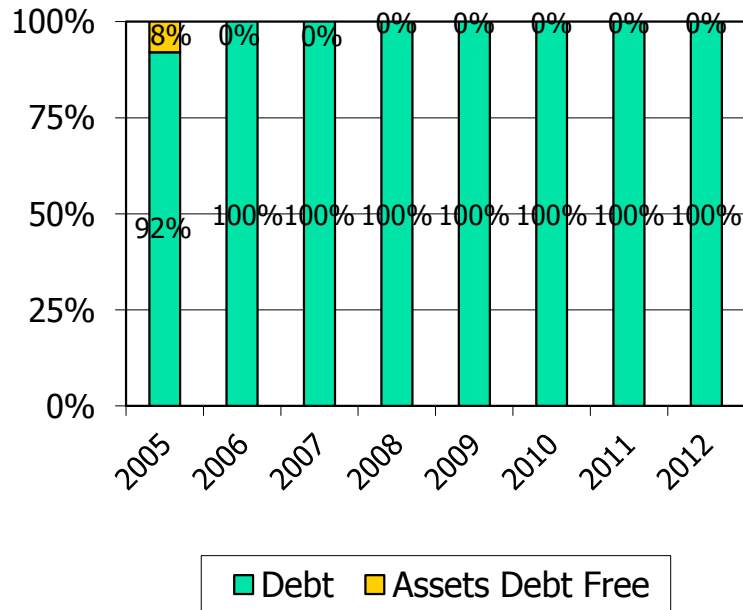
At September 30, 2012 (based upon the most recent actuarial information), GovGuam's pension plan assets were 43% of the accrued pension benefit liability, indicating the plan was less than half funded at the last valuation date, and is at its lowest funded status of the years presented in this analysis.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
54%	48%	48%	50%	50%	54%	54%	45%	47%	45%	43%

Debt to Assets

Who really owns GovGuam?

Percentage of Debt to Assets



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

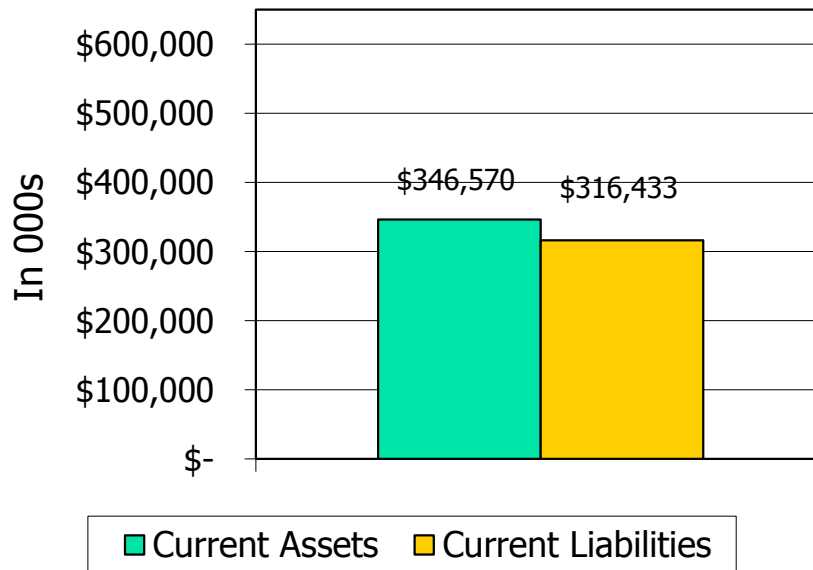
At September 30, 2012, more than 100% (actually 113.3%) of GovGuam's \$1.46 billion of total assets were funded with debt or other obligations. This is an unfavorable financial indicator and indicates that for each dollar of assets GovGuam owns, it owes \$1.46 of that dollar to others. However it is relatively consistent with the ratios in the more recent prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
86.8%	93.1%	95%	91.5%	117.1%	116.4%	121.3%	112.9%	119.7%	113.3%	113.3%

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 GovGuam'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 measure is that of only the General Fund, the primary operating fund of GovGuam.

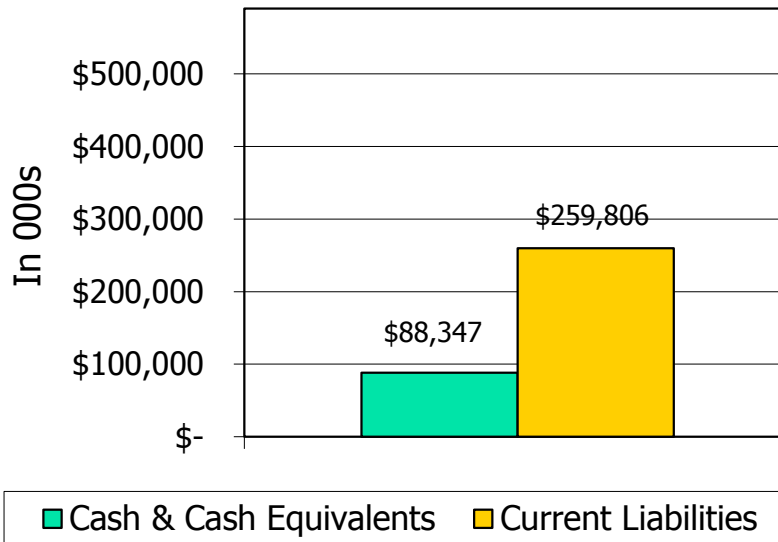
At September 30, 2012, GovGuam's General Fund had a ratio of current assets to current liabilities of 1.10 to 1. This indicates that GovGuam has \$1.10 of current assets to pay for every \$1.00 of current liabilities and is considered an unfavorable indicator of liquidity, but a significant improvement from the prior years.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.48	0.32	0.30	0.17	0.15	0.17	0.28	0.44	0.36	.48	1.10

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities



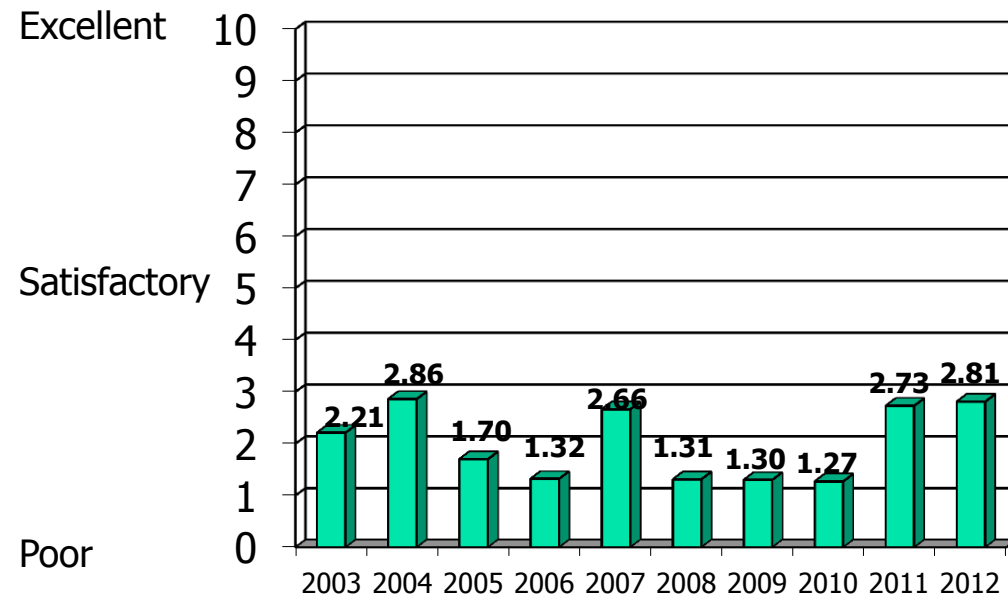
The quick ratio is another, more conservative, measure of GovGuam's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations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

At September 30, 2012, GovGuam's General Fund had a ratio of cash and cash equivalents to current liabilities of 0.34 cents to \$1.00. This indicates that GovGuam had 34 cents in cash and short-term investments available to pay every \$1 of current liabilities, and is a possible indicator of short-term cash flow difficulties. However, it is an improvement of the ratio from the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
0.07	0.05	0.07	0.02	0.03	0.05	0.08	0.05	0.04	0.03	.34

Performer® Reading

Overall Reading



The 2012 reading of 2.81 indicates the evaluator's opinion that GovGuam's overall financial health and performance slightly improved overall from the rating of the previous year, mainly due to the improved financial position and positive performance in the 2012 fiscal year.

The government's current year overall deficit and cumulative deficit, a deficit position of the General Fund unassigned fund balance, relatively high taxes and debt per capita ratios, and the pension plan funding shortfall are the primary causes for the low score. The primary cause of the slight increase in the rating from the prior year is related to the slight reduction in the overall deficit of the government, and an improvement in the operational deficit of the General Fund.



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.



A.F.T.E.R.

	2006	2007	2008	2009	2010	2011	2012
Number of F.S. Opinion Qualifications/Exceptions	2	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	13	10	10	9	6	5	5
Number of F.S. Findings							
A. Internal Control and Compliance	0	0	0	0	0	0	0
B. Internal Control Only	2	1	0	0	3	6	4
C. Compliance Only	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	2	2	0	0	3	6	4
Percentage of Findings Repeated	0%	50%	0%	0%	0%	0%	100%
Number of A-133 Findings							
A. Internal Control and Compliance	35	24	21	10	6	3	3
B. Internal Control Only	0	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>
TOTAL	35	24	21	10	6	3	3
Percentage of A-133 Findings Repeated	8.6%	2.9%	4.7%	10%	16.7%	33.3%	0%
Number of months Y/E the F.S. were Released	9	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	1	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$2,773,997	\$2,802,408	\$1,881,435	\$0	\$3,734	\$41,790	\$35,293
\$ of Questioned Costs- Cumulative	\$5,760,688	\$7,084,374	\$7,837,719	\$4,616,404	\$2,313,561	\$1,428,837	\$1,418,760
\$ of Questioned Costs Resolved – Current Year	\$7,522,338	\$1,478,722	\$1,128,090	\$3,221,315	\$2,306,577	\$926,514	\$45,370



Thank You

- We would like to commend and thank GovGuam's management, the U.S. Department of Interior and the Graduate School for allowing us to present this financial analysis. We hope it serves as a useful and understandable compliment to GovGuam's annual financial report.
- Visit our website at www.crawfordcpas.com for other useful tools for governments.