



A Financial Statement Analysis Using Indicators of the
Financial Health and Success
of
The Government of the U.S. Virgin Islands
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 the VI'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 the VI as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

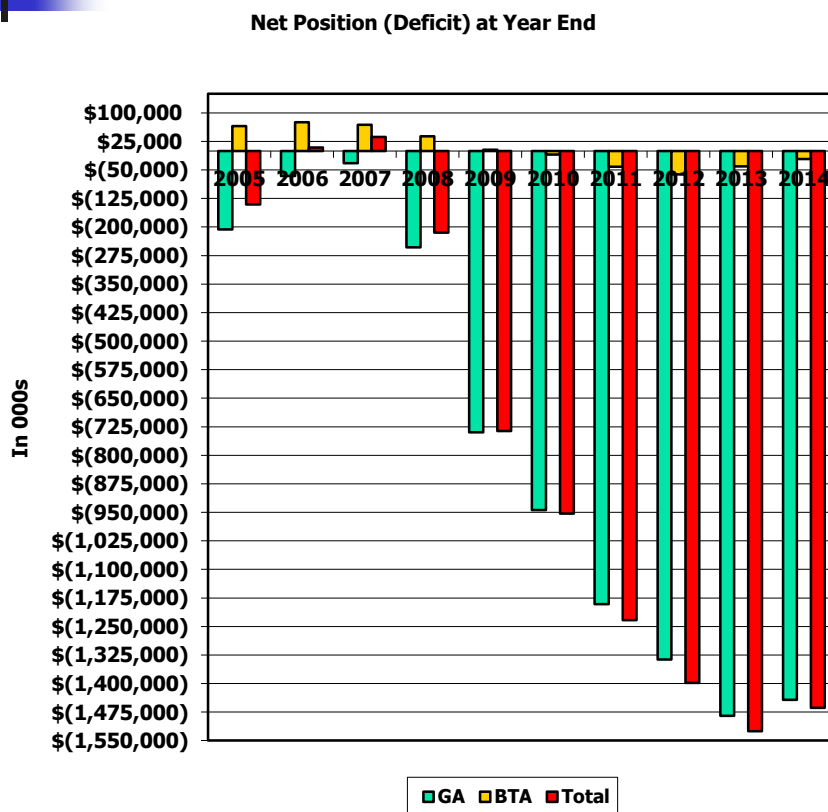


Limitations of the Performer[®]

- The Performer[®] should not be used as the only source of financial information to evaluate the VI's performance and condition
- The analysis is an overall rating of the VI 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 the VI, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets, including capital assets, and deferred outflows, netted against liabilities, including long-term debt, and deferred inflows.

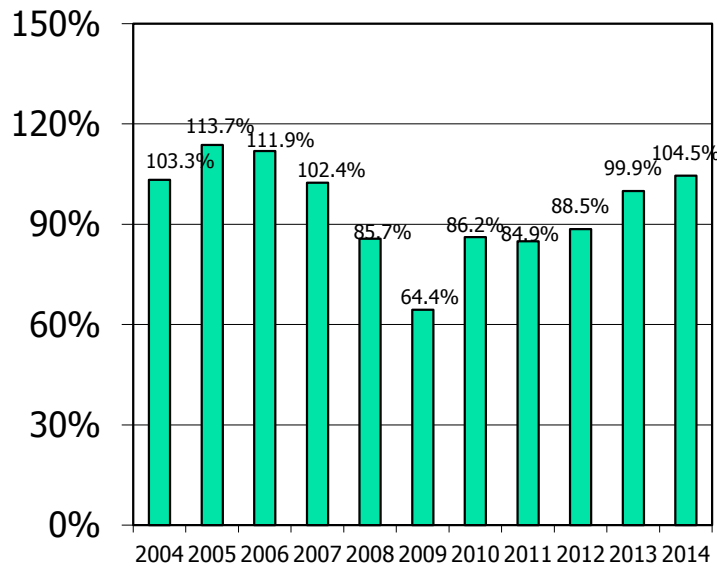
For the year ended September 30, 2014, total net position increased by \$60.92 million or 4.0% from the prior year, which leaves a total net position (deficit) of approximately \$(1.5) billion at year end. This increase in the net position is a result of the VI government, as a whole, earning more in revenues than they incurred in expense by approximately \$61 million during FY 2014.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
10.2%	48.2%	105.7%	300.0%	-697.2%	-242.8%	-29.3%	-21.6%	-13.3%	-9.1%	4.0%

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.

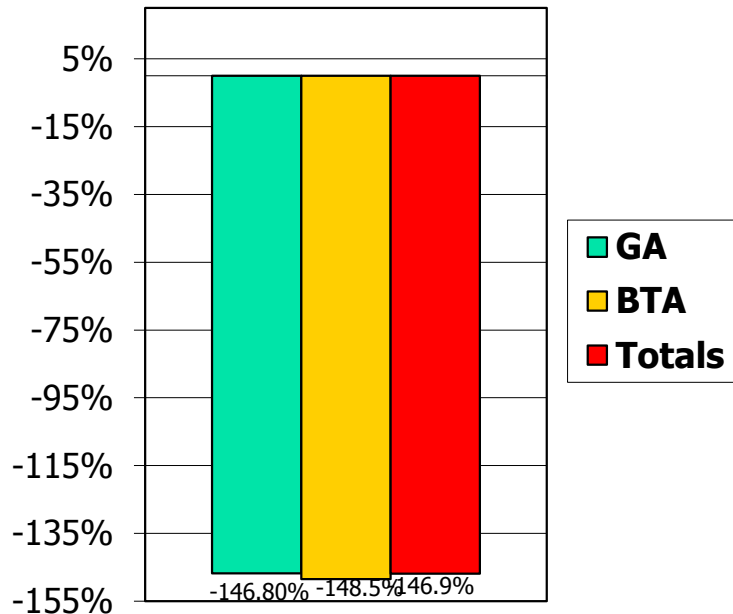
For the year ended September 30, 2014, the VI funded 104.5% of their expenses with current year revenues, which is an excellent ratio, and a significant improvement from the ratio of the previous period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
103.3%	113.7%	111.9%	102.4%	85.7%	64.4%	86.2%	84.9%	88.5%	90.8%	104.5%

Level of Unrestricted Net Position

How do our total rainy day funds look?

Unrestricted Net Position (Deficit) as a % of Annual Revenues - 2014



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

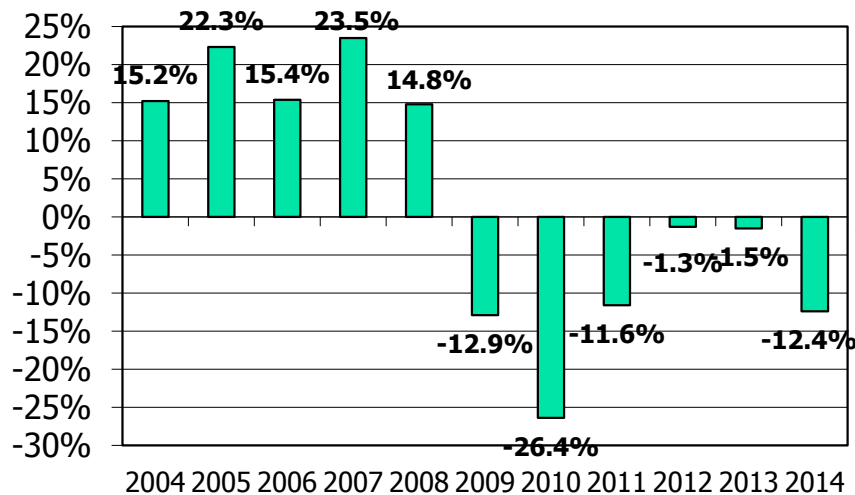
For the year ended September 30, 2014, the VI's total unrestricted net position (deficit) approximated \$(2.072) billion or 146.9% of annual total revenues, and represents a slight improvement in the ratio of the previous period, and an decrease in the size of the unrestricted net position deficit.

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
-51.4%	-27.0%	-27.4%	-45.6%	-113.8%	-107.5%	-139.3%	-142.3%	-149.8%	-146.9%

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 the VI 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.

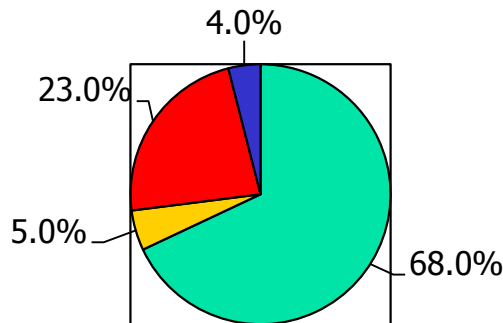
For the year ended September 30, 2014, the VI's unassigned fund balance (deficit) of the General Fund was 12.4% of annual General Fund revenues. This is considered to be an unsatisfactory ratio and financial position for the General Fund to be in, and a decline from the ratio of the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
15.2%	22.3%	15.4%	23.5%	14.8%	-12.9%	-26.4%	-11.6%	-1.3%	-1.5%	-12.4%

Revenue Dispersion

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

2014 Revenue Percentages by Source



■ Taxes ■ Service Charges
■ Grants & Contributions ■ Other

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

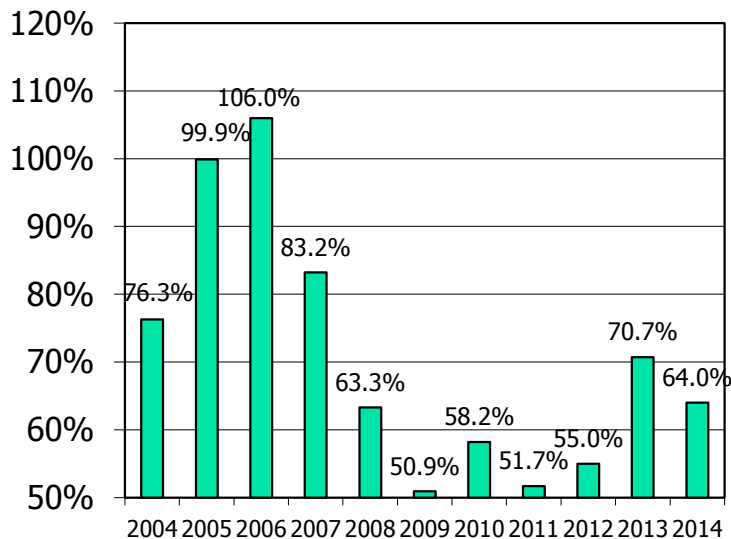
For the year ended September 30, 2014, the VI had direct control over 43.5% of its revenues (some taxes and charges for services). This ratio indicates that the VI has some exposure, as do most insular governments, to financial difficulties due to reliance on non-controlled revenue (56.5%). This ratio decreased when compared with the ratios of prior period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
43.1%	41.8%	37.4%	41.6%	32.9%	35.3%	22.3%	42.8%	48.7%	51.8%	43.5%

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, grants or use of prior year reserves.

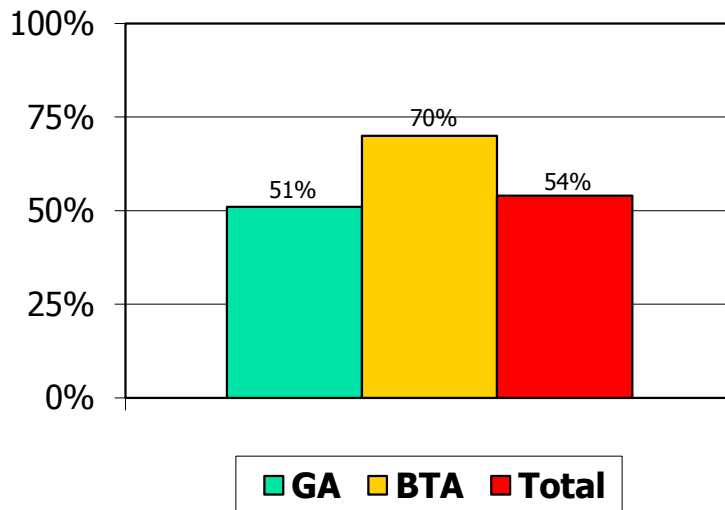
For the year ended September 30, 2014, the VI's total business-type activities were 64.0% self-sufficient. This indicates that, for the current year, the ratio has decreased from the prior year, and the costs of business-type activities in total are still not funded by recurring current year revenues, and require either a subsidy, the use of reserves, or a combination of both in order to meet their obligations.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
76.3%	99.9%	106.0%	83.2%	63.3%	50.9%	58.2%	51.7%	55.0%	70.7%	64.0%

Capital Asset Condition

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

Percentage of Capital Assets' Useful Life Remaining - 2014



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.

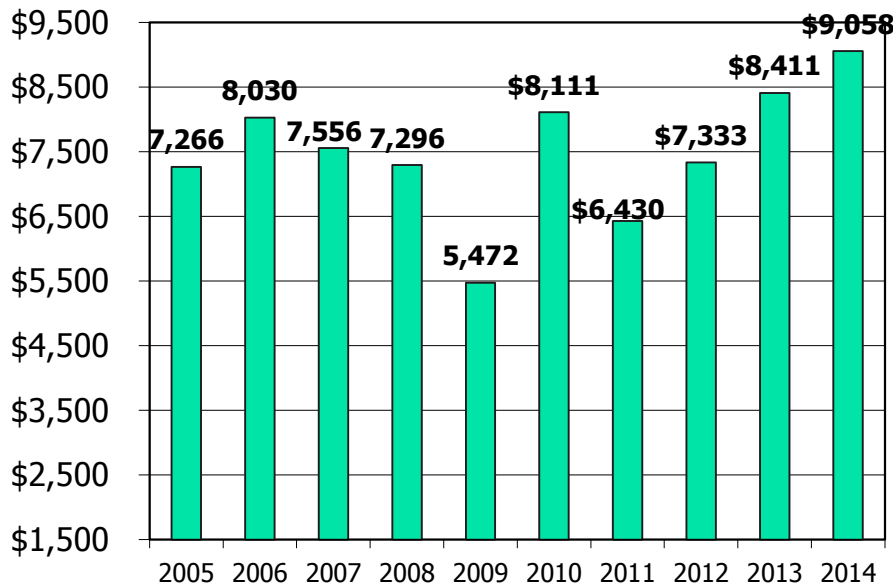
At September 30, 2014, the VI's depreciable capital assets amounted to \$1.06 billion while accumulated depreciation totaled \$489.5 million. This indicates that, on the average, the VI's capital assets have 54% of their useful lives remaining. This remains a favorable financial indicator.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
68%	68%	68%	68%	65%	61%	60%	55%	55%	53%	54%

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 the VI's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including income taxes, and other taxes.

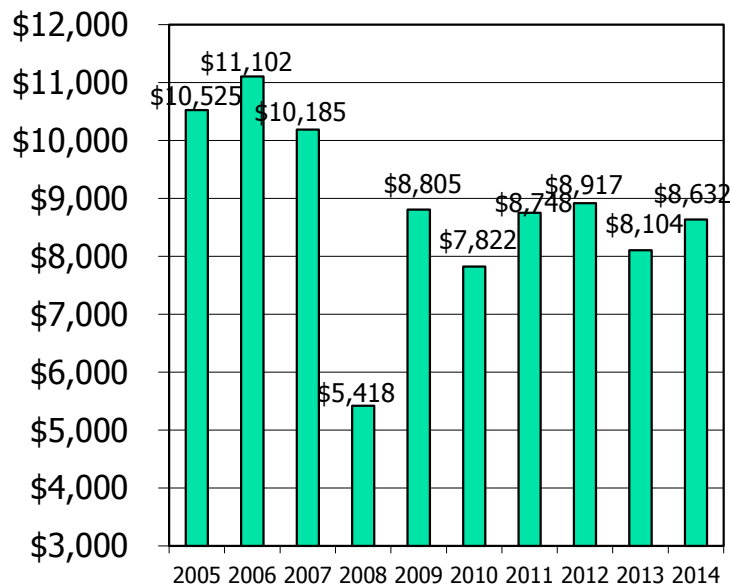
For the year ended September 30, 2014, total taxes amounted to \$964 million or \$9,058 per capita. This is considered a fairly significant tax burden per capita (when compared to other insular governments), and represents an increase in the ratio from the prior period.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$6,118	\$7,266	\$8,030	\$7,556	\$7,296	\$5,472	\$8,111	\$6,430	\$7,333	\$8,411	\$9,058

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 the VI's debt burden on its citizens and other taxpayers.

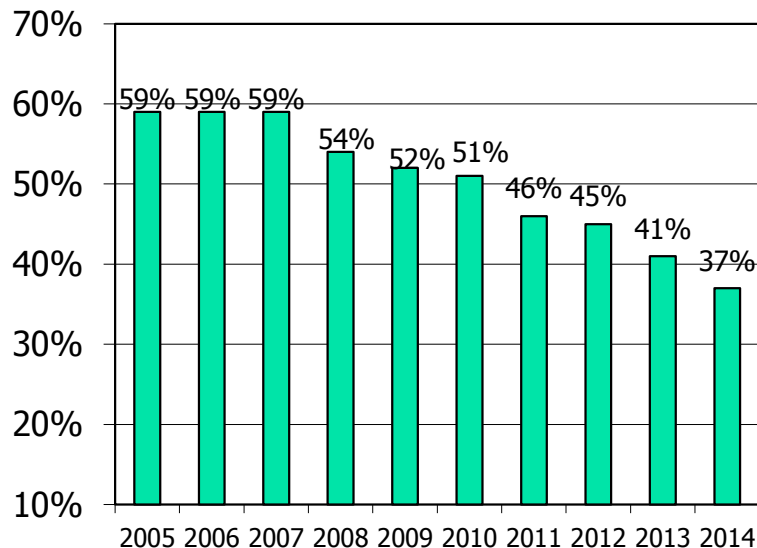
For the year ended September 30, 2014, the VI had \$919 million of long-term debt or \$8,632 per capita which is a fairly significant debt burden on its citizens (when compared to other insular governments), and represent an increase in the debt burden per capita when compared to the previous period. These debt amounts do not contain the debts paid with US government matching funds, or those paid by a dedicated stream of excise taxes received from the US government related to the production of rum.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
\$9,568	\$10,525	\$11,102	\$10,185	\$5,418	\$8,805	\$7,822	\$8,748	\$8,917	\$8,104	\$8,632

Pension Plan Funding Ratio

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

Plan Assets as a Percentage of Actuarial 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.

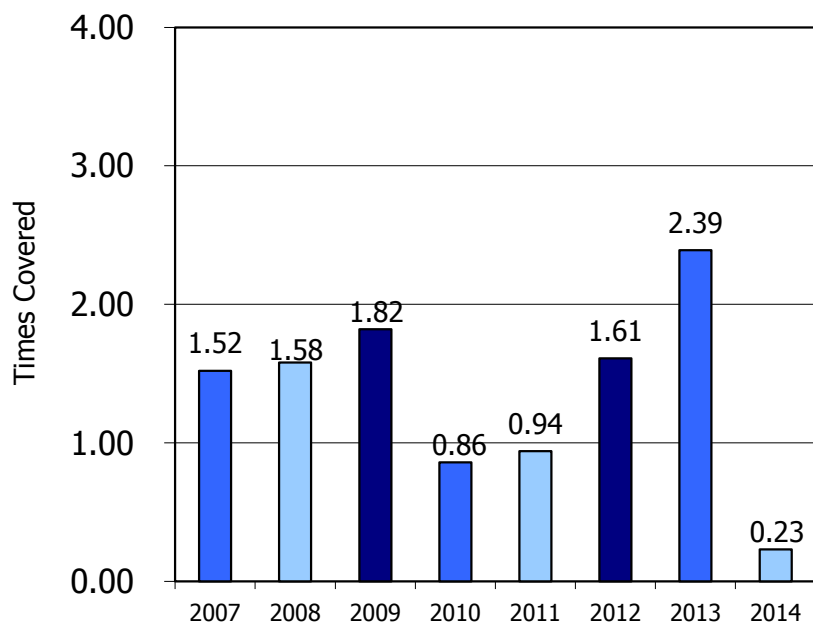
At September 30, 2014, based upon the most recent actuarial valuation, the VI's pension plan assets were approximately 37% of the accrued pension benefit liability, indicating that the plan was not improving its funded status when compared to prior periods. This is an indicator of potential long-term cash demands that may be necessary to fund the future needs of the plan. The funded portion of the plan has been declining since 2007 for a number of reasons, and now is at its lowest funded status of the years included in this analysis.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
59%	59%	59%	59%	54%	52%	51%	46%	45%	41%	37%

Debt Service Coverage

Were our revenue bond investors pleased with our ability to pay them on time?

Number of Times Net Pledged Revenues
Cover Annual Debt Service



The debt service coverage ratio compares the VI's debt service requirements on revenue bonds to the net operating cash generated by the revenue streams pledged for payment. A debt service ratio of greater than 1.25 indicates a sufficient ability to make the debt service payments from net revenue from operations.

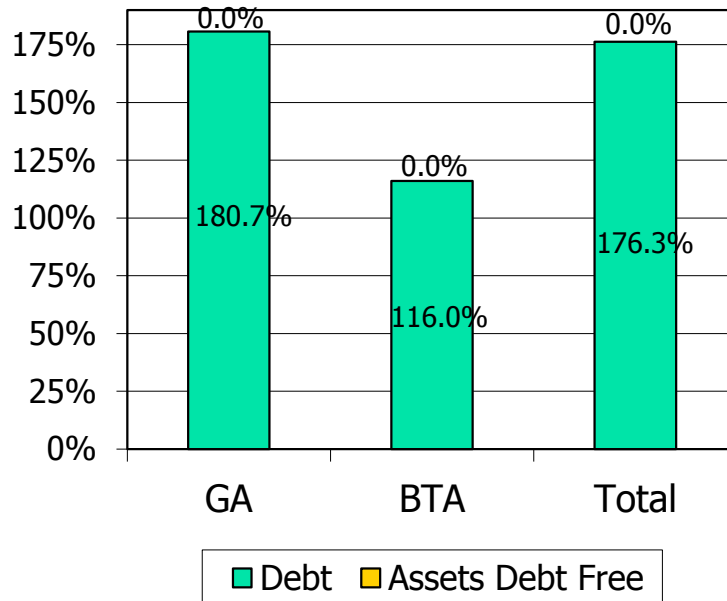
For the year ended June 30, 2014, the VI experienced an unfavorable debt service coverage ratio of .23, a significant decrease from the ratio in the prior year. A large increase decrease in the WICO enterprise fund cash flows from operations was the primary cause of this drop. This indicates the VI generated approximately 1/5 times the amount of cash necessary to pay the debt service requirements on its revenue bonds and notes.

2007	2008	2009	2010	2011	2012	2013	2014
1.52	1.58	1.82	.86	.94	1.61	2.39	.23

Debt to Assets

Who really owns the VI?

Percentage of Debt to Assets -
2014



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

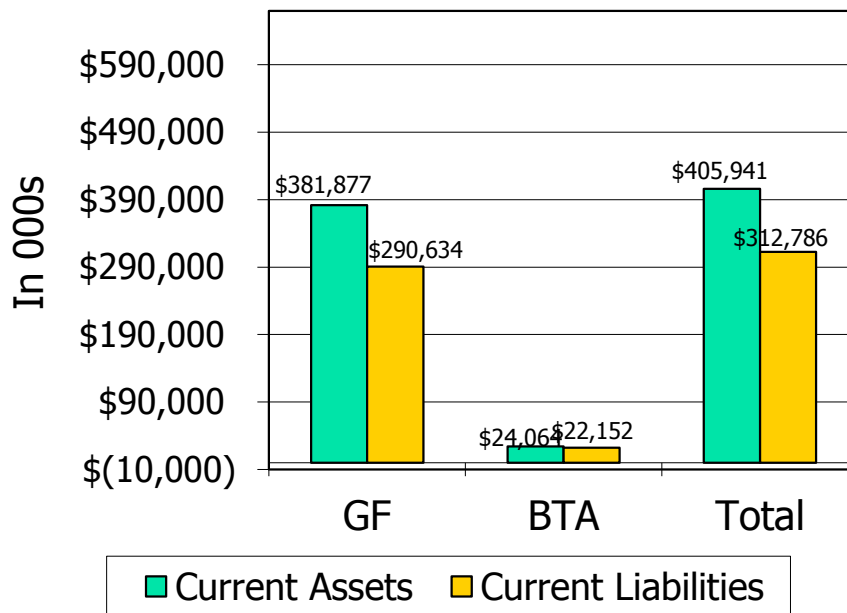
At September 30, 2014, the VI had total debts or other obligations that exceeded its assets by nearly 76%. This is an unfavorable financial indicator and indicates that none of the VI's assets are technically "debt-free", and for each dollar of assets the VI owns, it owes \$1.76 in liabilities to others.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
117.4%	107.4%	100.8%	98.1%	111.8%	140.0%	147.6%	168.6%	175.4%	171%	176.3%

Current Ratio

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

Current Assets Compared to Current Liabilities - 2014



The current ratio is one measure of the VI'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 and business-type activities of the Enterprise Funds, the VI's primary operating funds.

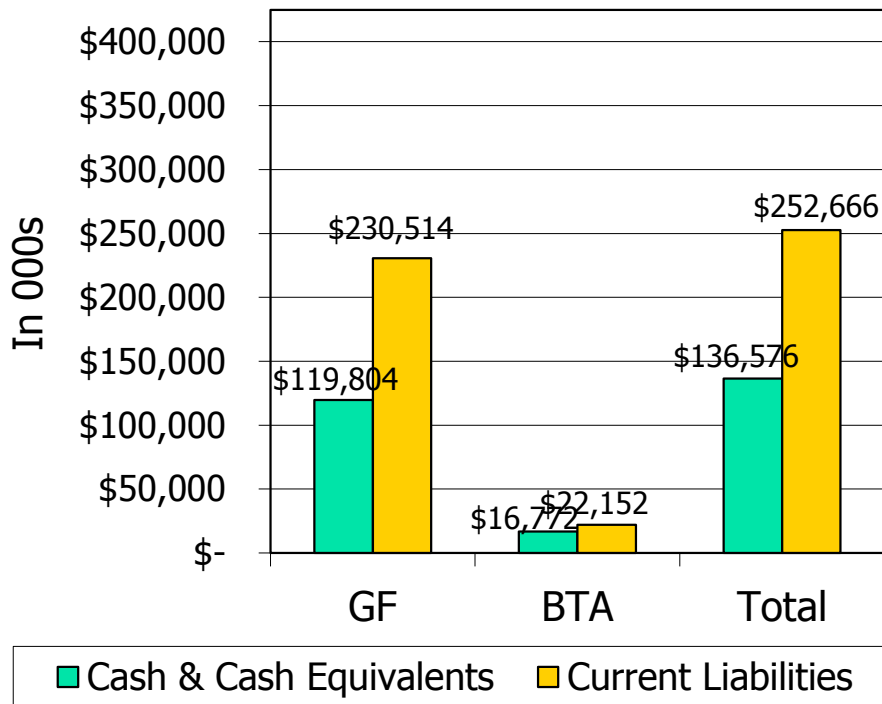
At September 30, 2014, the VI had ratios of current assets to current liabilities of \$1.3 to \$1.00. This indicates that for every \$1 of current liabilities, the VI had \$1.3 in current assets to fund them. Although the ratio improved during this year, it is considered a less than satisfactory ratio.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1.44	1.44	1.60	1.61	1.36	.84	.79	.74	.90	.83	1.30

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities - 2014



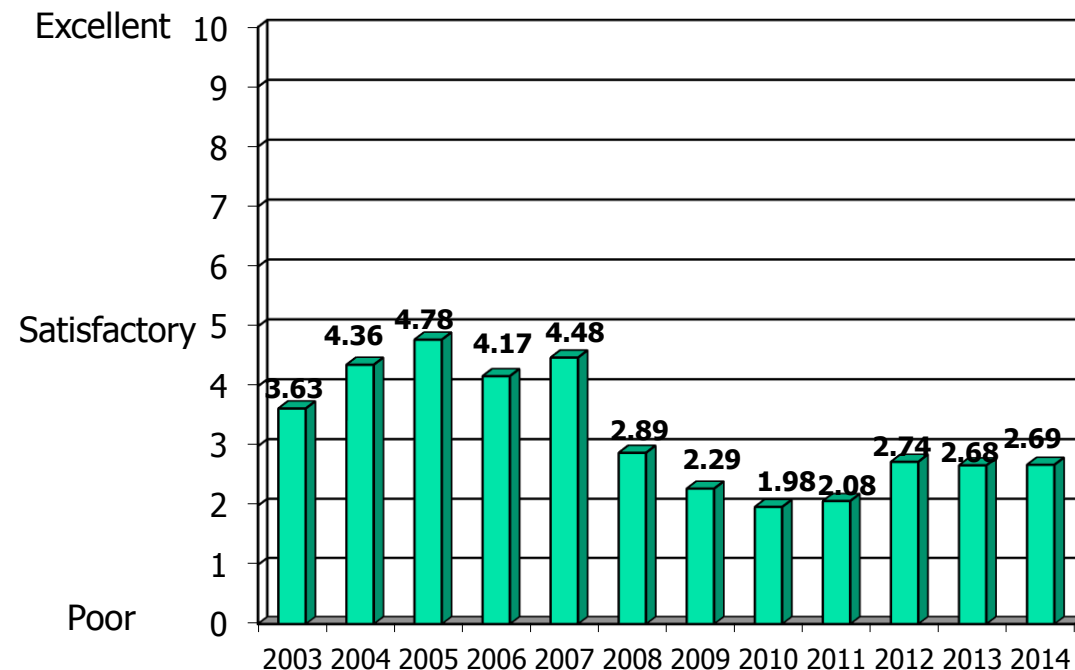
The quick ratio is another, more conservative, measure of the VI's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations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

At September 30, 2014, the VI had a ratio of cash and cash equivalents to current liabilities of \$0.54 to \$1.00. This indicates that for every dollar of current liabilities, the VI had 54 cents in cash and cash equivalents to fund them. This is considered a less than satisfactory ratio, and it is a decrease in the ratio when compared to the ratio of the prior year.

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1.57	1.74	2.41	1.74	1.53	.68	.60	.57	.92	.84	.54

Performer[®] Reading

Overall Reading



The 2014 reading of 2.69 indicates the evaluator's opinion that the VI's overall financial health and performance remained relatively consistent with the restated score of the prior year, a restatement which was due to \$127 million of prior period adjustments that were made to the beginning balance of the FY 2014 year. The overall score remains below satisfactory for the overall VI government as a whole, due to several ratios showing some improvements this year, such as a 4% increase in overall net position, but declines in other ratios, such as the increase of the General Fund's unassigned fund balance. Many of the other ratios remained relatively unchanged, resulting in the overall low reading, that is consistent with many of the 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.

A.F.T.E.R.

	2007	2008	2009	2010	2011	2012	2013	2014
Number of F.S. Opinion Qualifications/Exceptions	9	7	8	9	9	7	6	9
Number of Major Federal Program Qualifications/Exceptions	11	7	8	6	5	2	3	6
Number of F.S. Findings								
A. Internal Control and Compliance	0	1	<u>1</u>	1	1	-	0	0
B. Internal Control Only	11	10	10	8	7	8	8	12
C. Compliance Only	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	0	<u>2</u>
TOTAL	12	11	11	9	8	8	<u>8</u>	14
Percentage of Findings Repeated	Unable to determine	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)	100% (estimate)
Number of A-133 Findings								
A. Internal Control and Compliance	50	50	12	26	7	13	14	46
B. Internal Control Only	0	0	34	0	19	-	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	50	50	46	26	26	13	14	46
Percentage of A-133 Findings Repeated	Unable to determine	58%	56.5%	65.4%	Unable to determine	Unable to determine	Unable to determine	100%
Number of months after Y/E the F.S. were Released	25	24	22	26	24	16	9	12
Number of Qualifications/Exceptions Related to C.U.	6	3	3	4	5	5	4	3
\$ of Questioned Costs-Current Year	\$8,484,494	\$3,487,561	\$57,293,304	\$744,885	\$2,490,612	\$3,328,464	\$0	\$1,172,427
\$ of Questioned Costs- Cumulative	Unable to determine	Unable to determine	\$60,104,177	\$59,957,932	\$3,235,497	\$5,730,775	\$0	Unable to determine
\$ of Questioned Costs Resolved – Current Year	Unable to determine	\$6,276,416	\$8,944,995	\$891,130	557,721,390	\$833,186	\$5,730,775	Unable to determine



Thank You

We would like to commend and thank the management of the Government of the U.S. Virgin Islands, 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 VI' s annual financial report.

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