

GUAM COMMUNITY COLLEGE
(A COMPONENT UNIT OF
THE GOVERNMENT OF GUAM)

INDEPENDENT AUDITORS' REPORTS ON
COMPLIANCE AND ON INTERNAL CONTROL

YEAR ENDED SEPTEMBER 30, 2018

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Guam Community College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guam Community College (the College) and its discretely presented component unit as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

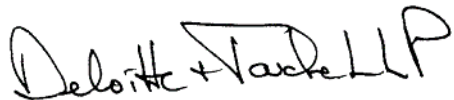
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is written in a cursive, slightly stylized font.

March 29, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Guam Community College:

Report on Compliance for Each Major Federal Program

We have audited Guam Community College's (the College's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2018. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

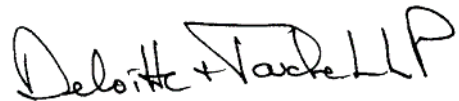
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Guam Community College and its discretely presented component unit as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated March 29, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



March 29, 2019

**GUAM COMMUNITY COLLEGE
(A COMPONENT UNIT OF THE GOVERNMENT OF GUAM)**

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

| Federal CFDA # | Pass-through Entity Identifying Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Expenditures | Passed-Through to Subrecipients |
|---|--|---|----------------------|---------------------------------|
| | | U.S. Department of Agriculture Direct Program: Community Facilities Loans and Grants Cluster: Community Facilities Loans and Grants: FY13 | \$ 3,230,709 | \$ - |
| 10.766 | Not applicable | Total Community Facilities Loans and Grants Cluster and Total U.S. Department of Agriculture | <u>3,230,709</u> | <u>-</u> |
| | | U.S. Department of the Interior Direct Program: Economic, Social, and Political Development of the Territories | 24,642 | - |
| 15.875 | Not applicable | Total U.S. Department of the Interior | <u>24,642</u> | <u>-</u> |
| | | U.S. Department of Transportation: Pass-Through From the Guam Department of Public Works: Highway Planning and Construction Cluster: Highway Planning and Construction | 2,966 | - |
| 20.205 | GU-NH-NSTI(004) | Total Highway Planning and Construction Cluster and Total U.S. Department of Transportation | <u>2,966</u> | <u>-</u> |
| | | National Science Foundation: Pass-Through From the University of Hawaii: Research and Development Cluster: Social, Behavioral, and Economic Sciences | 13,166 | - |
| 47.075 | HI20006 | Total Research and Development Cluster and Total National Science Foundation | <u>13,166</u> | <u>-</u> |
| | | U.S. Department of Education: Direct Programs: Adult Education - Basic Grants to States | 365,677 | 1,877 |
| 84.002A | Not applicable | Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants | 57,439 | - |
| 84.007 | Not applicable | Federal Work-Study Program | 86,978 | - |
| 84.033 | Not applicable | Federal Pell Grant Program | 5,691,177 | - |
| 84.063 | Not applicable | Total Student Financial Assistance Cluster | <u>5,835,594</u> | <u>-</u> |
| | | TRIO Cluster: TRIO-Student Support Services | 313,537 | - |
| 84.042A | Not applicable | Total TRIO Cluster | <u>313,537</u> | <u>-</u> |
| | | Career and Technical Education - Basic Grants to States | 794,494 | 67,838 |
| 84.048A | Not applicable | Total U.S. Department of Education | <u>7,309,302</u> | <u>69,715</u> |
| | | U.S. Department of Health and Human Services: Pass-Through From the University of Guam: Area Health Education Centers Point of Service Maintenance and Enhancement Awards | 56,166 | - |
| 93.107 | 6 U77HP26848-05-03 | Total U.S. Department of Health and Human Services | <u>56,166</u> | <u>-</u> |
| | | U.S. Department of Homeland Security: Pass-Through From Guam Homeland Security: Pre-Disaster Mitigation | 12,307 | - |
| 97.047 | EMF-2016-PC-0002-GCC | Total U.S. Department of Homeland Security | <u>12,307</u> | <u>-</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 10,649,258</u> | <u>\$ 69,715</u> |
| See accompanying notes to Schedule of Expenditures of Federal Awards. | | | | |
| Reconciliation to the Financial Statements: | | | | |
| Expenditures and mandatory transfers - Restricted | | | \$ 7,009,921 | |
| Expenditures - Education and General - Restricted | | | 251,023 | |
| Funds transfer to Investment in Plant - Equipment | | | 157,605 | |
| Funds transfer to Investment in Plant - Buildings | | | 3,230,709 | |
| Beginning balances (USDA Loans): Loans payable | | | <u>3,230,709</u> | |
| | | | <u>\$ 10,649,258</u> | |

**GUAM COMMUNITY COLLEGE
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Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

1. Scope of Audit

Guam Community College (the College) is a component unit of the Government of Guam established by the enactment of Public Law 14-77, "The Community College Act of 1977." Only the transactions of the College are included within the scope of the Single Audit.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the College under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net assets or cash flows of the College.

3. Summary of Significant Accounting Policies

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. All expenses and capital outlays are reported as expenditures. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For the fiscal year ended September 30, 2018, \$69,715 was passed through to subrecipients. Pass-through entity identifying numbers are presented where available.

The College recognizes contributions from the federal government when qualifying expenditures are incurred.

The College elected to use the 8% indirect cost rate in the EDGAR. The College does not elect to use the de minimis indirect cost rate allowed under the Uniform Guidance.

4. Loans or Loan Guarantee Programs

The College has one outstanding loan guaranteed by the U.S. Department of Agriculture, and the balance and transactions relating to this loan guarantee is included in the College's financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding as of September 30, 2018 consists of:

| <u>CFDA Number</u> | <u>Program Name</u> | <u>Outstanding Balance</u> |
|--------------------|---|----------------------------|
| 10.766 | Community Facilities Loans and Grants: FY13 | \$ 3,178,940 |

**GUAM COMMUNITY COLLEGE
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Schedule of Findings and Questioned Costs
Year Ended September 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

Internal control over major federal programs:

- | | |
|---|---------------|
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | None reported |
| 7. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 9. Identification of major federal programs: | |

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|--|
| 10.766 | Community Facilities Loans and Grants Cluster |
| 84.042 | TRIO – Student Support Services – TRIO Cluster |

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 11. Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.