



## **Guam Community College FY 2014 Financial Highlights**

March 11, 2015

The Guam Community College (GCC) received unmodified (clean) opinions on its fiscal year (FY) 2014 financial statements and reports on compliance and internal control from independent auditors, Deloitte & Touche, LLP. No material weaknesses or significant deficiencies were identified. GCC continued to maintain its status as a low-risk auditee for the 14<sup>th</sup> consecutive fiscal year. GCC is to be commended for this significant accomplishment, as it is the only Government of Guam (GovGuam) agency to maintain a low-risk status for this long. Additionally, no Management Letter was deemed necessary.

GCC closed FY 2014 with a \$3.5 million (M) increase in net position (net income), which is 11% or \$352 thousand (K) higher than its FY 2013's \$3.2M increase in net position. This brought the cumulative net position to \$44.2M.

### **Increase in Total Revenues**

Overall, total revenues amounted to \$39.9M in FY 2014, which is a \$3.8M increase from the \$36M earned in FY 2013. The largest contributor was a \$3.7M increase in Federal Grants and Contracts from \$11.7M in FY 2013 to \$15.5M in FY 2014.

GCC derived its revenues from three major sources: 43.7% (or \$17.4M) from GovGuam Appropriations, 38.8% (or \$15.5M) from Federal Grants and Contracts, and 7.5% (or \$3M) from Student Tuition and Fees of \$8M net of scholarship discounts and allowances of \$5M. With net tuition and fees bringing in less than 10% of total revenues, GCC relies heavily on GovGuam to fund operations.

### **Increase in Total Expenses**

Total expenses increased by \$3.5M from \$32.8M in FY 2013 to \$36.3M in FY 2014. With the exception of interest expense, there were increases in all expense categories, which GCC attributed to the timing of federal grant expenditures recognized.

The largest increases in expenses were for Scholarships and Fellowships, Academic Support, and Institutional Support. Scholarships and Fellowships increased by \$2.1M from \$4.9M to \$7M, due primarily to a timing difference of when FY 2013 expenditures were recorded. Academic Support increased by \$422K from \$2.2M to \$2.7M, due to increased expenses in grant awards, contractual services, and supplies. Institutional Support increased by \$356K from \$4.5M to \$4.9M, in part due to the implementation of the Competitive Wage Act of 2014.

Unlike other operations expenses, retiree healthcare costs of \$587K were paid directly by the General Fund.

### **Increase in Capital Assets**

GCC continues its modernization of campus facilities with capital assets (Property, Plant and Equipment) having more than doubled from \$16.4M in FY 2009 to \$36.8M in FY 2014. Buildings increased from \$26.7M in FY 2009 to \$48.8M in FY 2014 with the newest renovation being Building 200, which was completed in December 2014 with a total cost of \$5.2M. Furniture, Fixtures and Equipment nearly doubled going from \$5.5M in FY 2009 to \$10.1M in FY 2014.

### **Manpower Development Fund (MDF)**

In FY 2014, GCC continued to see a decline in funding from the MDF. The \$709K received was \$186K less than the \$895K received in FY 2013, and \$1.5M less than the \$2.2M received in FY 2010. GCC attributed the continued decline in MDF receipts to the “decreased construction industry and the delay of the military buildup”. The MDF is used to support the apprenticeship programs, which served 459 apprentices over 81 active employers in Fall 2014.

### **Merit Bonus and Competitive Wage Act of 2014**

A total of \$102K in merit bonuses was paid out to 48 employees. The implementation of the Competitive Wage Act of 2014 cost GCC \$242K in salary adjustments, which was received by 111 employees.

### **Government Accounting Statement – Pension Liability**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, to be implemented in FY 2015. This will have a material effect on the financial statements because GCC will be required to record its pro rata share of GovGuam’s unfunded net pension liability of \$1.3 billion. GCC’s pro rata share of this long-term liability is \$33.7M.

### **Auditor’s Adjusting Entries**

One audit adjustment was made that cumulatively reduced GCC’s net position by \$88K. There were two uncorrected misstatements identified with a net effect of \$205K in FY 2014. Management agreed that these misstatements will not be recorded, because they were considered to be immaterial to the financial statements taken as a whole, and that these did not result from fraud or illegal acts.

### **GCC Foundation**

The GCC Foundation (Foundation) is a legally separate, tax-exempt, public benefit corporation that is a component unit of GCC. The Foundation closed FY 2014 with an increase in net position of \$1.1M. The increase came from net investment gains of \$693K, a transfer back to the Foundation from GCC of \$267K, and other additions of \$120K. Fundraising net of expenses was \$34K. Investments by the Foundation were \$9.5M at the end of FY 2014.

For more details, refer to the Management’s Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) and [www.guamcc.edu](http://www.guamcc.edu).