A decorative graphic on the left side of the slide, consisting of a black crosshair with a blue square in the top-left, a red square in the bottom-left, and a yellow square in the bottom-right.

THE PERFORMETER[®] and the 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 Chuuk
as of and for the Year Ended September 30, 2014



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 Chuuk'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 Chuuk as a whole



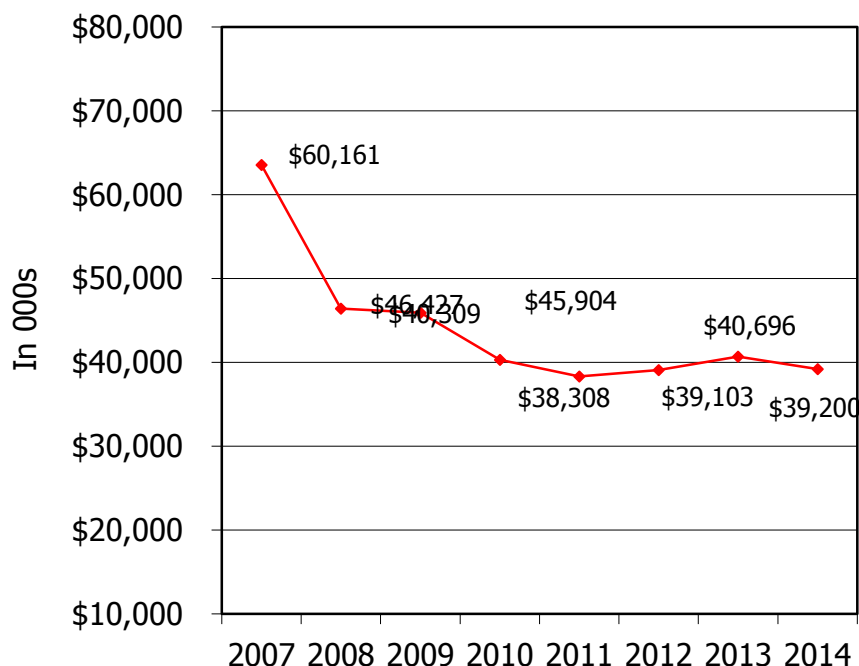
Limitations of the Performer®

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



Net position includes all assets of Chuuk. 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.

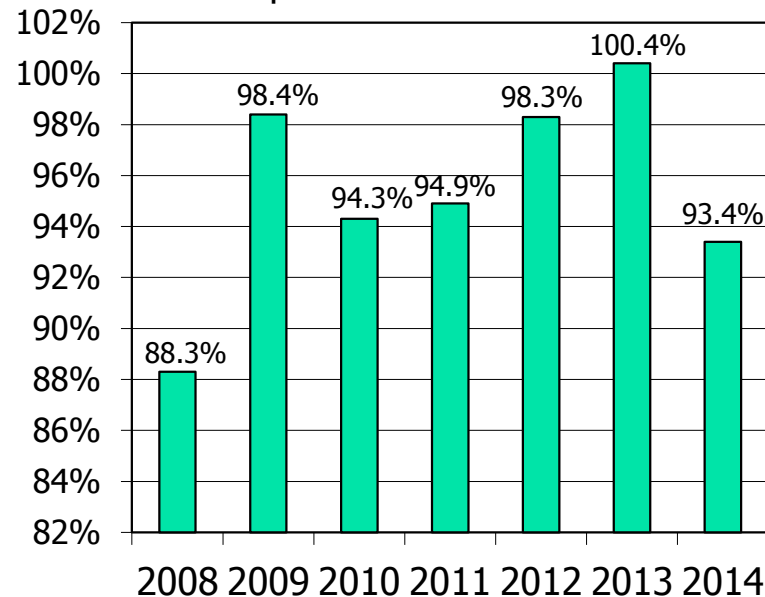
For the year ended September 30, 2014, total net position decreased by \$1.5 million or 3.7% from the prior year. This decrease is primarily due to an increase in expenses for claims and judgments.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-9.3%	-3.5%	-6.5%	12.9%	-26.9%	-1.1%	-12.2%	-5.0%	2.1%	4.1%	-3.7%

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.

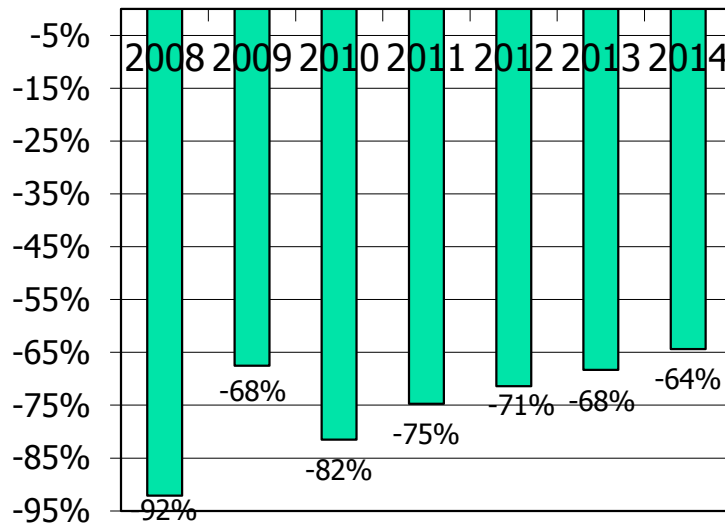
For the year ended September 30, 2014, Chuuk funded 93.4% of their expenses with current year revenues, which is considered a less than satisfactory ratio, and represents a decrease in the ratio from the previous year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
80.2%	86.7%	85.9%	107.4%	88.3%	98.4%	94.3%	94.9%	98.3%	100.4%	93.4%

Level of Unrestricted Net Position

How do our total rainy day funds look?

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



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

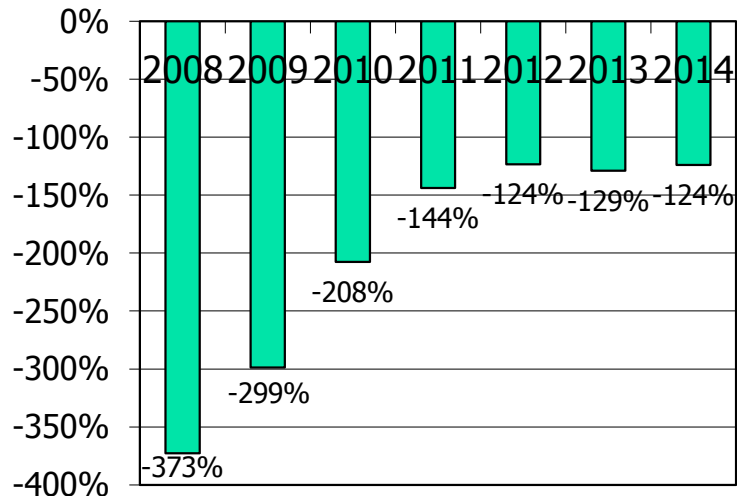
For the year ended September 30, 2014, Chuuk's total unrestricted net position (deficit) was a deficit of \$22 million, which is equivalent to 64.4% of annual total revenues, and is typically considered an unsatisfactory financial indicator. The amount of the unrestricted net asset deficit is relatively consistent with prior year however, although a slight improvement via the reduction of the overall deficit.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-85.7%	-88.0%	-76.0%	-81.6%	-92.1%	-67.5%	-81.5%	-74.7%	-71.4%	-68.3%	-64.4%

Level of Budgetary Fund Balance

How does our budgetary carryover look?

Budgetary Unassigned Fund
Balance (Deficit) as a Percentage of
Annual Revenues



The level of budgetary unassigned fund balance is an indication of the amount of unexpended, unencumbered and available resources Chuuk has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs.

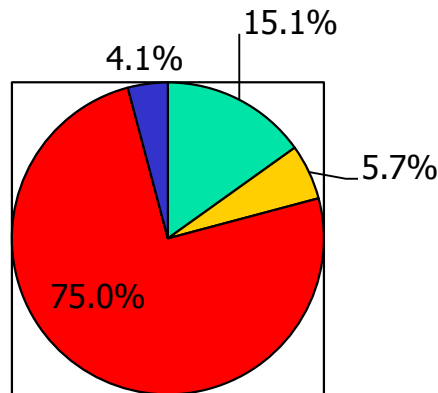
For the year ended September 30, 2014, Chuuk's unassigned fund balance (deficit) of the General Fund was a deficit of \$10.4 million, or the equivalent of 124.1% of General Fund revenues. This is considered a very unfavorable ratio, but it is a slight improvement from the ratio of the prior year, and continues an overall improvement trend began in FY 2008.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-317.3%	-354.8%	-358.3%	-326.5%	-372.8%	-298.8%	-207.7%	-144.3%	-123.5%	-128.9%	-124.1%

Revenue Dispersion

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

2014 Revenue Percentages by Source



■ Taxes ■ Service Charges
■ Grants and Contributions ■ Other

The percentage dispersion of revenue by source indicates how dependent Chuuk is on certain types of revenue. The more dependent Chuuk is on revenue sources beyond its direct control, such as grants, the less favorable the dispersion.

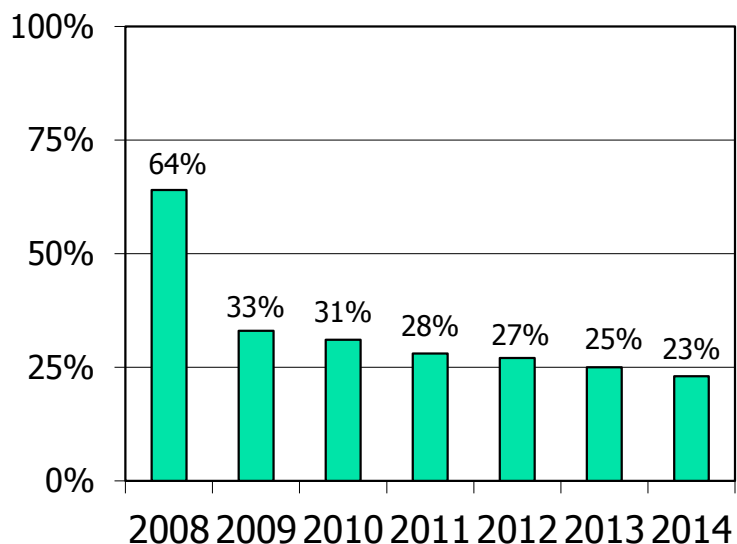
For the year ended September 30, 2014, Chuuk had direct control over 11.3% of its revenues. This ratio indicates Chuuk has significant exposure, as do most governments, to financial difficulties due to reliance (88.7%) on non-controlled revenues.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
9.6%	8.4%	7.4%	7.9%	10.2%	8.9%	10.2%	9.9%	12.3%	11.9%	11.3%

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.

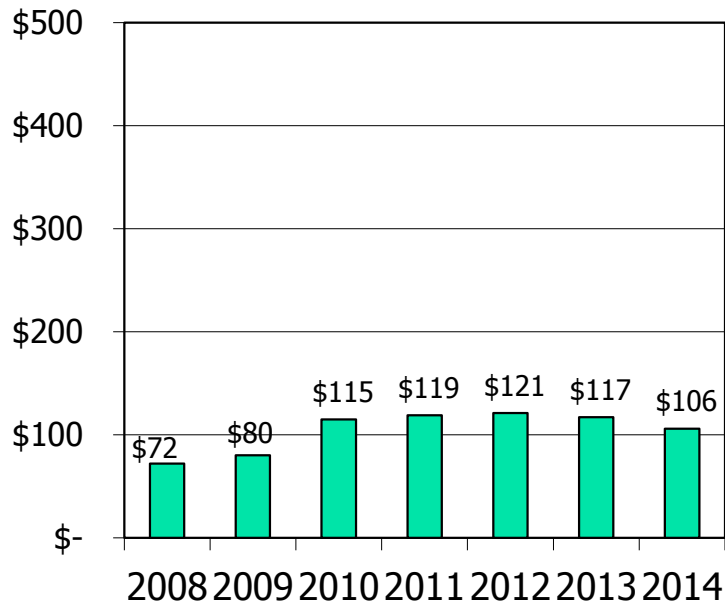
At September 30, 2014, Chuuk's depreciable capital assets amounted to \$103.8 million while accumulated depreciation totaled \$79.4 million. This indicates that, on the average, Chuuk's capital assets have 23% of their useful lives remaining. This is considered an unfavorable financial indicator, and continues a decline in the ratio since FY 2004.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
76%	74%	71%	66%	64%	33%	31%	28%	27%	25%	23%

Financing Margin - Taxes

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

Total Taxes Per Capita



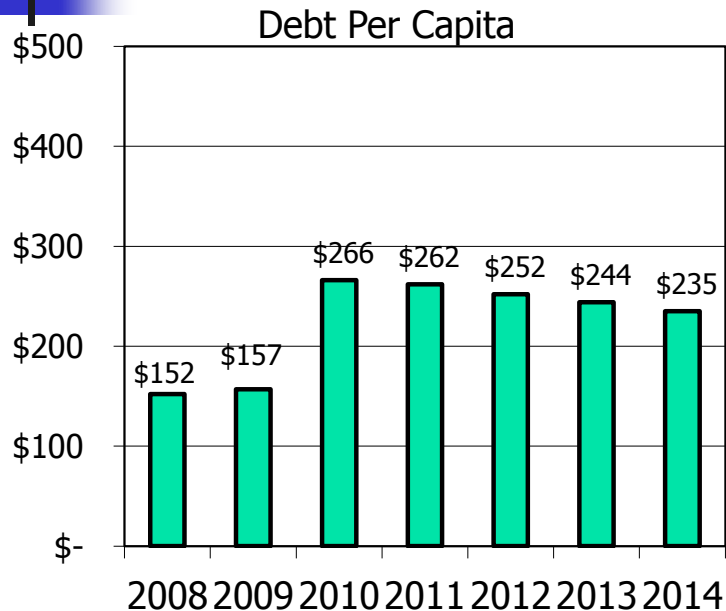
The financial ratio of taxes per capita is an indication of Chuuk's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including revenue sharing and excise taxes.

For the year ended September 30, 2014, total taxes amounted to \$5.2 million or \$106 per capita. This is indicative of a very low tax burden on Chuuk's citizens when compared to other insular governments, and is considered an extremely favorable ratio.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$92	\$85	\$87	\$72	\$72	\$80	\$115	\$119	\$121	\$117	\$106

Financing Margin - Debt

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



The financial ratio of debt per capita is an indication of Chuuk's debt burden on its citizens and other taxpayers.

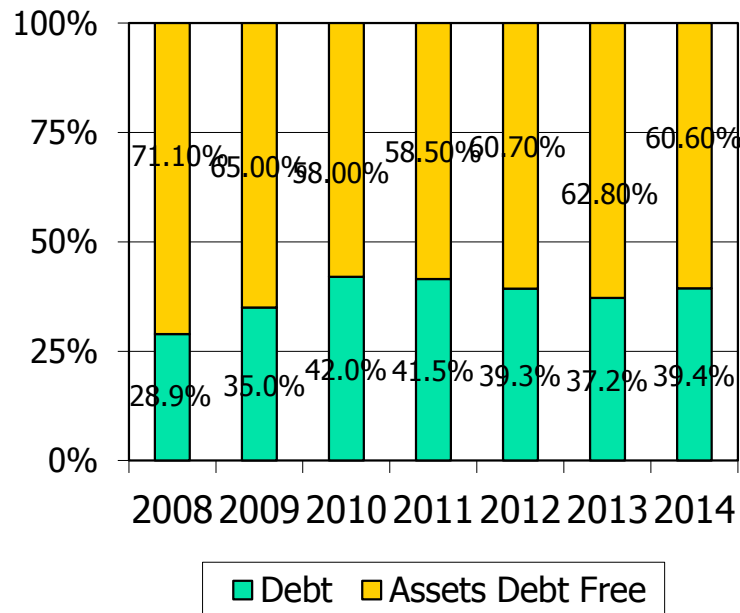
For the year ended September 30, 2014, Chuuk had \$11.4 million of long-term debt or \$235 per capita. This rating remains indicative of a relatively low debt burden on its citizens when compared with other insular governments. Along with being a very consistent ratio over the past several years, it is also considered a very favorable ratio.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$99	\$108	\$111	\$125	\$152	\$157	\$266	\$262	\$252	\$244	\$235

Debt to Assets

Who really owns Chuuk?

Percentage of Debt to Assets



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

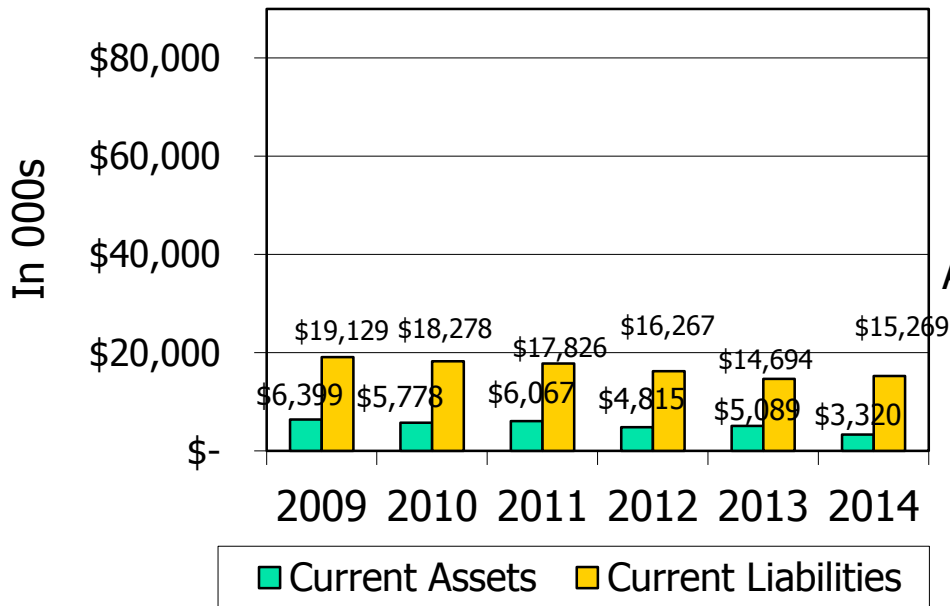
At September 30, 2014, 39.4% of Chuuk's \$64.7 million of total assets were funded with debt or other obligations. This is a relatively satisfactory financial indicator and indicates that for each dollar of assets Chuuk owns, it owes 39.4 cents of that dollar to others. This is a slight increase in the ratio when compared to prior year ratio.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
33.8%	34.6%	36.1%	30.2%	28.9%	35.0%	42.0%	41.5%	39.3%	37.2%	39.4%

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 Chuuk'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 measures only the General Fund, Chuuk's primary operating fund.

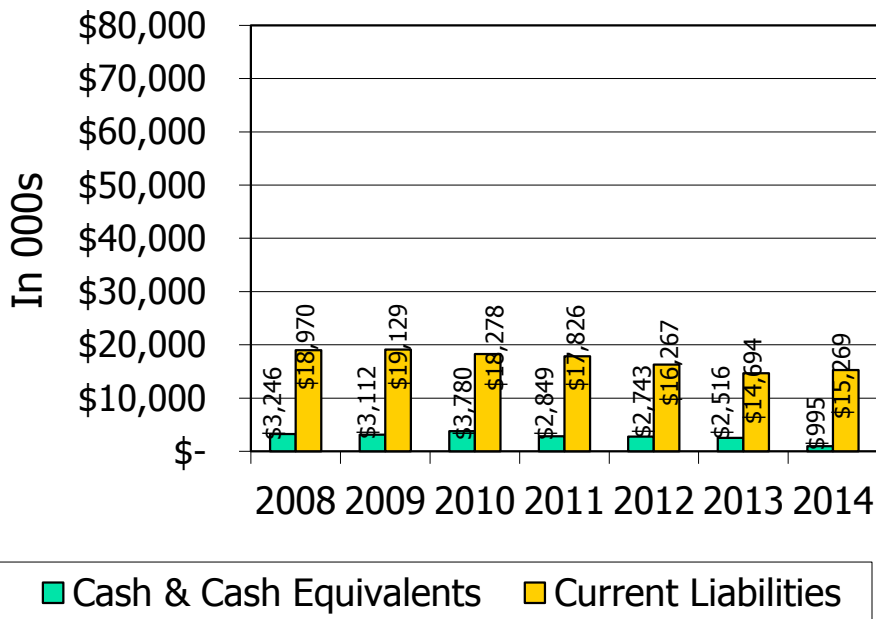
At September 30, 2014, Chuuk's General Fund had a ratio of current assets to current liabilities of .22 to 1. This indicates that Chuuk has 22 cents of current assets to fund each dollar of current liabilities. This is considered an unfavorable ratio and a decrease when compared to prior years.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
.42	.32	.16	.15	.32	.33	.32	.34	.30	.35	.22

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 Chuuk'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 includes only the General Fund, Chuuk's primary operating fund.

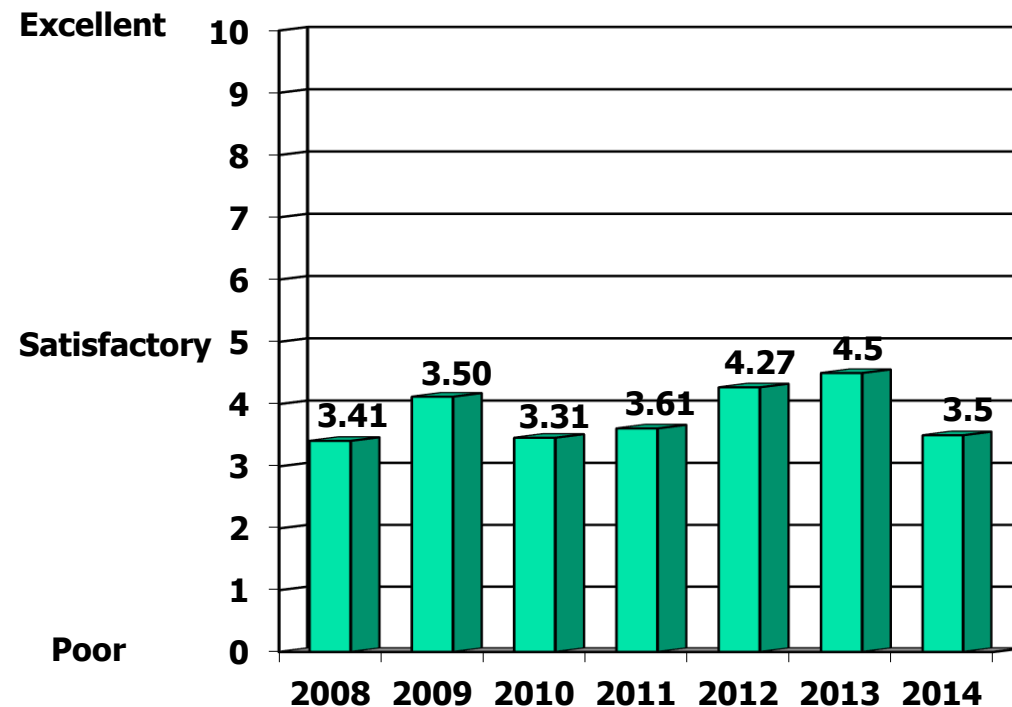
At September 30, 2014, Chuuk's General Fund had a ratio of cash and cash equivalents to current liabilities of .07 to 1. This indicates that Chuuk has, for every one dollar of current liabilities, 7 cents of cash and cash equivalents to fund them. This is an unsatisfactory indicator of liquidity, and is a decrease when compared to prior period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
.35	.30	.13	.10	.17	.16	.21	.16	.17	.17	.07



Performer[®] Reading

Overall Reading



The 2014 reading of 3.5 indicates that in the evaluator's opinion, Chuuk's overall financial health and performance is considered less than satisfactory as of and for the fiscal year ended September 30, 2014, and declined from the reading of the prior year.

Chuuk's low level of unrestricted net position, the size of the General Fund unassigned fund balance deficit, low revenue dispersion, and insufficient current and quick ratios are the primary reasons for the less than satisfactory reading of the current year, although nearly every ratio either began, or continued, a downward trend.



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.

	2007	2008	2009	2010	2011	2012	2013	2014
Number of F.S. Opinion Qualifications/Exceptions	11	7	3	1	1	1	2	2
Number of Major Federal Program Qualifications/Exceptions	1	0	1	1	0	0	1	1
Number of F.S. Findings								
A. Internal Control and Compliance	0	0	0	0	0	0	0	0
B. Internal Control Only	11	2	3	1	5	4	5	2
C. Compliance Only	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	13	2	3	1	5	4	5	2
Percentage of Findings Repeated	18%	50%	67%	0%	20%	50%	60%	100%
Number of A-133 Findings								
A. Internal Control and Compliance	8	1	2	1	1	1	3	2
B. Internal Control Only	0	0	0	0	0	0	1	1
C. Compliance Only	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0	0
TOTAL	8	2	2	1	1	1	4	3
Percentage of A-133 Findings Repeated	7%	50%	50%	100%	100%	100%	25%	20%
Number of months Y/E the F.S. were Released	9	9	9	9	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	2	2	1	1	1	0	0	0
\$ of Questioned Costs-Current Year	\$1,578,943	\$11,519	\$0	\$0	\$0	\$0	\$194,238	\$114,918
\$ of Questioned Costs- Cumulative	\$9,272,323	\$2,056,336	\$1,055,719	\$0	\$0	\$0	\$194,238	\$309,156
\$ of Questioned Costs Resolved – Current Year	\$1,730,549	\$7,227,506	\$1,000,607	\$1,055,719	\$0	\$0	\$0	\$0



Thank You

We would like to commend and thank Chuuk mangement, 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 Chuuk's annual financial report.

Visit our website at www.crawfordcpas.com for other useful tools for governments.