



FY 2013 Performer and A.F.T.E.R. Analysis Highlights

August 30, 2015

From a scale of 1 being least favorable to 10 being most favorable, the Government of Guam (GovGuam) received an overall score of **2.82** for Fiscal Year (FY) 2013 from the most recent Performer and Audit Findings, Timeliness, and Exception Resolution (A.F.T.E.R.) Analysis. For the last three years, there has been no significant change in the overall rating of 2.81 for FY 2012 and 2.73 for FY 2011. For the past 11 years, GovGuam's score has remained below 3.

Crawford & Associates was contracted by the Department of the Interior's Office of Insular Affairs (DOI-OIA) to analyze the financial condition of the insular governments of Guam, the Commonwealth of the Northern Mariana Islands, American Samoa, the U.S. Virgin Islands as well as the Federated States of Micronesia and its four states of Phonpei, Kosrae, Chuuk, and Yap, the Republic of the Marshall Islands, and the Republic of Palau.

The Performer is not to 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 based on the professional judgment of Crawford and Associates. FY 2013 marks the eleventh year of the Performer analyses of the insular areas.

GovGuam's Cumulative Deficit Contributes to Low Overall Rating

In FY 2013, the carrying value of lands and other real estate held in trust of \$411 million (M) was recorded, but that adjustment had little effect on the rating. The government's continued and cumulative unrestricted net position deficit, now at \$835M, was one of the major causes of the low score. The improved deficit position of the General Fund was not enough to increase the score.

GovGuam will continue to have a low score until it comes to terms with the fundamental premise of living within its means, and not spending more than the revenues brought in. The \$835M in unrestricted net position deficit is reflective of about 20 years of deficit spending.

The other factors contributing to GovGuam's low score are its high debt and taxes per capita ratios and the unfunded liability of the Retirement Fund.

Debt and Tax per Capita Ratios

GovGuam's debt per capita now stands at \$8,919 with \$1.4 billion (B) in debt. The debt per capita measure shows the government's debt burden on its citizens. GovGuam's ratio indicates a high debt burden on its citizens when compared to other insular governments. The taxes per capita ratio also indicates a high burden on its citizens for taxes when compared to other insular areas. For FY 2013, total taxes amounted to \$633.8M or \$3,977 per capita.

Unfunded Pension Plan

GovGuam's pension plan assets were 47% of total accrued pension liability, leaving an unfunded liability of \$1.5 billion (B). However, at the current rate of amortization, the unfunded pension liability is expected to be completely funded in 18 years by 2031.

Improvement in Audit Findings and Questioned Costs Resolution

The A.F.T.E.R. Analysis provides a summary and progress report towards eliminating significant findings, exceptions and questioned costs, and timely submission of the audit to the Federal Clearinghouse.

GovGuam continues to show progress in reducing the number of major federal program qualifications and audit findings. For FY 2013, four major federal programs were qualified compared to 13 in FY 2006. These four include: U.S. Department of the Interior's Economic, Social and Political Development of the Territories (better known as the Compact Impact Aid), U.S. Department of Transportation's Highway Planning and Construction, U.S. Department of Health and Human Services' Temporary Assistance for Needy Families, and Medical Assistance Program.

There were eight findings in FY 2013 compared to 37 in FY 2006. Questioned costs of \$18 thousand indicates an improvement compared to \$2.8M in FY 2006.

Acknowledgement

The Performer and A.F.T.E.R. Analysis developed by Crawford and Associates is one of several methods utilized by the Graduate School's Pacific Islands Training Initiative to assist DOI-OIA in assessing insular governments' tracking of their financial health and performance. It is an overall rating of the government and is intended to complement GovGuam's annual financial reports. The analysis can be viewed at our website at www.opaguam.org or at www.pitiviti.org, the official website of the Pacific and Virgin Islands Training Initiatives.