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University of Guam – FY 2018 Financial Highlights

May 8, 2019

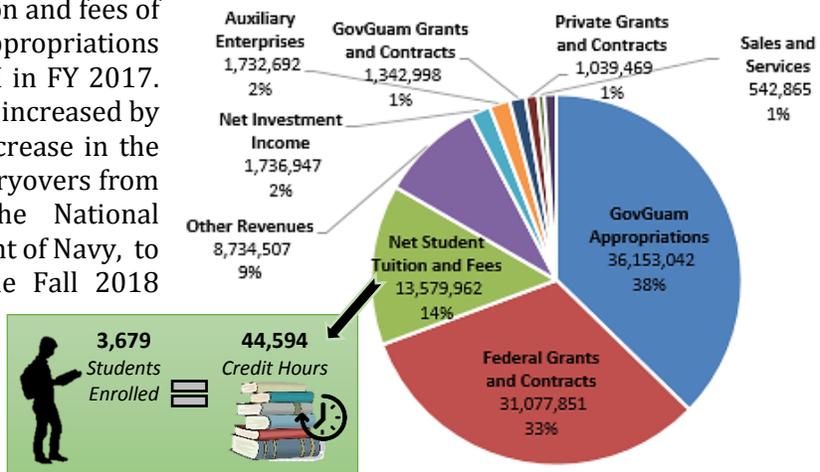
Hagåtña, Guam – The Office of Public Accountability has released the University of Guam (UOG) financial statements, report on compliance and internal control, the auditor’s communication with those charged with governance, and management letter for fiscal year (FY) 2018. Independent auditors, Deloitte & Touche, LLP, issued unmodified (clean) opinions on UOG’s FY 2018 financial statements and report on compliance for major federal programs. However, the auditors identified six deficiencies on internal control over financial reporting. UOG is commended for qualifying as a low-risk auditee for the fourth consecutive year.

Certain accounts from the prior year were restated in order to report the net obligation of other post-employment benefits, according to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75. This implementation resulted in a net position (net loss) of \$14.4 million (M) in FY 2017 compared to the previously reported net loss of \$3.4M. UOG closed FY 2018 with a \$6.4M net loss, which is UOG’s fourth loss in 15 years.

Increase in Revenues

UOG’s total revenues increased by 7% from FY 2017’s restated \$89M to \$95M in FY 2018. FY 2018’s revenues consisted mainly of: (1) Government of Guam (GovGuam) appropriations of \$36.2M or 38%, (2) federal grants and contracts of \$31M or 33%, and (3) net student tuition and fees of \$13.6M or 14%. GovGuam appropriations increased by \$3.5M from \$32.7M in FY 2017. Federal grants and contracts also increased by \$699 thousand (K) due to an increase in the Research Corporation’s grant carryovers from various programs such as the National Institute of Health and Department of Navy, to name a few. Enrollment for the Fall 2018 semester of 3,679 students produced the fifth highest credit hours in recent history, which explains the \$494K increase in net student tuition and fees.

Chart 1: UOG FY 2018 Total Revenues



Investments

UOG has been a good steward by investing prior year surpluses into certificates of deposit, money market funds, fixed income securities, common stock, and mutual funds. Total investments amounted to \$42.8M as of FY 2018, in which investments earned \$1.7M in investment income for FY 2018, a decrease from the \$2.4M earned in FY 2017.

Expenditures of Federal Awards

UOG's Schedule of Expenditures of Federal Awards showed 86 grant activities totaling \$29.4M, as of FY 2018. The largest federal expenditure was \$7.7M for the Pell Grant Program, followed by \$6.1M for Direct Student Loans. Meanwhile, 37% or 32 of the grant activities were below \$50,000.

Decrease in Operating Expenses

In FY 2018, operating expenses totaled \$99.6M, which is a \$1.4M decrease from FY 2017's restated operating expenses, attributed primarily to a restrictive Fiscal Realignment Plan in support of a reduced FY 2018 General Fund operations allotment from GovGuam. This resulted in decreases of: (1) public service by \$1M or 9%, (2) scholarships and fellowships by \$882K or 9%, (3) academic support by \$957K or 8%, and (4) retiree healthcare costs and other pension benefits by \$268K or 8%. Unlike other autonomous agencies, the General Fund pays for UOG's retiree health care costs, which was \$3M in FY 2018.

Compliance and Internal Controls

The independent auditors issued a clean opinion on compliance for major federal programs. In FY 2018, a repeated significant deficiency in internal control over major federal programs from prior fiscal years was deemed closed. The Small Business Development Centers' (SBDC) adjusted its goals, which allowed for more realistic, achievable goals relating to attaining 128 Long Term Clients (LTC), 30 new business start-ups, and \$2.5M in capital infusion. SBDC exceeded its LTC goal by 105% and capital infusion goal by 259%.

Management Letter

In a separate management letter, the auditors identified five deficiencies concerning UOG's need to (1) monitor accounts for delinquency and consider writing-off long outstanding notes receivable; (2) periodically assess nonmoving and inactive accounts; (3) timely coordinate construction in progress capitalization; (4) maintain vendor selection documentation; (5) establish a documented process for resolving petty cash discrepancies and unaccounted cash collections; and (6) revisit policies and procedures on timesheet preparation and approval.

Audit Adjustments and Uncorrected Misstatements

For FY 2018, seven audit adjustments were made relative to retiree healthcare costs, cost-of-living adjustment (COLA) benefits, GASB 67 and 68/73 pension adjustments, GASB 75 adjustments, accrual of revenue from other sources, and to provide allowance for non-moving receivables. However, there were five uncorrected misstatements that would have cumulatively decreased UOG's net position by \$204K.

UOG Endowment Foundation

The UOG Endowment Foundation (Foundation) is a legally separate, tax-exempt entity that is a discretely presented component unit of UOG. As of calendar year (CY) 2017, the Foundation's financial statements again received a qualified opinion from the independent auditors because it was still unable to evaluate the carrying value of donated land recorded at \$4.6M.

In CY 2017, the Foundation had an increase in net assets (net income) of \$1.8M, as opposed to its \$1.1M net income in CY 2016. The Foundation received \$222K more in contributions and earned \$1.6M on its investments in CY 2017, an increase of \$692K or 81% in CY 2016. Investments in Bank of Guam (BOG) increased by \$475K, from CY 2016's \$1.3M due to adjustments in fair market value of the investment as well as the additional purchase of 40,817 shares.

For more details, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.uog.edu.