



PERFORMETER.

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 Example
as of and for the Year Ended September 30, 2008



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 the Government'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 Government as a whole
- Use the comparisons to prior years to monitor trends in financial indicators



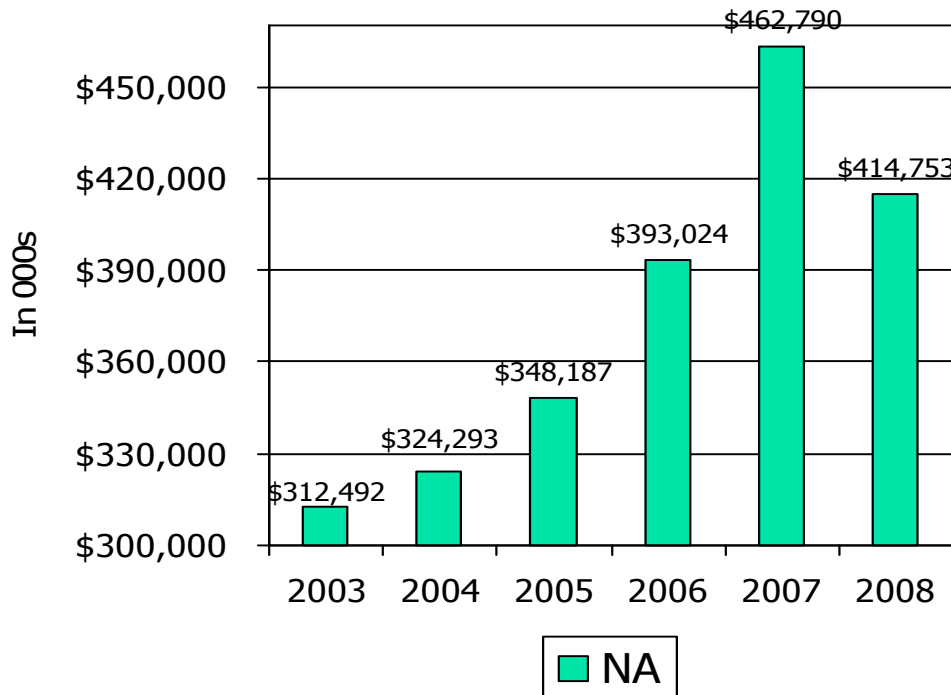
Limitations of the Performer[®]

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



Net assets include all assets of the Government, 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.

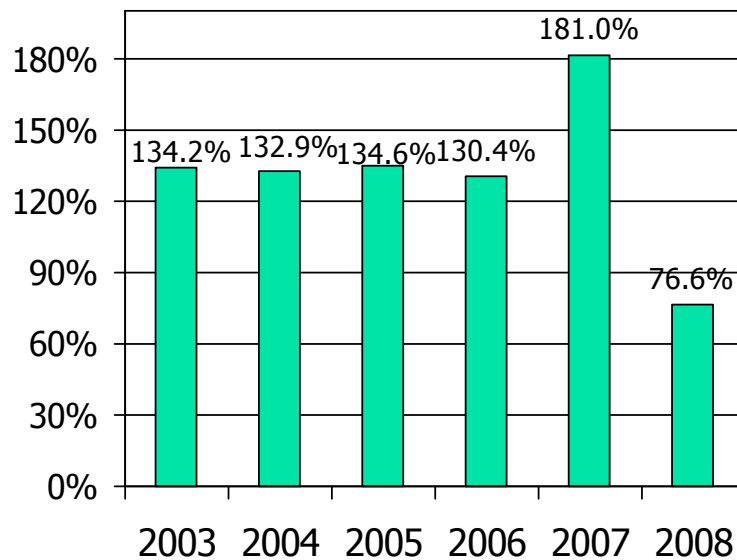
For the year ended September 30, 2008, total net assets decreased by \$48 million or 10.46% from the prior year. This decrease includes a \$23.3 million loss due to a decline in the fair value of investments. Without this charge, net assets would have decreased by \$24.7 million.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
12.4%	3.8%	7.4%	7.1%	17.6%	-10.4%				

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.

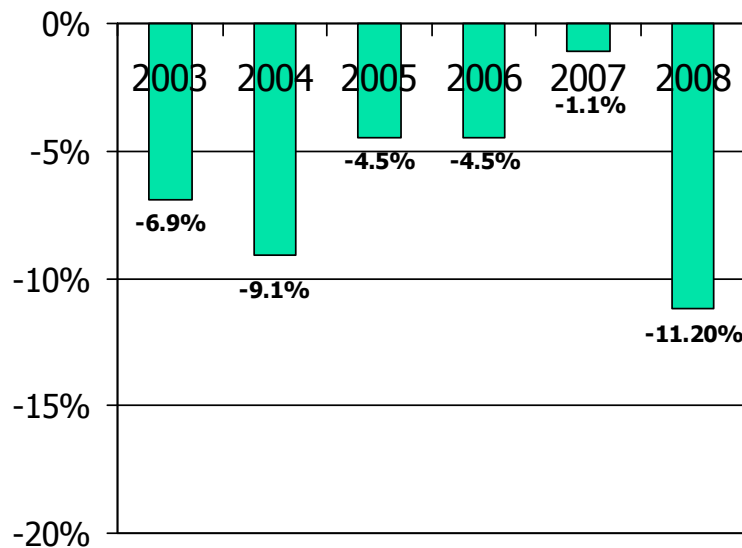
For the year ended September 30, 2008, the Government funded 76.6% of their expenses with current year revenues, after a number of years in which current year revenues funded all current year expenses. This indicates that the Government's current year costs were only partially funded with current year revenues, the rest being funded with leftover revenues from prior years.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
134.2%	132.9%	136.3%	130.4%	181%	76.6%				

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 the Government has at a point in time to fund emergencies, shortfalls or other unexpected needs.

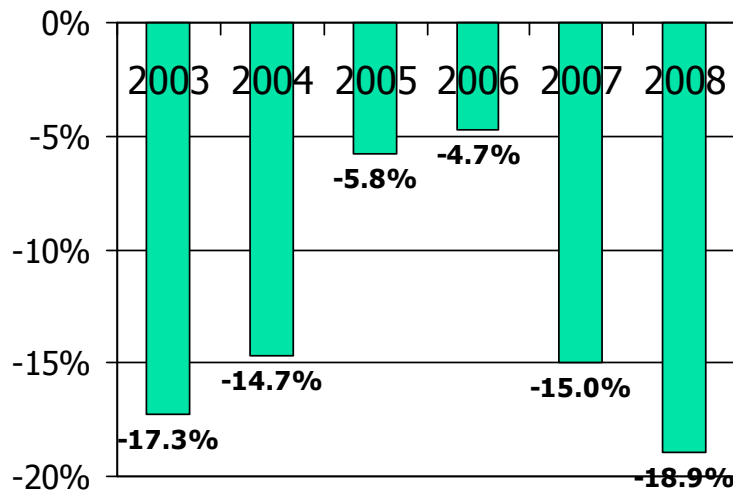
For the year ended September 30, 2008, the Government's total unrestricted net assets deficit approximated \$9.03 million or 11.2% of annual total revenues. After several years of lowering the unrestricted net asset deficit, during 2008 the unrestricted net asset deficit increased approximately 10%.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-6.9%	-9.1%	-4.5%	-4.5%	-1.1%	-11.2%				

Level of Budgetary Fund Balance

How does our budgetary carryover look?

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



The level of budgetary unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources the Government 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.

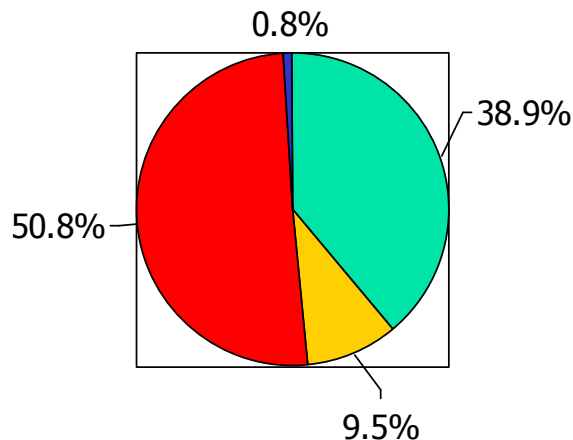
For the year ended September 30, 2008, the Government's unreserved fund balance deficit of the General Fund was 18.9%. This is a relatively unhealthy position for the General Fund to be in, and a continues a decline in the ratio calculated in the last two prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
-17.3%	-14.7%	-5.8%	-4.7%	-15%	-18.9%				

Revenue Dispersion

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

2008 Revenue Percentages by Source



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

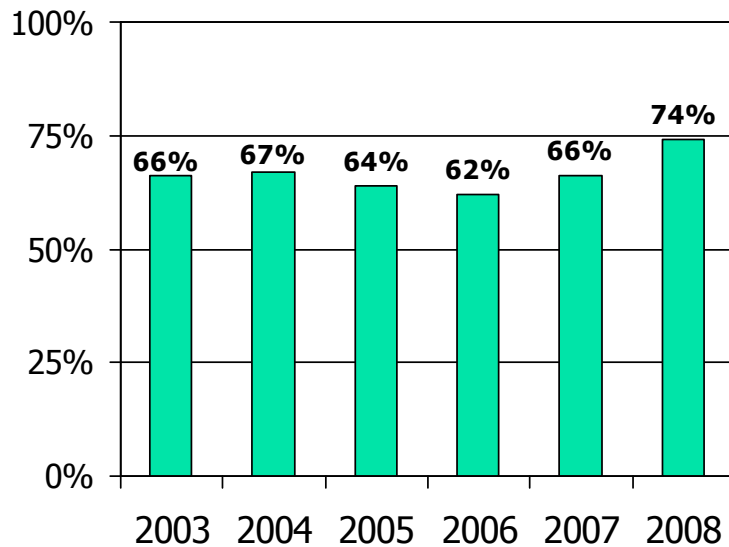
For the year ended September 30, 2008, the Government had direct control over 48.4% of its revenues. This ratio indicates the Government has some exposure, as do most governments, to financial difficulties due to reliance on non-controlled revenue (51.6%); however, this is an improvement from the ratios calculated in prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
23.2%	34.1%	38.7%	35.9%	23.6%	48.4%				

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.

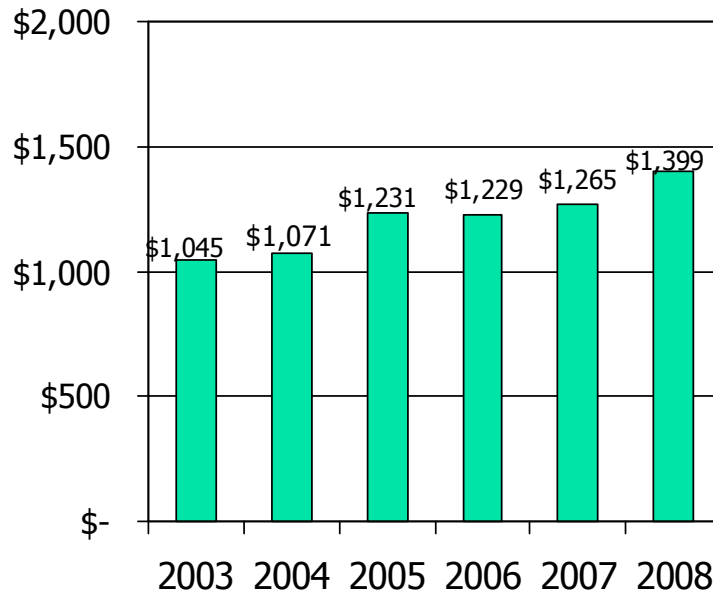
At September 30, 2008, the Government's depreciable capital assets amounted to \$380.3 million while accumulated depreciation totaled \$99.8 million. This indicates that, on the average, the Government's capital assets have 74% of their useful lives remaining. This is a near excellent financial indicator and increased in 2008 due to the large amount of capital projects being completed and placed into service.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
66%	67%	64%	62%	66%	74%				

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

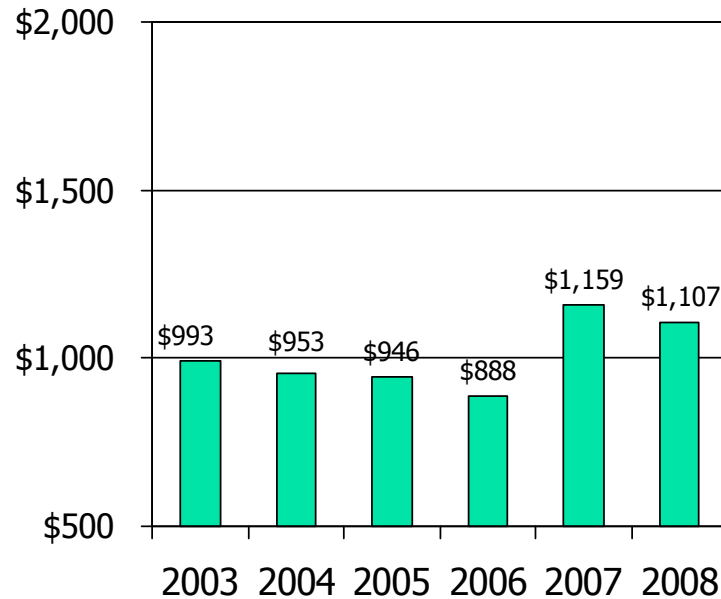
For the year ended September 30, 2008, total taxes amounted to \$27.6 million or \$1,399 per capita. This indicates a relatively moderate tax burden on the citizens when compared with other insular governments, and is relatively consistent with the ratio calculated in prior periods.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$1,045	\$1,071	\$1,231	\$1,229	\$1,265	\$1,399				

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

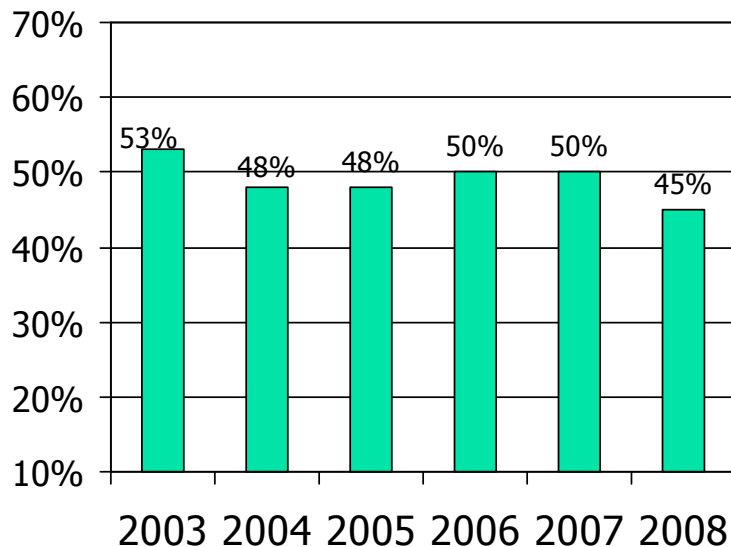
For the year ended September 30, 2008, the Government had \$21.8 million of long-term debt or \$1,107 per capita, which is a relatively low debt burden on its citizens when compared to other insular governments, and a slight decrease in the ratio of the prior period.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$993	\$953	\$946	\$888	\$1,159	\$1,107				

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 underfunded at the valuation date.

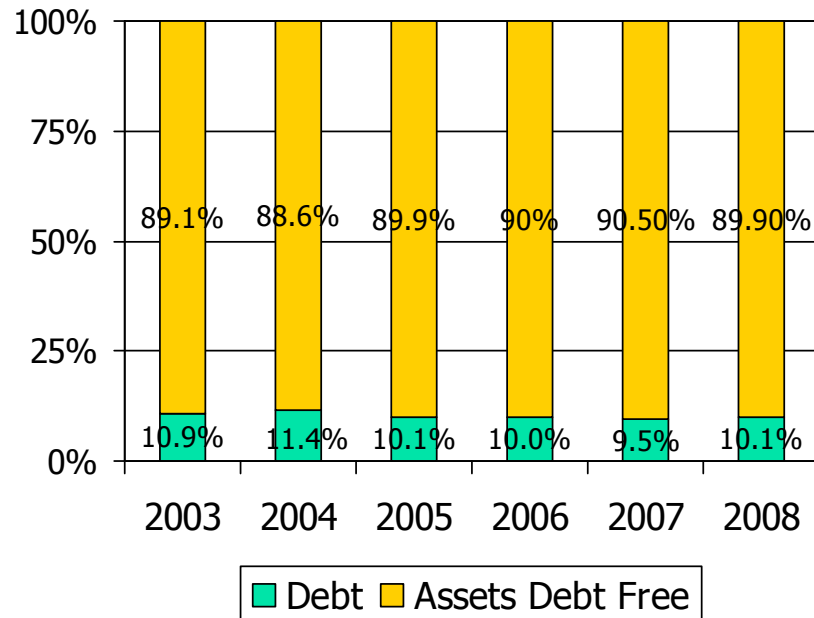
At September 30, 2008, the Government's pension plan assets were 45% of the accrued pension benefit liability, indicating the plan was less than half funded at the last valuation date, and a decline in the ratio from the last actuarial valuation.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
53%	48%	48%	50%	50%	45%				

Debt to Assets

How much equity do we have in our assets?

Percentage of Debt to Assets



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

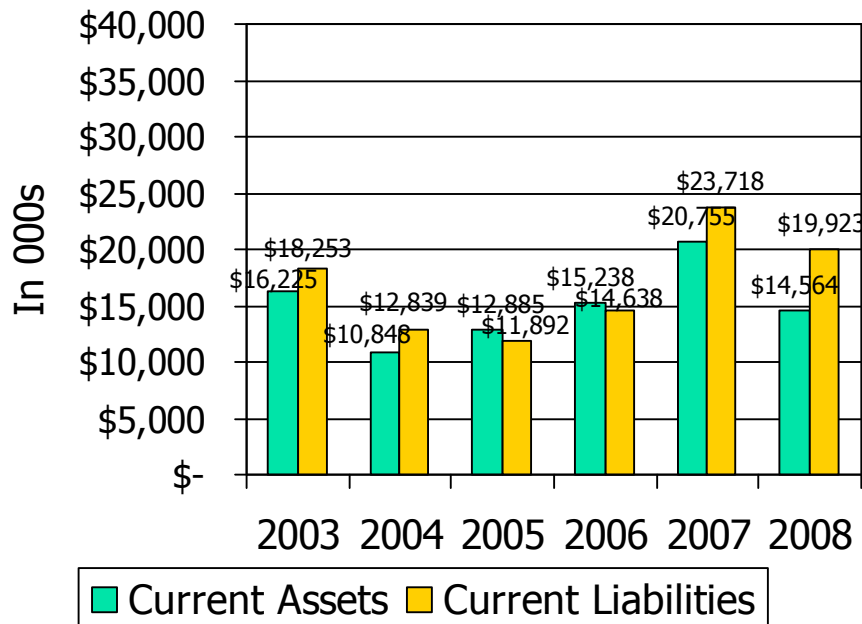
At September 30, 2008, only 10.1% of the Government's \$461.5 million of total assets were funded with debt or other obligations. This is a near excellent financial indicator and indicates that for each dollar of assets it owns, the Government owes 10.1 cents of that dollar to others. This ratio is relatively consistent with those of prior years.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
10.9%	11.4%	10.1%	10%	9.5%	10.1%				

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 the Government'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 includes only the Government's General Fund, the main operating fund of the government.

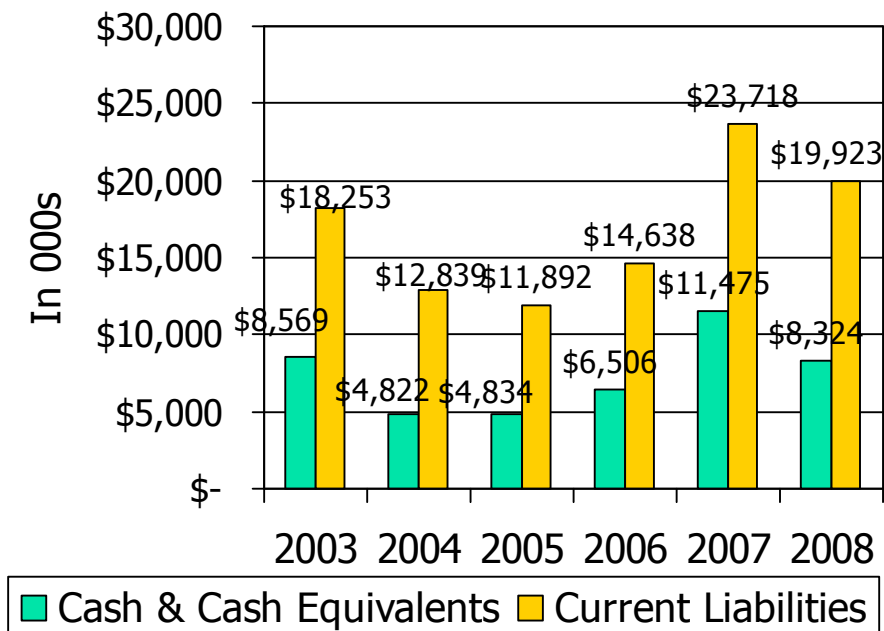
At September 30, 2008, the Government had a General Fund ratio of current assets to current liabilities of .73 to 1. This indicates that for every dollar of current liabilities, the Government had 73 cents to fund them. This is considered an unfavorable ratio, and continues a decline in the ratios calculated in prior years.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
.89	.84	1.08	1.04	.88	.73				

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 the Government'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, the Government's main operating fund.

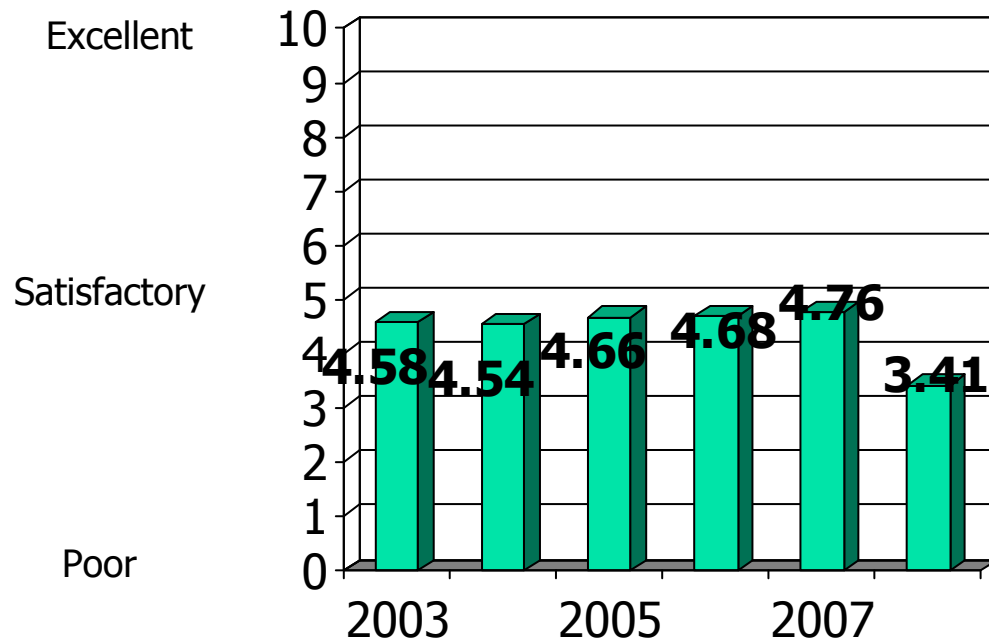
At September 30, 2008, the Government had a General Fund ratio of cash and cash equivalents to current liabilities of .42 to 1. This indicates that for every dollar of current liabilities, the Government had 42 cents in cash and cash equivalents to fund them. This is considered an unfavorable ratio, and it is a slight decrease in the ratio calculated in the prior period.

2003	2004	2005	2006	2007	2008	2009	2010	2010	2012
0.47	0.38	0.41	.44	.48	.42				



Performeter[®] Reading

Overall Reading



The 2008 reading of 3.41 indicates the evaluator's opinion that the Example Government's overall financial health and performance declined significantly during the fiscal year ended September 30, 2008, due in a large part to expenses exceeding revenues, increasing deficits, and the fair value decline in investments.

After a number of years of near satisfactory scores, the decline in the score for 2008 is mostly attributed to the fair value decline in investments, the decrease in net assets, poor intergenerational equity, and increasing deficits of unrestricted net assets and General fund unreserved fund balance.



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.

	2003	2004	2005	2006	2007	2008
Number of F.S. Opinion Qualifications/Exceptions	0	0	0	0	0	0
Number of Major Federal Program Qualifications/Exceptions	5	5	9	4	5	6
Number of F.S. Findings						
A. Internal Control and Compliance	6	7	6	5	0	0
B. Internal Control Only	0	2	6	8	11	3
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>3</u>
TOTAL	6	9	12	13	14	6
Percentage of Findings Repeated	16.7%	11.1%	50%	30.8%	71%	33%
Number of A-133 Findings						
A. Internal Control and Compliance	6	13	31	15	7	16
B. Internal Control Only	0	0	0	0	5	1
C. Compliance Only	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	6	13	31	15	12	17
Percentage of A-133 Findings Repeated	16.7%	7.7%	32.3%	13.3%	67%	59%
Number of months after Y/E the F.S. were Released	21	14	9	9	9	9
Number of Qualifications/Exceptions Related to C.U.	0	0	0	0	0	0
\$ of Questioned Costs-Current Year	\$284,274	\$320,543	\$331,204	\$99,755	\$63,691	\$577,977
\$ of Questioned Costs- Cumulative	\$592,481	\$827,807	\$1,184,207	\$993,651	\$801,692	\$801,692
\$ of Questioned Costs Resolved – Current Year	\$0	\$85,217	\$5,374	\$290,311	\$255,650	\$1,379,669



Thank You

We would like to commend and thank the Government of Example's management, the U.S. Department of Interior, and the Graduate School - USDA for allowing us to present this financial analysis. We hope it serves as a useful and understandable compliment to the Government's annual financial report.

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