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, 2014

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Oklahoma City, Oklahoma

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 1-10
- The overall reading is a barometer of GovGuam's financial health and performance

How to Use The Performeter®

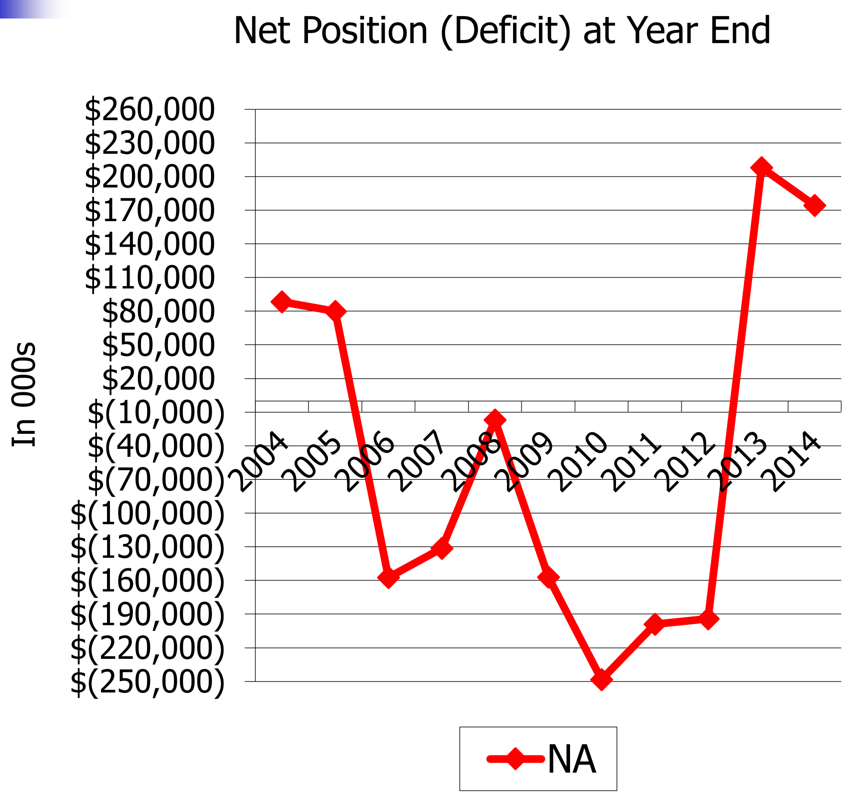
- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of GovGuam as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

Limitations of the Performeter®

- The Performeter® should not be used as the only source of financial information to evaluate 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 Performeter® is based on Crawford & Associates' professional judgment and is limited as to its intended use

Change in Net Position (Deficit)

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

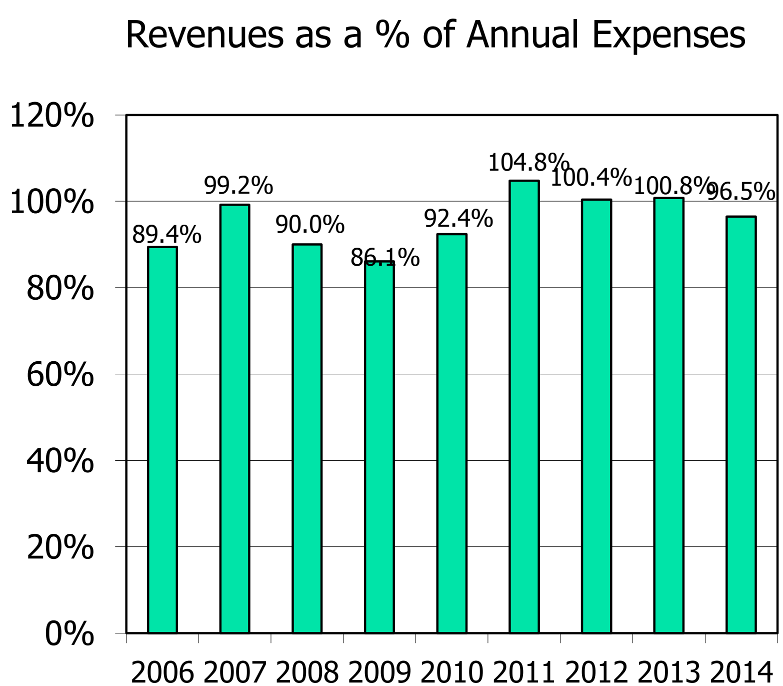


- Net position includes all assets of GovGuam, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets, including capital assets, plus deferred outflows, netted against total liabilities, including long-term debt, and deferred inflows.
- For the year ended September 30, 2014, GovGuam's total net position decreased by $33.5 million or 16.1% from the prior year's net position amount, and the government-wide net position is now approximately $174.4 million.
- As of the end of FY 2014, due to the $33.5 million current year net position decrease, the overall government-wide net position is now approximately $174.4 million.
- The chart at left shows the cumulative effect in FY 2014 of the current year's expenses exceeding revenues by $33.5 million.
- Beginning in 2011, the government had a number of years in which certain actions were taken to reduce and eliminate the overall net position deficit of the government. FY 2014 represents the first fiscal year since FY 2010 that the overall net position of the government actually decreased during the year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
124.6%	-9.8%	-297.2%	16.5%	87.1%	-825.9%	-49.5%	21.3%	2.6%	6.8%	-16.1%

Intergenerational Equity

Who is paying for today's costs of services?



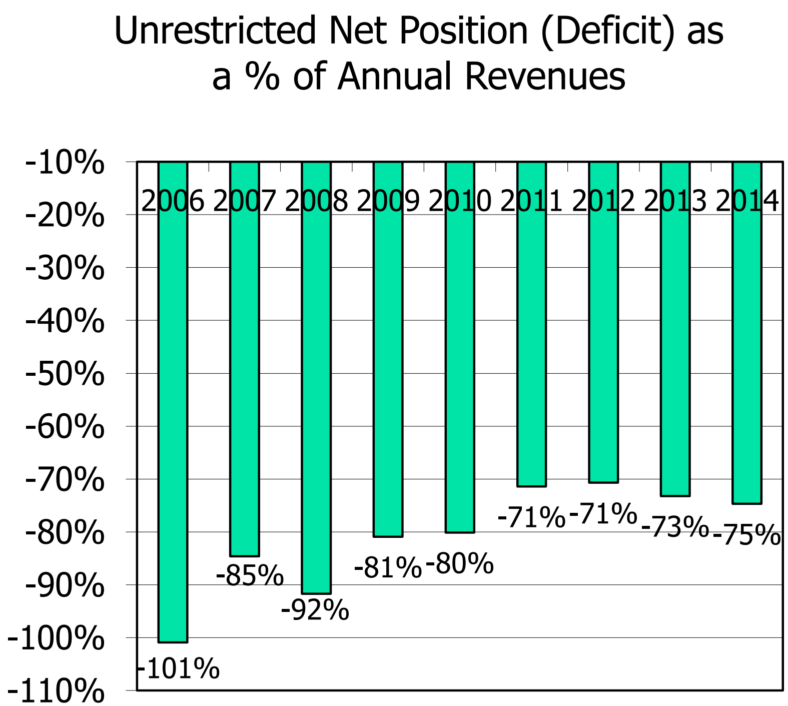
A measure of whether the government lived within its means in the measurement year, or was required to use prior year resources to fund a portion of current year costs, or shifted the funding of some of the current year costs to future periods. This measure also removes the effect of special items.

For the year ended September 30, 2014, GovGuam funded 96.5% of their current year expenses with current year revenues, which is considered an above satisfactory percentage, but does represent a slight decrease in the ratio when compared to the ratio of the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
97.6%	94.9%	89.4%	99.2%	90.0%	86.1%	92.4%	104.8%	100.4%	100.8%	96.5%

Level of Unrestricted Net Position

How do our total rainy day funds look?



The level of the total unrestricted net position 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.

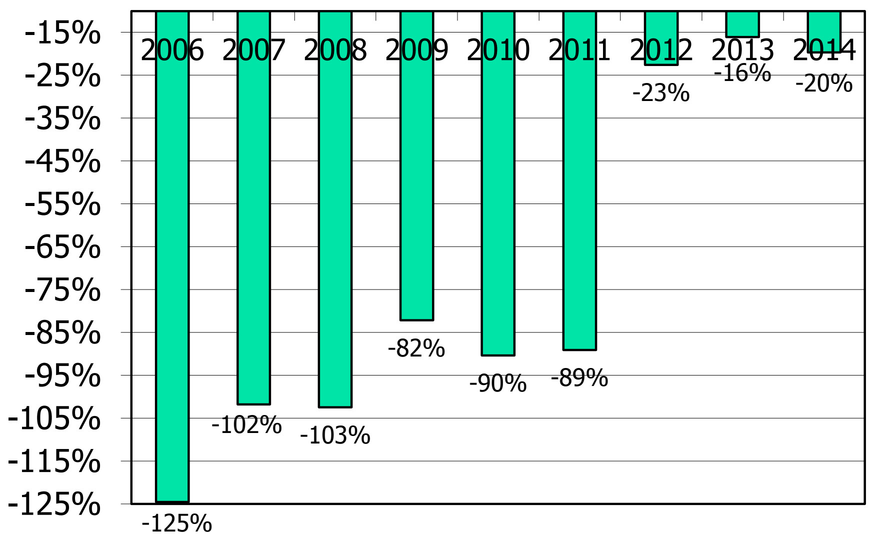
For the year ended September 30, 2014, GovGuam's total unrestricted net position is actually in a deficit position, and approximated 74.7% of annual total revenues, which represents an increase of 1.5% in the deficit-to-revenue percentage ratio calculated in the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-75.2%	-70.1%	-100.9%	-84.6%	-91.6%	-80.9%	-80.1%	-71.4%	-70.7%	-73.2%	-74.7%

Level of Unassigned Fund Balance

How does our unassigned fund balance 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.

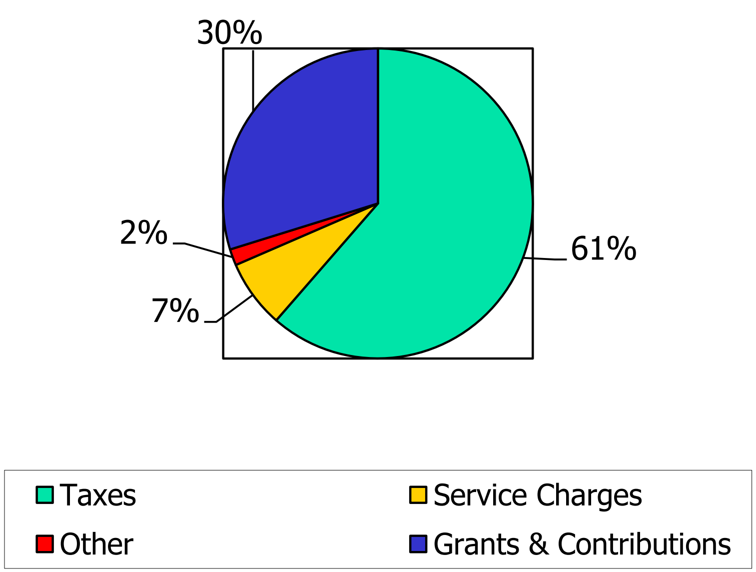
For the year ended September 30, 2014, GovGuam's General Fund unassigned fund balance was actually in a deficit position, with the deficit being equal to 19.7% of its annual revenues. This represents an increase in the deficit-to-revenue ratio when compared to the deficit-to-revenue ratio in the prior year. Overall, it does not represent an adequate amount of carryover to fund emergencies, shortfalls or other unexpected needs.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-84.6%	-85%	-124.6	-101.8%	-102.5%	-82.2%	-90.4%	-89.1%	-22.6%	-16.1%	-19.7%

Revenue Dispersion

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

2014 Revenue Percentages by Source



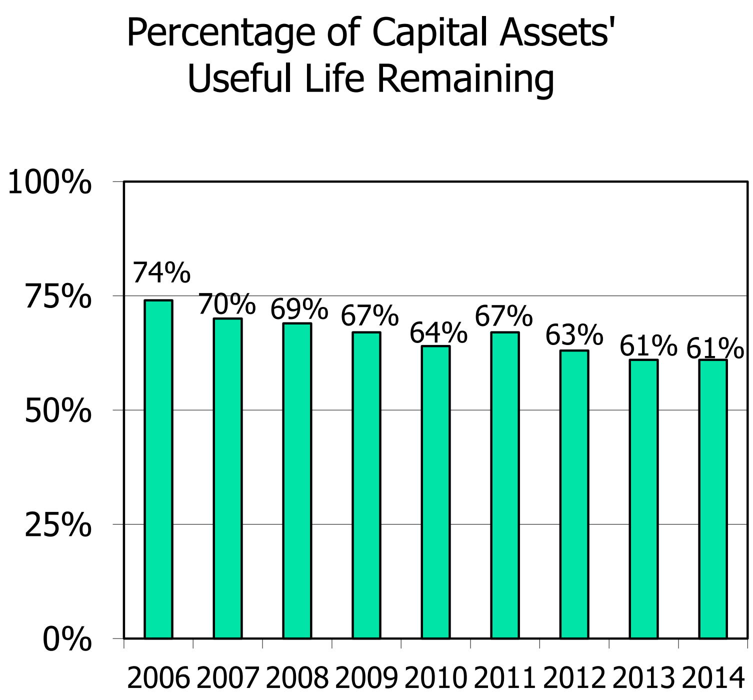
The percentage dispersion of revenue by source indicates how dependent GovGuam is on certain types of revenue. The more dependent GovGuam is on revenue sources beyond its direct control, such as taxes tied to the I.R.S. codes and revenues from other governments such as grants, the less favorable the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

For the year ended September 30, 2014, GovGuam had direct control over 35.5% 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 (64.5%) non-controlled revenues.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
40.1%	36.7%	37.4%	35.6%	37.3%	33.9%	34.4%	30.5%	38.6%	33.8%	35.5%

Capital Asset Condition

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



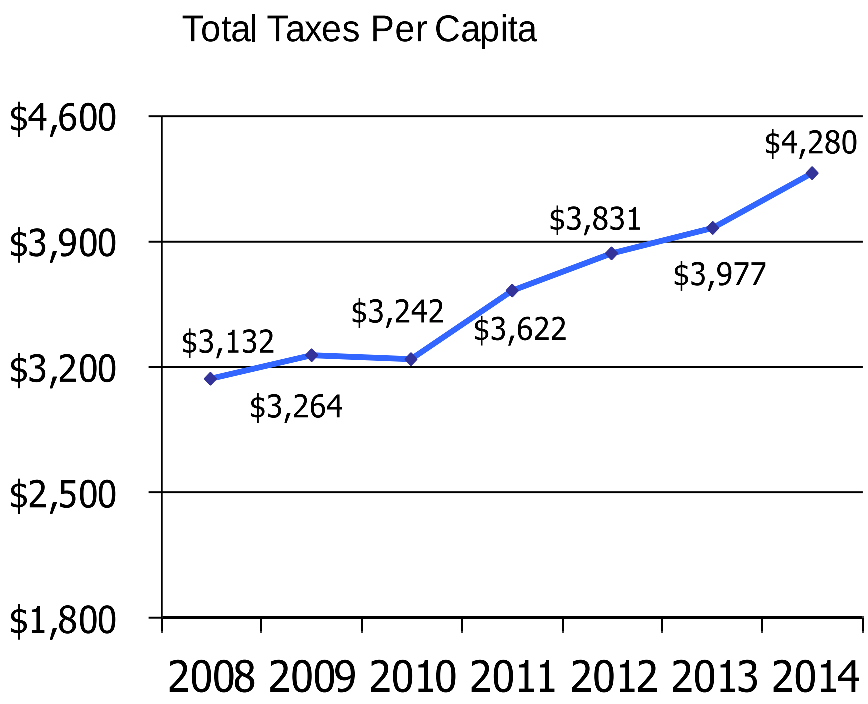
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2014, GovGuam's depreciable capital assets amounted to $1.4 billion while accumulated depreciation totaled $552 million. This indicates that, on average, GovGuam's capital assets have 61% of their useful lives remaining. This remains a favorable financial indicator, the ratio remains consistent compare to the ratio of the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
80%	79%	74%	70%	69%	67%	64%	67%	63%	61%	61%

Financing Margin - Taxes

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



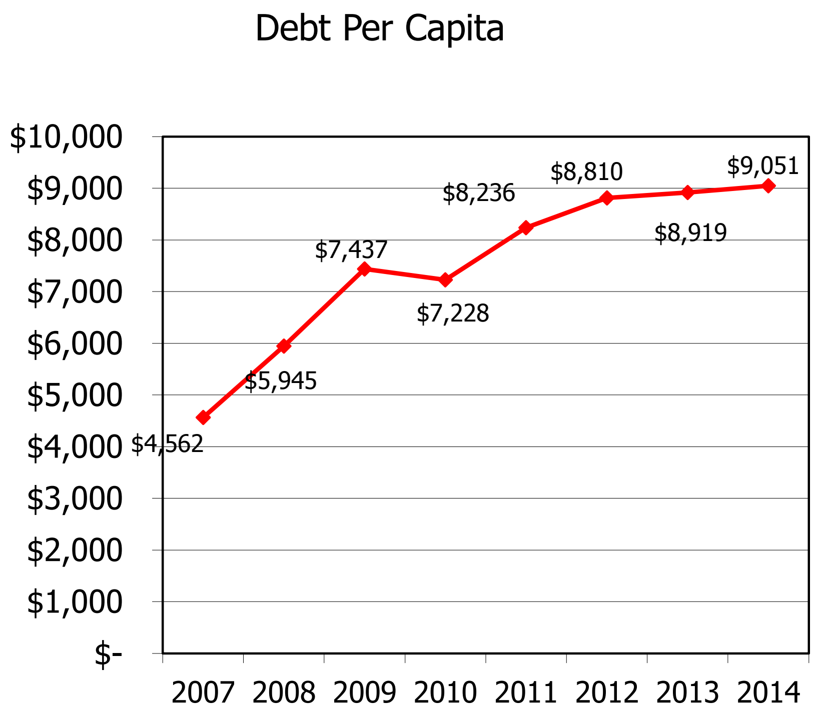
The financial ratio of taxes per capita is an indication of GovGuam's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including gross receipts, income and other taxes except for hotel taxes.

For the year ended September 30, 2014, total taxes amounted to $682.1 million or $4,280 per capita. This indicates a relatively high tax burden when compared to other insular governments, and represents a slight increase from the ratio of the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
$2,364	$2,722	$2,565	$3,030	$3,132	$3,264	$3,242	$3,622	$3,831	$3,977	$4,280

Financing Margin - Debt

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



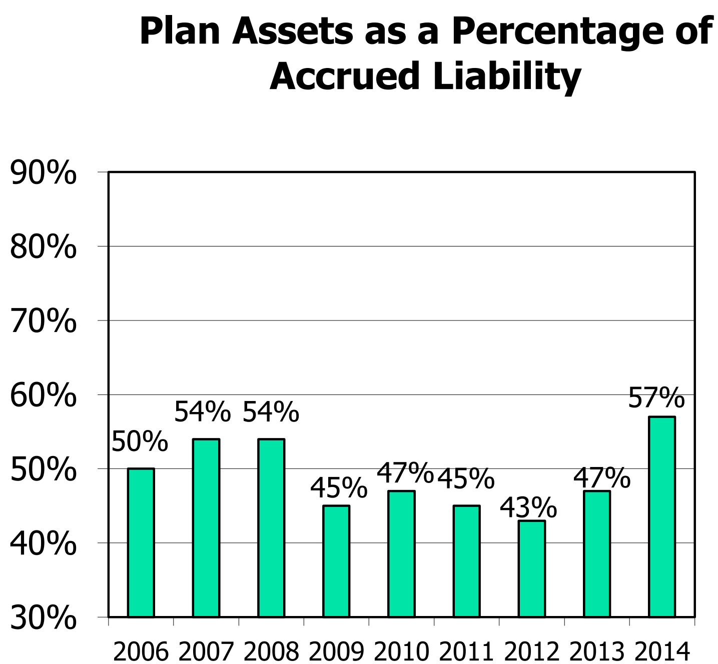
The financial ratio of debt per capita is an indication of GovGuam's debt burden on its citizens and other taxpayers.

For the year ended September 30, 2014, GovGuam had $1.4 billion of long-term debt or $9,051 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.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
$4,462	$4,316	$4,684	$4,562	$5,945	$7,437	$7,228	$8,236	$8,810	$8,919	$9,051

Pension Plan Funding Ratio

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



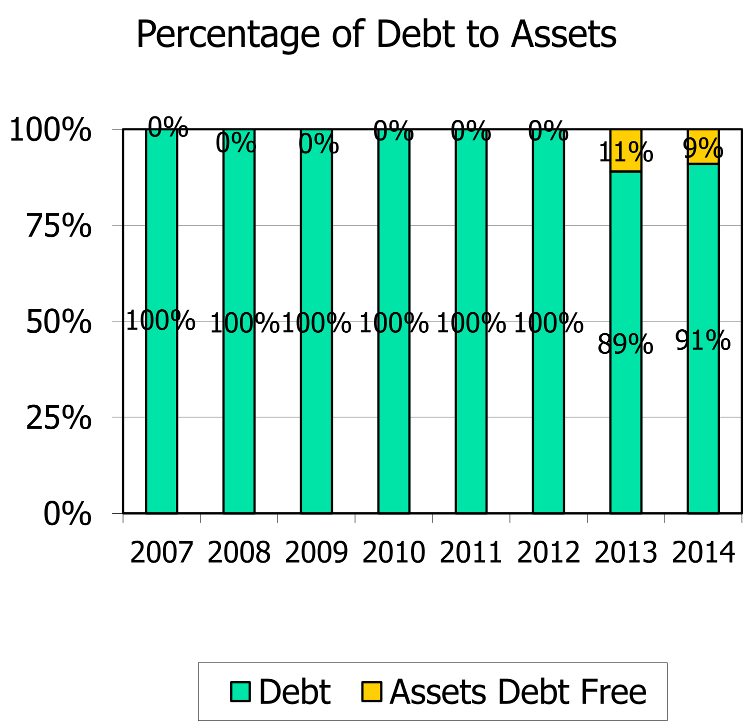
The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.

At September 30, 2014 (based upon the most recent actuarial information), GovGuam's pension plan assets were 57% of the accrued pension benefit liability, indicating the plan increased its funded ratio from the prior valuation. Although the plan remains significantly underfunded, the government has taken significant steps to improve the funded status in each of the last few years. Currently, this plan is closed to employees hired in the years after 1996.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
48%	50%	50%	54%	54%	45%	47%	45%	43%	47%	57%

Debt to Assets

Who really owns GovGuam?



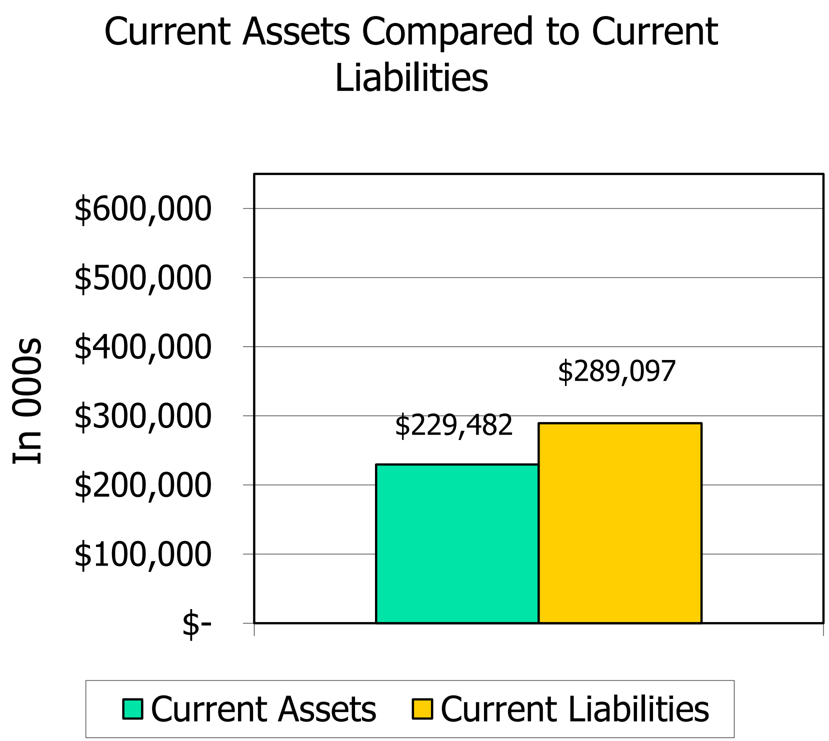
The debt to assets ratio measures the extent to which GovGuam had funded its assets with debt. The lower the debt percentage, the more equity GovGuam has in its assets.

At September 30, 2014, 91% of GovGuam's $1.88 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 $91 cents of that dollar to others.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
95%	91.5%	117.1%	116.4%	121.3%	112.9%	119.7%	113.3%	113.3%	89.0%	90.7%

Current Ratio

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



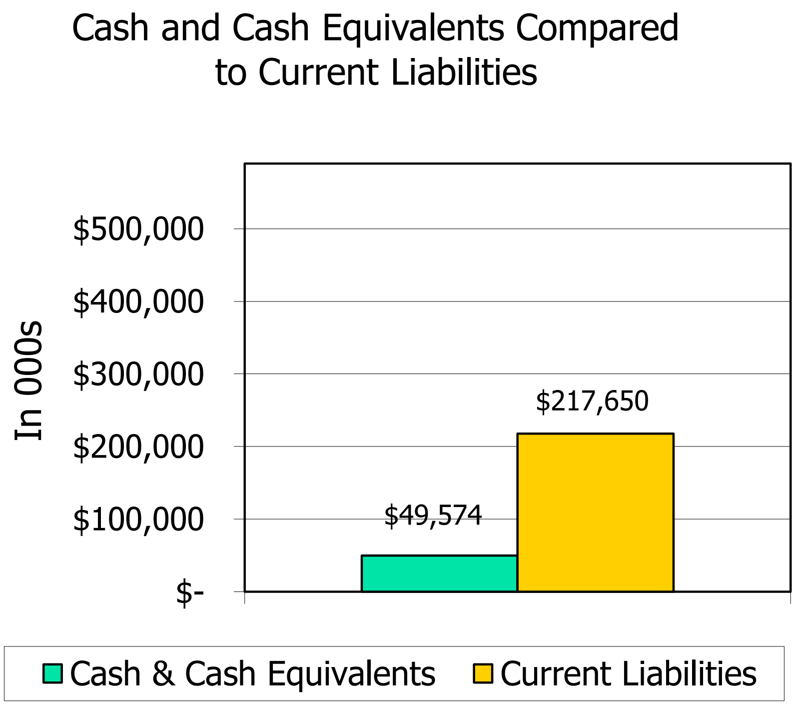
The current ratio is one measure of GovGuam's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1 indicates good current liquidity and an ability to meet the short-term obligations. This measure is that of only the General Fund, the primary operating fund of GovGuam.

At September 30, 2014, GovGuam's General Fund had a ratio of current assets to current liabilities of 0.79 to 1. This indicates that GovGuam has 79 cents of current assets to pay for every $1.00 of current liabilities and is considered an unfavorable indicator of liquidity, and represents a decrease in the ratio of the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0.30	0.17	0.15	0.17	0.28	0.44	0.36	.48	1.10	1.01	.79

Quick Ratio

How is our short-term cash position?

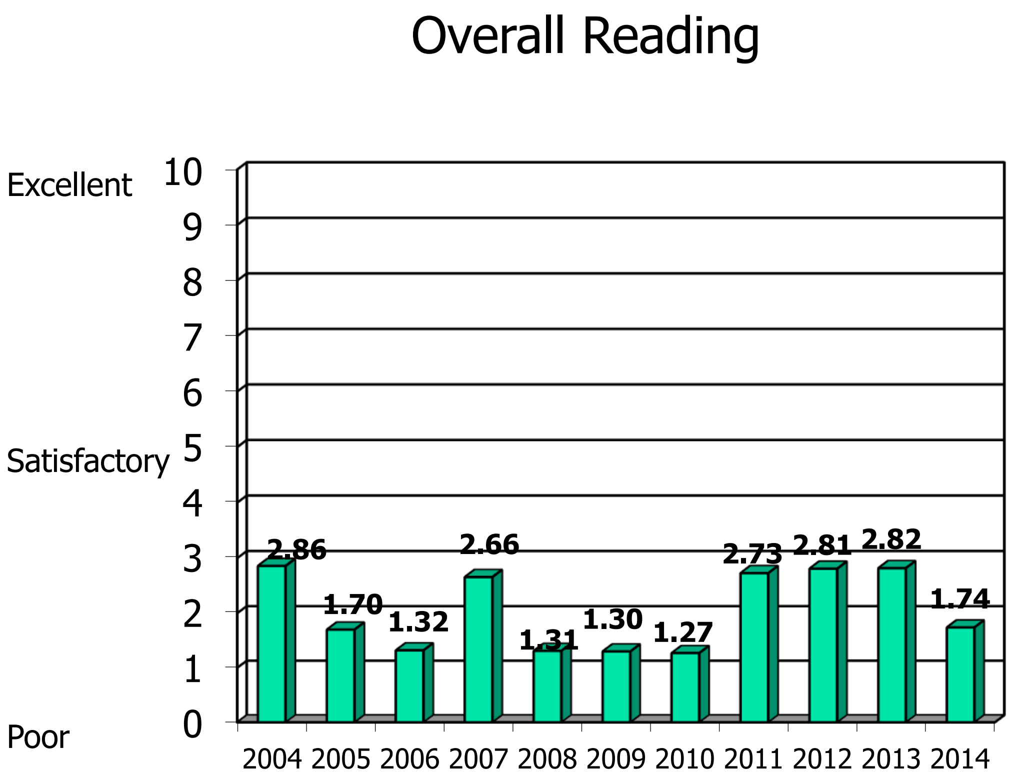


The quick ratio is another, more conservative, measure of GovGuam's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations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

At September 30, 2014, GovGuam's General Fund had a ratio of cash and cash equivalents to current liabilities of 0.23 cents to $1.00. This indicates that GovGuam had 23 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. It also represents a slight decrease of the ratio from the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0.07	0.02	0.03	0.05	0.08	0.05	0.04	0.03	0.34	0.27	0.23

Performeter® Reading



The 2014 reading of 1.74 indicates the evaluator's opinion that GovGuam's overall financial health and performance decreased when compared to the of the previous year.

After a number of years of improvement in the annual financial health and performance of the government, FY 2014 was represented by a number of ratios that declined when compared to the ratio of the prior year.

The government's decline in its overall net position, coupled with an increase in the size of the unrestricted net position deficit, an increase in the size of the General Fund unassigned fund balance deficit, along with slight increases in the tax and debt burdens per capita are the primary causes for the overall decline in the rating. However, the government did increase its funded ratio of the government pension plan's funding, and still retains a favorable capital asset remaining useful lives ratio.

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	0	0	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	10	10	9	6	5	5	4	7
Number of F.S. Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	 0 1 1 2	 0 0 0 0	 0 0 0 0	 0 3 0 3	 0 6 0 6	 0 4 0 4	 0 3 0 3	 0 3 0 3
Percentage of Findings Repeated	50%	0%	0%	0%	0%	100%	100%	33%
Number of A-133 Findings A. Internal Control and Compliance B. Internal Control Only C. Compliance Only TOTAL	 24 0 0 24	 21 0 0 21	 10 0 0 10	 6 0 0 6	 3 0 0 3	 3 0 0 3	 5 0 0 5	 6 1 0 7
Percentage of A-133 Findings Repeated	2.9%	4.7%	10%	16.7%	33.3%	0%	0%	14%
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.	0	0	0	0	0	0	0	0
$ of Questioned Costs-Current Year	$2,802,408	$1,881,435	$0	$3,734	$41,790	$35,293	$18,178	$46,293
$ of Questioned Costs- Cumulative	$7,084,374	$7,837,719	$4,616,404	$2,313,561	$1,428,837	$45,370	$53,471	$99,764
$ of Questioned Costs Resolved – Current Year	$1,478,722	$1,128,090	$3,221,315	$2,306,577	$926,514	$1,418,760	$10,077	$0

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.