

GUAM COMMUNITY COLLEGE

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

**FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT**

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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

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Years Ended September 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Guam Community College:

Report on Financial Statements

We have audited the accompanying financial statements of Guam Community College (the College), and its discretely presented component unit, collectively a component unit of the Government of Guam, which comprise the statements of net position as of September 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Guam Community College as of September 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, as well as the Schedule of Funding Progress and Actuarial Accrued Liability-Post Employment Benefits Other than Pension on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

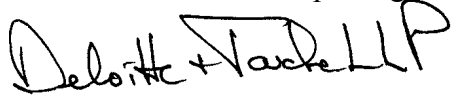
Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The schedule of salaries and wages (cash basis), schedule of expenditures by function and object code, the unrestricted and restricted fund supplemental schedule – balance sheet, and unrestricted and restricted fund supplemental schedule – statement of changes in fund balances are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of salaries and wages (cash basis), schedule of expenditures by function and object code, the unrestricted and restricted fund supplemental schedule – balance sheet, and unrestricted and restricted fund supplemental schedule – statement of changes in fund balances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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, schedule of salaries and wages (cash basis), schedule of expenditures by function and object code, the unrestricted and restricted fund supplemental schedule – balance sheet, and unrestricted and restricted fund supplemental schedule – statement of changes in fund balances are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

March 6, 2014

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

Management's Discussion and Analysis
Years Ended September 30, 2013 and 2012

Introduction

The following discussion and analysis provides an overview of the financial activities of Guam Community College (the College or GCC). This is a requirement of the Governmental Accounting Standards Board (GASB) found in Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, which established new reporting standards for public colleges and universities. This discussion has been prepared by College management. It is based on the three financial statements provided in the annual audit report. Comparable financial data from the prior year is also being provided. The three statements presented are the:

Statement of Net position – This statement is similar to a balance sheet. Net position represents the difference between the institution's total assets and the institution's liabilities.

Statement of Revenues, Expenses, and Changes in Net position – This statement presents the financial results of operating the College for the whole fiscal year. In this presentation, appropriated funds are considered as non-operating revenue. Accordingly, these additions to revenue are placed after the results of operations.

Statement of Cash Flows – This statement provides information about the College's ability to generate the cash flows needed to meet the financial obligations of the College as well as the extent to which external financing is being used to fund College operations.

These three financial statements present data in a summarized form. The College is most often asked questions about how specific monies have been expended. Because the summarized format is not able to provide answers to these specific questions, the College also provides a set of financial statements in the fund accounting format used previously. These statements are presented as other supplementary information and the statements are structured so the dollar totals there link to the basic financial statements.

For the thirteenth consecutive year, GCC has maintained its low-risk auditee status. Given this designation by the Independent Auditor, review of the College's financial records demonstrate there were no questioned costs or unresolved prior year audit findings in fiscal year 2013. Proudly, the College continues to receive recognition as one of the best financially managed organizations within the Government of Guam system. The College strives to maintain this status, even with increasing federal and local regulations.

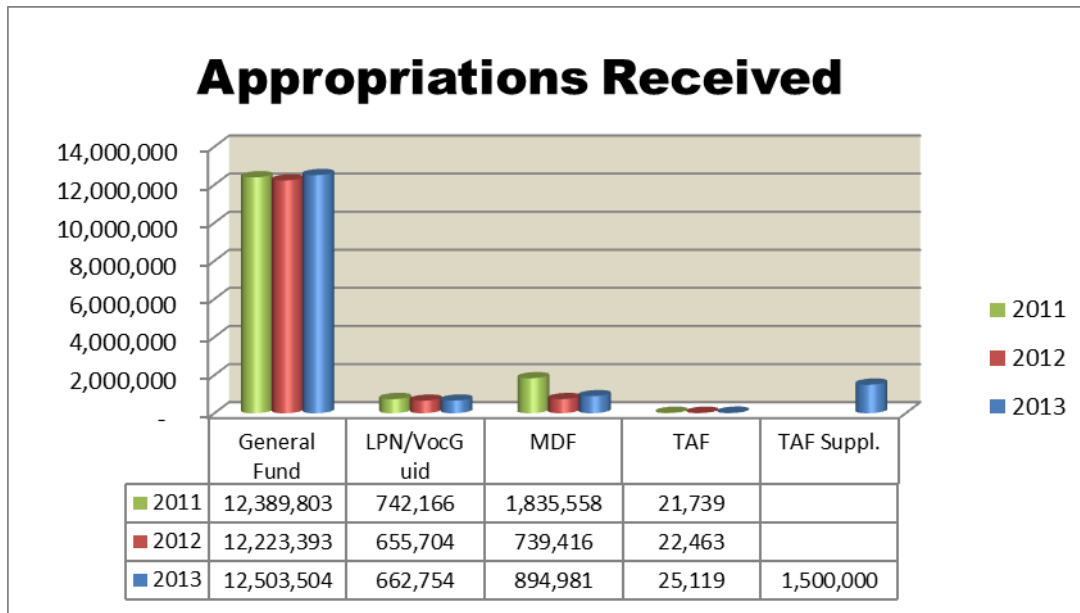
Fiscal Year 2013 Overview

Fiscal year 2013 proved to be a tough year financially for the College as continued restrictions were placed on local and federal funding. Challenges continue throughout the Government of Guam in 2013. The College implemented restrictions on institution spending as local general fund appropriations covered a majority of salaries and benefits. Although federal sequestration did not have a significant impact on the College, it brought concerns for continued funding student financial aid programs and federal student service programs throughout the College. In 2013, the Board of Trustees approved the 2011-2015 Physical Master Plan. Included in this plan is the Institutional Strategic Master Plan, Facility Master Plan, the Enterprise Architecture, the Information Technology Strategic Plan, and the 5 year Resource Plan.

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Continuing challenges with the Government of Guam financial issues combined with the delay in the military buildup caused financial woes throughout the Government of Guam. At the beginning of FY13, the GovGuam Bureau of Budget and Management Research (BBMR) imposed a 15% reserve on all appropriation funds for all government agencies. For GCC, this amounted to a \$2,357,890 reserve. Subsequently, BBMR released 9% of General Fund appropriations totaling \$1,260,600. Additionally, there were allotment shortages made to the Manpower Development Fund (MDF) that directly correlates to the number of H-2 workers on Guam. Due to the decline in the construction industry and the delay of the military buildup, the actual collections from the MDF were 47% or \$793,467 less than the appropriation of \$1,688,448. The Legislature and the Governor acknowledged the shortages in the MDF funds with the passage of PL 32-061 (Bill 84-32) providing an additional \$1,500,000 from the Tourist Attraction Fund. In total, GCC saw an overall increase of 2% from the General Fund and 21% from MDF appropriations.



Appropriation levels remained stable in FY13 as compared to FY12 due to the Governor's fiscal responsibility plan of fiscal management and prioritization and cost savings. Additionally, the Government of Guam had two bond issues totaling \$350 million to help pay off years of unpaid tax refunds. These bonds were used to repay prior year taxpayer refunds, retiree cola payments, and retirement liabilities. The bonds issued are the result of the economic challenges facing Guam including the many years of extended government overspending, rising utility costs, rising costs of imported goods and products, unpaid tax returns, overdue vendor liabilities, and unfunded local and federal mandates.

The College was able to maintain its fiscal accountability and manage the increased student enrollment, through the management of its available resources. The College continues to budget wisely and allocates financial resources to obtain maximum benefits. Additionally, the College implemented fiscal conservation measures through the reduction of contractual operating costs for maintenance, grass cutting, telephone, and insurance. Power conservation measures were implemented with the standardized temperature settings and installation of PV parking lights and in newly constructed buildings.

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Continued federal discussions to reduce the overall deficit did not reduce the amount of Pell funding as Pell for AY 2012-2013 remained stable at the maximum full time award of \$5,550 per student per academic year. The AY 2013-2014 maximum Pell award increased to \$5,645 or \$95. Pell grants make up approximately 64% or \$4,977,371 of students tuition and fee payments. This is an 11% decrease from 2012 where 75% or \$5,060,154 of student's tuition and fees were paid with Pell grants.

The College continues to seek and apply for additional funding resources through grants and loans. The College received additional funds during the year through various federal and local grants. The ability of the College to source and receive additional resources through federal and local grants greatly shows its fiscal responsiveness and management of different funding sources.

- GCC received \$1,454,306 Federal Emergency Management Pre-Disaster Mitigation Competitive sub-award for the procurement of professional services and materials to structurally fortify and harden Building 200.
- GCC was a sub-recipient of a DOI Technical Assistance Program grant of \$227,750 for the architectural and engineering design of the renovation of Building 100.
- GCC was a recipient of an American Association of Community Colleges Plus 50 Encore completion Program Grant of \$6,000 to enhance and expand workforce training in Medical Billing and Coding fields.
- GCC was the sub-recipient of an Area Health Education Center Cooperative Agreements under Guam Micronesia Area Health Education Center amounting to \$160,512. The sub-grant allows the college to develop and conduct training to meet the health workforce needs.
- The Citi Foundation awarded a \$30,000 grant to GCC. This allowed approximately 30 high school seniors to receive academic instruction in English, Reading and Math over the summer. Several of these students went on to enroll in the College's postsecondary programs.
- The College Access Challenge Grant was awarded for its fourth year amounting to \$1,500,000. The funds will be used to implement activities and services for students who may be at-risk of not enrolling or completing postsecondary education. The grant will improve access to, or participation in, postsecondary education and college retention.
- The College was the recipient of a \$6,500 grant from Clark Atlanta University for faculty professional training on solar energy and the purchase of supplies and materials for hands on training.
- The College was the recipient of a Island of Opportunity Alliance – Louis Stokes Alliance for Minority Participation subaward for \$18,318. This sub-award allows the College to hire teaching assistants and tutors for math and science programs; allows the College to host a summer student conference; funds STEM area exportation; and organization of a STEM awareness day at the College.

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Management's Discussion and Analysis
Years Ended September 30, 2013 and 2012

- GCC was the recipient of \$100,000 from the TakeCare Foundation to support faculty professional development, equipment, medical supplies, and student scholarships.

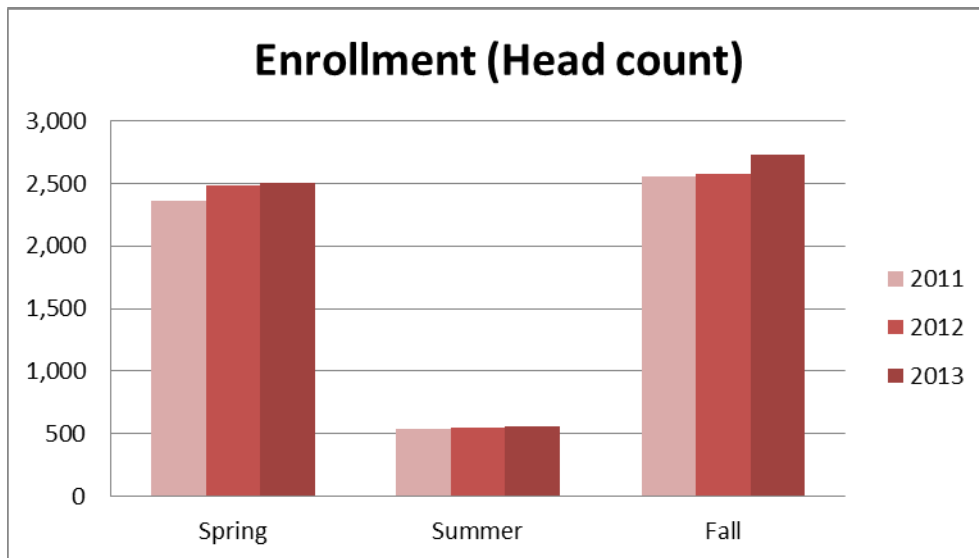
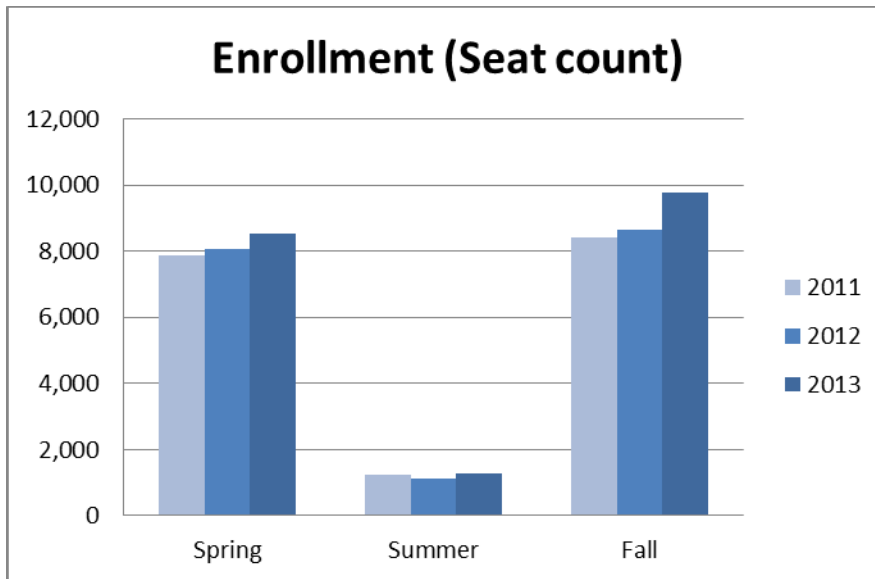
The College operated with 246 full time personnel positions. This does not include adjunct faculty members hired to teach additional postsecondary courses. The College's Government of Guam local appropriation funds are used to provide personnel costs at the College campus and at the five secondary high schools and the post-secondary programs. The College continues to receive funding for the Licensed Practical Nursing (LPN) and Vocational Guidance programs. The LPN program addresses the islands' continued need to develop and train students for the Allied Health fields. The additional funding also places Vocational Counselors in each of the five public high schools to provide information to students about the career and technical opportunities available to them from the College. Also, the College receives funds from the Manpower Development Fund to support the apprenticeship programs which served 492 and 386 apprentices over 93 and 80 active employers in Fall 2013 and 2012, respectively. This is an increase of 27% of apprentices in the program as compared to the previous year.

Tuition at GCC is currently at \$130 per credit hour. The last increase occurred in Fall 2011 from \$110 to \$130 per credit hour. There was no change in tuition per credit hour in FY13 and there has been no request expected for FY14. However, programs seeking course fee increases go through the adjudication process. Overall, actual tuition revenues have increased due to increases in the number of students and classes during the academic year 2012-2013. As authorized by the Board of Trustees, 50% of the proceeds from the tuition revenue increases will be used to hire additional full time permanent faculty and 20% to hire staff and administrative positions. The BOT authorized 30% of the increase to be used for capital improvements to the campus and related operating expenses. Classroom improvements, technology lab upgrades and capital projects are funded through increases in tuition, technology and parking fees. Funds utilized in FY2013 for capital projects and technology fees were \$618,000 and \$342,000, respectively.

There were slight increases in the post-secondary enrollment seats and headcounts for the Spring 2013 and Fall 2013 of 1% and 6% respectively, as compared to prior 2012 semesters. This is mainly attributable to competitive tuition rates, increase of maximum annual allowable Pell awards, delays in the military buildup, and the decline in the economic environment. Based on prior trends, declines in the global economy usually lead to increases in post-secondary enrollment, as people tend to go back to school to obtain degrees so that they can get higher paying jobs.

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The College continues to provide career and technical education programs for students in five of the Guam high schools: GW, JFK, Southern, Simon Sanchez and Okkodo. The secondary high schools' enrollment remained stable from 2,368 to 2,350 students in SY11-12 and SY12-13, respectively. These programs included the Allied Health, Auto Body, Automotive Service, Construction, Electronics/Networking, Lodging Management, Marketing, Tourism, Education and Visual Communications. Not all programs are available at each of the high school locations.

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Management's Discussion and Analysis
Years Ended September 30, 2013 and 2012

Overview of the Financial Statements and Financial Analysis
(all figures are in thousands)

Summary Statement of Net position

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---------------------------------------|------------------|------------------|------------------|
| Assets: | | | |
| Other current assets | \$ 14,228 | \$ 7,418 | \$ 11,989 |
| Accounts receivable – U.S. Government | 2,600 | 4,916 | 4,322 |
| Investments (noncurrent) | 1,770 | 1,799 | 1,775 |
| Capital assets, net | <u>33,494</u> | <u>32,709</u> | <u>27,267</u> |
| Total | \$ <u>52,092</u> | \$ <u>46,842</u> | \$ <u>45,353</u> |
| Liabilities: | | | |
| Current liabilities | \$ 4,476 | \$ 5,903 | \$ 6,706 |
| Non-current liabilities | <u>6,963</u> | <u>3,448</u> | <u>3,489</u> |
| Total | <u>11,439</u> | <u>9,351</u> | <u>10,195</u> |
| Net position: | | | |
| Net investment in capital assets | 27,759 | 29,649 | 22,084 |
| Restricted | 1,883 | 1,887 | 1,833 |
| Unrestricted | <u>11,011</u> | <u>5,955</u> | <u>11,241</u> |
| Total | <u>40,653</u> | <u>37,491</u> | <u>35,158</u> |
| Total liabilities and net position | \$ <u>52,092</u> | \$ <u>46,842</u> | \$ <u>45,353</u> |

The overall financial situation at the College improved as compared with prior year, mainly due to the fiscal conservation methods that were placed by the College. Accounts receivable amounts decreased due to the timely collection of GovGuam appropriations and federal grants by the end of the fiscal year. Additionally, the College implemented the system of dropping students for non-payment in Fall 2012. This has helped increase collections from student receivables. Investment balances remained steady as the markets were favorable and interest rates remained low. Increases in capital assets were due to the construction of the \$5 million Foundation Building completed in November 2012, with photovoltaic panels. Additionally, increases in construction in progress were due to the renovation and hardening of the Building 200 started in July 2013 with completion dates set for September 2014. The increase in non-current liabilities is mainly due to the \$3.5M USDA loan for the Foundation Building completed in FY2013.

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Due to the constraints of College and University accounting, approximately \$5,935,140 in encumbrances incurred in fiscal year 2013 have yet to be reflected as expenditures in the accompanying financial presentation, but will be liquidated with 2013 net position. The increase in encumbrances is related to the ongoing construction of Building 200.

Summary Statement of Revenues, Expenses, and Changes in Net Position

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-----------------------------------|------------------|------------------|------------------|
| Operating revenues | \$ 18,652 | \$ 21,307 | \$ 18,283 |
| Operating expenses | <u>32,676</u> | <u>36,602</u> | <u>32,195</u> |
| Operating loss | (14,024) | (15,295) | (13,912) |
| Nonoperating revenues | 15,986 | 14,456 | 15,653 |
| Capital contributions | <u>1,200</u> | <u>3,172</u> | <u>6,839</u> |
| Change in net position | 3,162 | 2,333 | 8,580 |
| Net position at beginning of year | <u>37,491</u> | <u>35,158</u> | <u>26,578</u> |
| Net position at end of year | \$ <u>40,653</u> | \$ <u>37,491</u> | \$ <u>35,158</u> |

Statement of Cash Flows

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|--|-----------------|-----------------|-----------------|
| Cash provided by (used in): | | | |
| Operating activities | \$ (12,488) | \$ (11,366) | \$ (9,118) |
| Noncapital financing activities | 14,413 | 18,533 | 13,289 |
| Capital and related financing activities | 1,158 | (4,630) | (3,902) |
| Investing activities | <u>29</u> | <u>(24)</u> | <u>(17)</u> |
| Net change in cash and cash equivalents | 3,112 | 2,513 | 252 |
| Cash and cash equivalents at beginning of year | <u>3,958</u> | <u>1,445</u> | <u>1,193</u> |
| Cash and cash equivalents at end of year | \$ <u>7,070</u> | \$ <u>3,958</u> | \$ <u>1,445</u> |

At the end of FY 2013 and 2012, the College recognized 7% and 4% increases in student tuition and fees due to increased student enrollment and seat counts. Federal revenue decreases were attributed to completion of the ARRA related projects in the first quarter of FY 2012 and receipt of remaining ARRA funds in the beginning of FY 2013. The net position of the College show an increase of approximately \$3 million for the current year. The \$3 million increase directly coincides with the \$1 million increase in capital assets from the completed construction projects, increased collection efforts, and cost saving measures implemented by the College to reduce operational costs. Local appropriation from the Manpower Development continues to decrease and the General fund remained constant. In fiscal year 2013, the College received approximately 94% of its local appropriations from the Government of Guam with the remaining subsequent balance received in FY14.

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Management's Discussion and Analysis
Years Ended September 30, 2013 and 2012

Pell grant expenditures decreased by 41% or \$3,449,433. Expenditure decreases correlate to \$2m of Program Year 12-13 Pell award recorded in FY 2012, resulting in a timing difference. Increased instructional costs were the result of increases in special projects offered and the associated expenditure. The actual full-time employee count increased by 7 employees, from 239 to 246, with an increased cost of \$455,455, due to increased benefit costs. Allotment releases remained stable and the College received on average 80% of its local appropriations throughout the year. The College remains committed to displaying fiscal responsibility in the management of its funds by operating within the prescribed authorized levels. Overall expenditures decreased due to the completion of the student center in FY12, decreased federally funds with completion of ARRA projects, and increased enrollment that required adjunct hiring, equipment, and instructional supply costs.

Capital Assets and Debt Administration

GCC's capital assets of \$33,494,299 as of September 30, 2013, included land, buildings and equipment. Increases in capital assets were due to the completion of the Foundation Building with costs totaling \$5M. Costs incurred for the construction of Building 200, A/E for Building 100, and the Gregorio D. Perez Crime Lab extension and classrooms were included in Construction In Progress. The renovation and construction of Building 200 is expected to be substantially completed by September 2014. The College has submitted its application for a \$5,000,000 Community Facilities Direct loan for the renovation and construction of Building 100 and the Gregorio D. Perez Crime Lab extension. In January 2013, the College paid in full the USDA Water Tank loan with principal and interest payments totaling \$266,272 for the year. The College remained current in the repayment of Learning Resource and Foundation Building construction loans from USDA and made principal and interest payments of \$116,376 and \$76,860, respectively, during fiscal year 2013. Please refer to notes 3 and 9 to the accompanying financial statements for additional information regarding GCC's capital assets and long-term debt.

Management's Discussion and Analysis for the years ended September 30, 2012 and 2011, is set forth in the College's report on the audit of the financial statements, which is dated March 4, 2013, and that Discussion and Analysis explains the major factors impacting the 2012 and 2011 financial statements and can be viewed at the Office of Public Accountability – Guam website at www.guamopa.org.

Economic Outlook for FY 2014

The College continues to closely track the economic situation of the Government of Guam (GovGuam), as it receives in total 56% of its operational funding locally and 90% of the local appropriation is used for personnel costs. The College's FY14 appropriation for all funds increased by 7% or by \$1,027,072 (inclusive of \$850K MDF reserve) and with the passage of PL 32-068, GCC was exempted from BBMR allotment release control. The Manpower Development Funds collections will be monitored closely as collections have decreased significantly and the College has placed an \$850,000 internal reserve on MDF funds. Although the Government of Guam has been able to update its liability and significantly pay down overdue tax refunds and personnel liabilities, the College remains conservative in its allocation of resources. The economic recession and Government of Guam stretched resources, overspending, future bond payments, and unpaid liabilities continue to affect the government cash flow and funding availability. Although the College continues to seek additional funding from non-GovGuam sources, it still requires an increase in its base budget to grow and meet the future island demands on education.

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As of February 18, 2014, the College has received 29% of its FY14 total appropriations from the General Fund, MDF, and the Tourist Attraction Fund (TAF). The College has received 4% of the Manpower Development Fund Appropriations to date. Collections from MDF are expected to remain at 2013 levels due to the declined construction industry and the deferred military buildup. In FY14, the College received an increase of 7% total appropriations as compared to FY13 levels. The General Fund appropriation is budgeted to fund salaries and benefits for full-time classified employees and approximately 64% of utility costs only. TAF funding covers limited amounts of essential College's operation contractual costs. The increase of appropriations is critical to cover increases in employee benefits, contractual, supplies, and other costs related to providing programs in both the secondary and post-secondary environments. Improvements in cash flow releases and exemption from BBMR allotment releases have allowed the College to forecast and plan for institutional needs and institute conservation measures. Adjustments have been made to department budgets and spending constraints have been placed on the entire College. Funds continue to be limited to essential instructional costs, contractual services, personnel costs, and utility costs.

The College takes its finances seriously and monitors its spending within the College's procurement process. The College's management team has weekly discussions of national and local economic conditions, and how such conditions will affect the Government of Guam's finances. Based on such discussions and projection of allotments to be received from the Department of Administration, adjustments to College department budgets will be made throughout the year. The College will continue to maintain fiscal accountability for the benefit of our students.

Guam Community College recognizes the job opportunities that will be created because of Guam's military expansion and growing community needs. In the First Hawaiian Bank 2012-2013 Economic Forecast for Guam, Dr. Ruane M., states the Guam economy is favorable and improving. The forecast indicated that tourism is rebounding. Also, although the military build-up will not be as large as originally anticipated, there are positive indications. The College is preparing for the on-going training needs for the immediate economic impact resulting from the island's increased military activity. Consequently, the valuable skills and higher incomes this military buildup brings to Guam provides opportunities for GCC to expand its programs and services, not only to its civilian community, but the direct and indirect associations that result from this base realignment project. GCC will partner with federal and local government entities as well as private sector businesses to ensure that Guam's workforce is able to take advantage of opportunities that are available through GCC's expansive information technology, allied health, construction & trades courses— which will include GCC's Construction Trades Boot Camp, Allied Health, Education, and other academic programs – offered at the College.

The Building 200 renovation project was awarded in April 2013 and is expected to be completed by September 2014. This project is for the hardening and renovation of building 200 and the addition of a second floor. Building 200 will house the Early Childhood Education, Education, Computer Aided Design and Drafting, and Survey Technologies programs. Over \$1.4 million in FEMA funds have been awarded for this project.

At the October 25, 2013 meeting, the Board of Trustees approved the \$400,000 funding of the architectural and engineering design fee for the Wellness Center and Maintenance Building construction project. The project is estimated to cost no more than \$4,500,000.

On January 10, 2014, the Board of Trustees approved the 2014-2020 Institutional Strategic Master Plan (ISMP) and the College's updated Mission Statement. The new Mission Statement reads, "Guam Community College is a leader in career and technical workforce development, providing the highest quality, student-centered education and job training in Micronesia."

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In the Spring of 2013, the Governor announced that a new high school would start in August 2014 at the Tiyan purchased property. The establishment of new Career and Technical Education Courses will require funding for personnel and equipment. The College will determine which programs will be offered.

In February 2014, The College launched the Keep Your Guard Up program and identified eight programs that returning Guam Army Reserve soldiers from Afghanistan can take to lead them to an industry certification. This is a joint effort with community partners that will affect over 150 underemployed and employed soldiers. Programs include Automotive, Electrical, A+ certification, Supervision and Management, Emergency Management Technician, HVAC, Heavy Equipment, and Welding.

The 2012 accreditation visit findings indicated that the College should develop a Distance Education Strategic Plan. In early February 2014, an Ellucian team came onto campus for one week of interviews with various constituents throughout the campus including student, faculty, staff, and administrators. A DE Strategic Plan draft is expected to be completed by April 2014. The College will use the plan as a guiding source of information for its future growth endeavors.

In line with PL 32-068, February 14, 2014 was the deadline to implement the Government of General Competitive Pay Plan (GCPP). The College continues to closely monitor the impact of the GCPP on its limited financial resources. Although legislated through public law, the amount allocated to GCC for the implementation of the GCPP will not be sufficient to cover the actual costs for implementation.

The College continues to collaborate with the U.S. Federal Government, the Government of Guam, Department of the Interior, and private sector businesses in Guam in identifying issues and developing solutions that relate to Guam's military buildup and the impact it will have on the Territory and the neighboring islands of Micronesia.

Other small capital improvement projects are planned for FY 2014, such as fire alarm system repair, A/C replacement, campus speed humps, security system installation, upgrading of electrical and line conditioning, purchase and insulation of a mass notification system, replacement of door locks and identification system, lighting replacements, safety issues, and ADA compliance issues. These projects address the repair and maintenance requirements needed to ensure student accessibility and safety, along with the security needed for our College's assets.

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

Statements of Net Position
September 30, 2013 and 2012

| <u>ASSETS</u> | <u>2013</u> | <u>2012</u> |
|---|---------------|---------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 4,675,109 | \$ 3,588,384 |
| Cash and cash equivalents - restricted | 394,839 | 369,373 |
| Time certificate of deposit | 2,000,000 | - |
| Due from Government of Guam | 2,013,941 | 840,191 |
| Tuition receivable, less allowance for doubtful accounts of \$1,591,048 and \$1,432,232 at September 30, 2013 and 2012, respectively | 4,389,084 | 1,933,991 |
| Accounts receivable - U.S. Government | 2,600,374 | 4,916,282 |
| Accounts receivable - others | 161,000 | 228,964 |
| Inventories | 594,000 | 457,195 |
| Total current assets | 16,828,347 | 12,334,380 |
| Noncurrent assets: | | |
| Investments | 1,769,691 | 1,798,929 |
| Property, plant and equipment, net | 33,494,299 | 32,709,195 |
| Total noncurrent assets | 35,263,990 | 34,508,124 |
| | \$ 52,092,337 | \$ 46,842,504 |
| <u>LIABILITIES AND NET POSITION</u> | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$ 70,785 | \$ 281,196 |
| Accounts payable and accrued liabilities | 1,696,939 | 2,581,542 |
| Construction contracts payable | 134,767 | 565,349 |
| Unearned revenue | 2,080,272 | 1,997,753 |
| Deposits held on behalf of others | 281,181 | 281,181 |
| Accrued annual leave | 212,443 | 196,137 |
| Total current liabilities | 4,476,387 | 5,903,158 |
| Noncurrent liabilities: | | |
| Accrued annual leave, net of current portion | 228,081 | 255,602 |
| DCRS sick leave liability | 1,205,176 | 978,663 |
| Long-term debt, net of current portion | 5,529,156 | 2,213,617 |
| Total liabilities | 11,438,800 | 9,351,040 |
| Commitment and contingencies | | |
| Net position: | | |
| Net investment in capital assets | 27,759,591 | 29,649,033 |
| Restricted: | | |
| Expendable | 1,867,977 | 1,875,483 |
| Non-expendable | 15,372 | 11,638 |
| Unrestricted | 11,010,597 | 5,955,310 |
| Total net position | 40,653,537 | 37,491,464 |
| | \$ 52,092,337 | \$ 46,842,504 |

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position
September 30, 2013 and 2012

| ASSETS | <u>2013</u> | <u>2012</u> |
|----------------------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 249,353 | \$ 186,843 |
| Investments | 8,794,971 | 7,758,512 |
| Accounts receivable | 2,070 | 2,070 |
| Plant and equipment, net | <u>18,008</u> | <u>18,008</u> |
| Total assets | <u>\$ 9,064,402</u> | <u>\$ 7,965,433</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable | <u>\$ 614,292</u> | <u>\$ 326,787</u> |
| Total liabilities | <u>614,292</u> | <u>326,787</u> |
| Commitments | | |
| Net assets: | | |
| Unrestricted | 8,388,473 | 7,577,009 |
| Temporarily restricted | 18,008 | 18,008 |
| Permanently restricted | <u>43,629</u> | <u>43,629</u> |
| | <u>8,450,110</u> | <u>7,638,646</u> |
| Total net assets and liabilities | <u>\$ 9,064,402</u> | <u>\$ 7,965,433</u> |

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2013 and 2012

| | 2013 | 2012 |
|--|---------------|---------------|
| Revenues: | | |
| Operating revenues: | | |
| Student tuition and fees | \$ 7,798,472 | \$ 7,237,242 |
| Less: Scholarship discounts and allowances | (4,977,371) | (5,060,154) |
| | 2,821,101 | 2,177,088 |
| Federal grants and contracts | 11,745,911 | 16,627,544 |
| Government of Guam grants and contracts | 352,893 | 403,351 |
| Auxiliary enterprises | 1,157,687 | 1,136,529 |
| Other revenues | 2,733,169 | 1,900,913 |
| Total operating revenues | 18,810,761 | 22,245,425 |
| Bad debts | (158,816) | (938,028) |
| Net operating revenues | 18,651,945 | 21,307,397 |
| Operating expenses: | | |
| Education and general: | | |
| Instruction | 12,052,467 | 10,952,166 |
| Scholarships and fellowships | 4,910,041 | 8,359,474 |
| Institutional support | 4,533,184 | 4,537,146 |
| Student services | 2,828,306 | 2,930,697 |
| Academic support | 2,238,734 | 2,806,504 |
| Depreciation | 2,168,374 | 1,967,458 |
| Operations and maintenance of plant | 1,940,953 | 2,536,239 |
| Planning | 641,355 | 980,679 |
| Auxiliary enterprises | 792,730 | 930,333 |
| Retiree healthcare costs | 569,695 | 601,729 |
| Total operating expenses | 32,675,839 | 36,602,425 |
| Operating loss | (14,023,894) | (15,295,028) |
| Nonoperating revenues (expenses): | | |
| Government of Guam appropriations: | | |
| Operations | 16,156,063 | 14,569,116 |
| Interest expense | (170,030) | (112,629) |
| Net nonoperating revenues | 15,986,033 | 14,456,487 |
| Capital contributions: | | |
| Contributions from U.S. Government | 1,199,934 | 3,171,646 |
| Change in net position | 3,162,073 | 2,333,105 |
| Net position: | | |
| Net position at beginning of year | 37,491,464 | 35,158,359 |
| Net position at end of year | \$ 40,653,537 | \$ 37,491,464 |

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Activities
Years Ended September 30, 2013 and 2012

| | 2013 | | | | 2012 | | | |
|--|---------------------|------------------------|------------------------|---------------------|---------------------|------------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Revenues, gains and other additions: | | | | | | | | |
| Net investment gains | \$ 1,036,459 | \$ - | \$ - | \$ 1,036,459 | \$ 1,087,633 | \$ - | \$ - | \$ 1,087,633 |
| Interest income | 19 | - | - | 19 | 60 | - | - | 60 |
| Other additions | 85,335 | - | - | 85,335 | 3,575 | - | 24,180 | 27,755 |
| Fundraising | 33,927 | - | - | 33,927 | 272,367 | - | - | 272,367 |
| Net position released from restrictions due to: | | | | | | | | |
| Expiration of time restrictions | - | - | - | - | 1,872,494 | (1,872,494) | - | - |
| Total gains (losses) and other additions | <u>1,155,740</u> | <u>-</u> | <u>-</u> | <u>1,155,740</u> | <u>3,236,129</u> | <u>(1,872,494)</u> | <u>24,180</u> | <u>1,387,815</u> |
| Expenditures and other deductions: | | | | | | | | |
| Transfer to Guam Community College | 316,342 | - | - | 316,342 | 304,106 | - | - | 304,106 |
| Fundraising expenses | 18,352 | - | - | 18,352 | 48,593 | - | - | 48,593 |
| Professional services | 4,924 | - | - | 4,924 | 5,968 | - | - | 5,968 |
| Scholarship | 4,500 | - | - | 4,500 | 2,000 | - | - | 2,000 |
| Other deductions | 158 | - | - | 158 | 20,438 | - | - | 20,438 |
| Total expenditures and other deductions | <u>344,276</u> | <u>-</u> | <u>-</u> | <u>344,276</u> | <u>381,105</u> | <u>-</u> | <u>-</u> | <u>381,105</u> |
| Change in net position | <u>811,464</u> | <u>-</u> | <u>-</u> | <u>811,464</u> | <u>2,855,024</u> | <u>(1,872,494)</u> | <u>24,180</u> | <u>1,006,710</u> |
| Net assets at beginning of year | 7,577,009 | 18,008 | 43,629 | 7,638,646 | 4,721,985 | 1,872,494 | 37,457 | 6,631,936 |
| Transfer from permanently restricted to temporarily restricted | - | - | - | - | - | 18,008 | (18,008) | - |
| Net assets at end of year | <u>\$ 8,388,473</u> | <u>\$ 18,008</u> | <u>\$ 43,629</u> | <u>\$ 8,450,110</u> | <u>\$ 7,577,009</u> | <u>\$ 18,008</u> | <u>\$ 43,629</u> | <u>\$ 7,638,646</u> |

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2013 and 2012

| | 2013 | 2012 |
|---|-----------------|-----------------|
| Cash flows from operating activities: | | |
| Student tuition and fees | \$ 1,711,172 | \$ 3,835,739 |
| Federal grants and contracts | 12,653,035 | 16,420,999 |
| Government of Guam grants and contracts | 352,893 | 403,351 |
| Auxiliary enterprises | 1,157,687 | 1,136,529 |
| Other receipts/payments | 2,680,068 | 1,917,268 |
| Payments to employees | (17,369,574) | (17,006,041) |
| Payments to suppliers | (9,059,337) | (9,981,185) |
| Payments for scholarships and fellowships | (4,613,925) | (8,092,307) |
| | (12,487,981) | (11,365,647) |
| Net cash used in operating activities | | |
| Cash flows from investing activities: | | |
| Decrease (increase) in investments | 29,238 | (24,078) |
| Increase in time certificates of deposit | (2,000,000) | - |
| | (1,970,762) | (24,078) |
| Net cash used in investing activities | | |
| Cash flows from noncapital financing activities: | | |
| Government of Guam appropriations | 14,412,618 | 18,532,897 |
| | 14,412,618 | 18,532,897 |
| Cash flows from capital and related financing activities: | | |
| Purchases of capital assets | (2,953,478) | (7,412,213) |
| Capital contributions received | 1,188,658 | 2,783,506 |
| Proceeds from long-term debt | 3,440,000 | 131,216 |
| Principal paid on long-term debt | (334,872) | (33,205) |
| Interest paid on long-term debt | (181,992) | (99,564) |
| | 1,158,316 | (4,630,260) |
| Net cash provided by (used in) capital and related financing activities | | |
| Net change in cash and cash equivalents | 1,112,191 | 2,512,912 |
| Cash and cash equivalents at beginning of year | 3,957,757 | 1,444,845 |
| Cash and cash equivalents at end of year | \$ 3,099,186 | \$ 3,957,757 |
| <u>Reconciliation of operating loss to net cash used in operating activities:</u> | | |
| Operating loss | \$ (14,023,894) | \$ (15,295,028) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 2,168,374 | 1,967,458 |
| Bad debts | 158,816 | 938,028 |
| Loss on disposal of fixed assets | - | 3,060 |
| On-behalf payments for retiree healthcare costs | 569,695 | 601,729 |
| Changes in assets and liabilities: | | |
| Tuition receivable | (2,613,909) | 1,576,525 |
| Accounts receivable - U.S. Government | 2,327,185 | (206,545) |
| Other receivables | 67,964 | 16,355 |
| Inventories | (136,805) | (12,265) |
| Accounts payable and accrued liabilities | (1,303,224) | (1,185,814) |
| Accrued annual leave | (11,215) | 17,799 |
| DCRS sick leave liability | 226,513 | 105,574 |
| Unearned revenue | 82,519 | 82,126 |
| Deposits held on behalf of others | - | 25,351 |
| | (12,487,981) | (11,365,647) |
| Net cash used in operating activities | \$ (12,487,981) | \$ (11,365,647) |

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2013 and 2012

(1) Organization and Purpose

Guam Community College (the College) was established by the enactment of Public Law 14-77, "The Community College Act of 1977" (the Law), which became effective on November 11, 1977. Administration and operation of the College is under the control of a nine-member Board of Trustees appointed by the Governor with the advice and consent of the Legislature. Two of the nine members have no voting and participation rights as they represent the faculty and staff union. The College is a component unit of the Government of Guam (GovGuam). The operation of the College is reliant on the appropriations provided by GovGuam.

On September 30, 2011, Public Law 31-99 was signed into law which updates, amends and repeals sections of previously enacted Public Law 14-77. Public Law 31-99 amends the purposes of the College to read as follows:

1. To establish career and technical education, and other related occupational training and education courses of instruction aimed at developing educated and skilled workers on Guam;
2. To coordinate with the Guam Education Board the development of career and technical education programs in all public schools on Guam;
3. To establish and maintain short-term extension and apprenticeship training programs in Guam;
4. To expand and maintain secondary and postsecondary educational programs in the career and technical fields;
5. To award appropriate certificates, degrees and diplomas to qualified students; and
6. To serve as the State Agency and the Board of Control for vocational education for purposes of the United States Vocational Education Act of 1946 and 1963 and subsequent amendments thereto.

The Guam Community College Foundation (the Foundation) was founded in August 1982, as a non-profit, public benefit corporation, which operates under a separate Board of Governors from that of the College. The accompanying financial statements include the accounts of the Foundation.

(2) Summary of Significant Accounting and Reporting Policies

Basis of Presentation

Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, establishes the financial statement presentation for the College and provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

Basis of Presentation, Continued

The College has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and presents the Guam Community College Foundation (the Foundation), a legally separate, tax-exempt entity, as a discretely presented component unit. The Foundation provides financial support for the objectives, purposes and programs of the College. Although the College does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) which the Foundation holds and invests are restricted to the activities of the College. Because the resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and its Statements of Financial Position and Statements of Activities and Changes in Net Position are separately presented in the College's financial statements. In addition, significant notes are summarized under Foundation Investments.

The Foundation is a private organization that reports under accounting standards established by FASB, which is the source of generally accepted accounting principles for not-for-profit entities. The financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

The separate financial statements of the Foundation can be obtained directly by contacting the Foundation's Board of Governors, P.O. Box 23069, GMF, Barrigada, Guam 96921.

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, money market accounts and time certificates of deposit with original maturities of less than three months. Time certificates of deposit with original maturities of more than three months are separately presented.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from U.S. Federal agencies for various federal grant awards as well as amounts due from GovGuam for local appropriations. Accounts receivable are recorded net of an estimated allowance for doubtful accounts, an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for bad debts charged to expense. Receivables are written-off against the reserve through the specific identification method.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value).

Investments and Investment Income

Investments in marketable securities are stated at current market value. Market value is determined using quoted market prices. Investment income consists of interest and dividend income, realized gains and losses, and the net change for the year in the fair value of investments carried at fair value.

Property, Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, except as noted below, and except for transfers of assets from GovGuam or GovGuam agencies subsequent to October 1, 2007, which are stated at GovGuam's basis at the date of transfer.

Physical plant and certain equipment were transferred to the College from GovGuam effective July 1, 1978, except for Police Academy assets, which were transferred on September 28, 1978. Physical plant is valued at the June 1, 1979 appraised value of \$6,493,585. Transferred equipment and fiscal year 1979 acquisitions are valued at the October 9, 1979 appraised value of \$1,008,192. Subsequent to that date, equipment acquisitions are stated at cost.

The College capitalizes assets with costs greater than \$5,000. The cost of property, plant and equipment is depreciated using the straight-line method over the estimated useful lives of the related assets.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick benefits. As of September 30, 2013 and 2012, an accumulated vacation leave liability of \$440,524 and \$451,739, respectively, is included within the statement of net position as accrued annual leave.

Income Taxes

As an instrumentality of GovGuam, the College and all property acquired by or for the College, and all revenues and income there from are exempt from taxation by GovGuam or by any political subdivision or public corporation thereof and from all taxes imposed by the Guam Legislature, or with respect to which the Guam Legislature is authorized to grant exemption.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

Grants-in-Aid

GovGuam law requires that the College waive the tuition and fees for credit classes for senior citizens. Effective Fall 2012, the Board of Trustees voted to approve the Guam Community College Tuition Benefit Program for Employees' Spouse and Dependents. The total of senior citizen waivers provided is \$81,178 and \$60,516 for the years ended September 30, 2013 and 2012, respectively.

Net Position

Net position represent the residual interest in the College's assets after liabilities are deducted and consist of three sections: net investment in capital assets; restricted expendable and non-expendable, and unrestricted. Net investment in capital assets include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The accounts shown as restricted assets are amounts required to be maintained in revenue bond fund accounts and amounts set aside in accordance with terms of a U.S. Department of Agriculture capital grant agreement. All other net position is unrestricted.

Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts and federal appropriations, and (4) investment earnings.

Nonoperating Revenues and Expenses – Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue and expense sources that are defined as nonoperating revenues and expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

Foundation Investments

The Foundation has adopted the accounting guidance within ASC 320, *Investments - Debt and Equity Securities*, which require that the Foundation account for its investments at market value.

The original cost and market values of investments at September 30, 2013 and 2012, are:

| <u>2013</u> | | <u>2012</u> | |
|---------------------|---------------------|---------------------|---------------------|
| <u>Cost</u> | <u>Market Value</u> | <u>Cost</u> | <u>Market Value</u> |
| \$ <u>4,894,734</u> | \$ <u>8,794,971</u> | \$ <u>4,894,734</u> | \$ <u>7,758,512</u> |

The following represents the composition of market values of the above investments:

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Equities and related | \$ 5,170,868 | \$ 4,961,692 |
| Mutual funds | 1,948,672 | 1,191,655 |
| Government and government sponsored entity bonds | 1,232,662 | 1,101,745 |
| Cash and equivalents | <u>442,769</u> | <u>503,420</u> |
| | \$ <u>8,794,971</u> | \$ <u>7,758,512</u> |

The following represents the composition of investment gains for the years ended September 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Unrealized investment gains | \$ 577,577 | \$ 1,110,198 |
| Net realized investment gains (losses) | 235,686 | (112,455) |
| Interest income and dividends | <u>223,196</u> | <u>89,890</u> |
| | \$ <u>1,036,459</u> | \$ <u>1,087,633</u> |

Statutes authorize the Foundation to invest the Term Endowment Funds during the twenty-year grant period, in savings account(s) or in low-risk securities as required by State law(s) regulating insurance company investments for Guam, such as federally insured bank savings account(s); comparable interest bearing accounts offered by a bank; money market funds; securities issued by the U.S. Treasury, other U.S. Agencies and instrumentalities; certificates of deposit; mutual funds; stock or bonds, but not in real estate. The investments are pooled and earnings and expenses are allocated to the respective funds which comprise the Foundation. There are no limits on the investment policy of the Quasi-Endowment Fund.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

Deposits and Investments

Investment in debt securities are carried at cost which approximates market value.

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

A. Deposits

GASB Statement No. 40 requires disclosures for deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized, or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. The College does not have a deposit policy for custodial credit risk.

As of September 30, 2013 and 2012, the carrying amount of the College's total cash and cash equivalents, inclusive of time certificates of deposit, was \$7,069,948 and \$3,957,757, respectively, and the corresponding bank balances were \$7,543,910 and \$2,131,434, respectively. The bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2013 and 2012, bank deposits in the amount of \$667,744 and \$1,262,658, respectively, were FDIC insured. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

GASB Statement No. 40 provides for disclosure requirements addressing common risks of investments such as credit risk, interest rate risk, concentration of credit risk, foreign currency risk and custodial credit risk.

Pursuant to Public Law 25-187, the College is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development Authority. Public Law 25-187 requires the establishment of a separate account to be administered by the College to be expended exclusively for enhancement of learning resources and technology. At September 30, 2013 and 2012, the College had one fixed income corporate note in the amount of \$1,769,691 and \$1,798,929, respectively, with imputed interest of 7.25% that matures on June 1, 2057. The fixed income corporate note is uninsured and unregistered, and held by the counterparty, or by its trust department, but not in the College's name. Accordingly, the note is subject to custodial credit risk.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

New Accounting Standards

During fiscal year 2013, the College implemented the following pronouncements:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addressed how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which improved financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which enhanced the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements issued on or before November 30, 1989, which do not conflict or contradict GASB pronouncements. GASB Statement No. 62 superseded GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. These Statements amend the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. With the implementation of GASB Statement No. 63 and Statement No. 65, the Statement of Net Assets was renamed the Statement of Net Position. In addition, the Statement of Net Position includes two new classifications separate from assets and liabilities. Amounts reported as deferred outflows of resources are reported in a separate section following assets. Likewise, amounts reported as deferred inflows of resources are reported in a separate section following liabilities.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

New Accounting Standards, Continued

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In April 2012, GASB issued Statement No. 66, *Technical Corrections - 2012*, which enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The provisions of this statement are effective for periods beginning after December 15, 2012. Management has not yet determined the effect of implementation of this statement on the financial statements of the College.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014. Management has not yet determined the effect of implementation of these statements on the financial statements of the College.

In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The provisions in Statement 69 are effective for fiscal years beginning after December 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the College.

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The provisions in Statement 70 are effective for fiscal years beginning after June 15, 2013. Management has not yet determined the effect of implementation of this statement on the financial statements of the College.

Tobacco Settlement

The College received \$3,241,203 from a tobacco settlement agreement entered into by GovGuam to be expended by the College for capital projects. The funds may only be expended in accordance with purposes set forth by the Guam Economic Development Authority, a component unit of the GovGuam. During the years ended September 30, 2013 and 2012, the fund earned interest of \$0 and \$53,932, respectively. The College has no related expenditures for capital projects for the years ended September 30, 2013 and 2012, respectively.

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

Notes to Financial Statements
September 30, 2013 and 2012

(2) Summary of Significant Accounting and Reporting Policies, Continued

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The College is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. There is commercial insurance coverage obtained to provide for claims arising from most of these matters. No material losses have been sustained as a result of the College's risk management practices during the past three years.

(3) Property, Plant and Equipment

Movements of property, plant and equipment for the years ended September 30, 2013 and 2012 was as follows:

| | Estimated Useful Life (in years) | Balance October 1, <u>2012</u> | <u>Additions</u> | Retirement/ <u>Transfers</u> | Balance September 30, <u>2013</u> |
|--------------------------------------|--|--------------------------------------|---------------------|---------------------------------|---|
| Depreciable: | | | | | |
| Buildings and structures | 10-30 | \$ 42,682,922 | \$ 5,606,903 | \$ - | \$ 48,289,825 |
| Furniture, fixtures and equipment | 5-6 | 8,656,430 | 1,091,275 | (105,143) | 9,642,562 |
| Vehicles | 5 | <u>202,456</u> | <u>136,440</u> | <u>-</u> | <u>338,896</u> |
| | | <u>51,541,808</u> | <u>6,834,618</u> | <u>(105,143)</u> | <u>58,271,283</u> |
| Accumulated depreciation: | | | | | |
| Buildings and structures | | 20,043,274 | 1,166,418 | - | 21,209,692 |
| Furniture, fixtures and equipment | | 5,747,506 | 976,998 | 105,133 | 6,619,371 |
| Vehicles | | <u>156,115</u> | <u>24,958</u> | <u>-</u> | <u>181,073</u> |
| | | <u>25,946,895</u> | <u>2,168,374</u> | <u>105,133</u> | <u>28,010,136</u> |
| Non-depreciable: | | | | | |
| Land | | 1,903,000 | - | - | 1,903,000 |
| Construction in progress | | <u>5,211,282</u> | <u>1,188,096</u> | <u>(5,069,226)</u> | <u>1,330,152</u> |
| | | <u>\$ 32,709,195</u> | <u>\$ 5,854,340</u> | <u>\$ (5,069,236)</u> | <u>\$ 33,494,299</u> |

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

Notes to Financial Statements
September 30, 2013 and 2012

(3) Property, Plant and Equipment, Continued

| | Estimated Useful Life (in years) | Balance October 1, <u>2011</u> | <u>Additions</u> | Retirement/ <u>Transfers</u> | Balance September 30, <u>2012</u> |
|--------------------------------------|--|--------------------------------------|----------------------|---------------------------------|---|
| Depreciable: | | | | | |
| Buildings and structures | 10-30 | \$ 36,931,473 | \$ 5,751,449 | \$ - | \$ 42,682,922 |
| Furniture, fixtures and equipment | 5-6 | 7,600,235 | 1,541,941 | (485,746) | 8,656,430 |
| Vehicles | 5 | <u>165,682</u> | <u>36,774</u> | <u>-</u> | <u>202,456</u> |
| | | <u>44,697,390</u> | <u>7,330,164</u> | <u>(485,746)</u> | <u>51,541,808</u> |
| Accumulated depreciation: | | | | | |
| Buildings and structures | | 19,102,824 | 940,450 | - | 20,043,274 |
| Furniture, fixtures and equipment | | 5,211,734 | 1,018,458 | 482,686 | 5,747,506 |
| Vehicles | | <u>147,565</u> | <u>8,550</u> | <u>-</u> | <u>156,115</u> |
| | | <u>24,462,123</u> | <u>1,967,458</u> | <u>482,686</u> | <u>25,946,895</u> |
| Non-depreciable: | | | | | |
| Land | | 1,903,000 | - | - | 1,903,000 |
| Construction in progress | | <u>5,129,233</u> | <u>5,816,025</u> | <u>(5,733,976)</u> | <u>5,211,282</u> |
| | | <u>\$ 27,267,500</u> | <u>\$ 11,178,731</u> | <u>\$ (5,737,036)</u> | <u>\$ 32,709,195</u> |

(4) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

The College participates in the GovGuam Defined Benefit (DB) Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Guam Legislature. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes the College, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commenced on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group. Membership in the DB Plan was mandatory for all full-time employees, except for those compensated on a fee basis, independent contractors, and persons aged 60 or over upon employment. Most employees may retire with full benefits at age 60 with at least 10 years of service, or after 25 years of service, regardless of age. Vesting of benefits is optional for employees with 3 to 19 years of service, but is mandatory for employees with 20 or more years of service.

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

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

Notes to Financial Statements
September 30, 2013 and 2012

(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2011, 2010, and 2009, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2013, 2012 and 2011, respectively, have been determined as follows:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|---|---------------|---------------|---------------|
| Normal costs (% of DB Plan payroll) | 17.52% | 17.07% | 17.00% |
| Employee contributions (DB Plan employees) | <u>9.50%</u> | <u>9.50%</u> | <u>9.50%</u> |
| Employer portion of normal costs (% of DB Plan payroll) | <u>8.02%</u> | <u>7.57%</u> | <u>7.50%</u> |
| Employer portion of normal costs (% of total payroll) | 3.00% | 3.03% | 3.03% |
| Unfunded liability cost (% of total payroll) | <u>24.33%</u> | <u>23.75%</u> | <u>21.75%</u> |
| Government contribution as a % of total payroll | <u>27.33%</u> | <u>26.78%</u> | <u>24.78%</u> |
| Statutory contribution rates as a % of DB Plan payroll: | | | |
| Employer | <u>30.09%</u> | <u>28.30%</u> | <u>27.46%</u> |
| Employee | <u>9.50%</u> | <u>9.50%</u> | <u>9.50%</u> |

The College's contributions to the DB Plan for the years ended September 30, 2013, 2012 and 2011 were \$1,704,058, \$1,645,060 and \$1,668,820, respectively, which were equal to the required contributions for the respective years then ended.

Defined Contribution Plan

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

Statutory employer contributions into the DCRS plan for the years ended September 30, 2013 and 2012, are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only the equivalent of 5% of the member's regular pay is deposited into the member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

The College's contributions to the DCRS plan for the years ended September 30, 2013, 2012 and 2011 were \$2,571,214, \$2,353,705 and \$2,039,969, respectively, which were equal to the required contributions for the respective years then ended.

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

Notes to Financial Statements
September 30, 2013 and 2012

(4) Employees' Retirement Plan, Continued

Defined Contribution Plan, Continued

Public Law 26-86 allows members of the DCRS plan to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The College has accrued an estimated liability of \$1,205,176 and \$978,663 at September 30, 2013 and 2012, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

Other Post-Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with \$10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. During the years ended September 30, 2013, 2012 and 2011, the College recognized certain on-behalf payments as transfers from GovGuam, totaling \$569,695, \$601,729 and \$664,518, respectively, representing certain healthcare benefits that GovGuam's general fund paid directly on behalf of College retirees.

Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

(5) Due from Government Agencies

Due from Government of Guam consists of receivables from GovGuam General Fund. Accounts receivable - U.S. Government consists of uncollected grants at September 30, 2013 and 2012. While some grants are available for use during the fiscal year, others are available either on a calendar-year basis or for a period of twenty-seven months.

(6) Encumbrances

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, \$5,935,140 and \$2,374,453 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2013 and 2012, respectively. Of the \$5,935,140 as of September 30, 2013, \$4,719,592 relates to contract commitments.

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

Notes to Financial Statements
September 30, 2013 and 2012

(7) Related Party Transactions

Non-voting members of the Foundation's Board of Governors are also members of the College's Board of Trustees.

Included within the College's other revenues are \$332,606 and \$304,106 in contributions from the Foundation during the years ended September 30, 2013 and 2012, respectively.

(8) Transfer of Property

In February 2000, the College received title to 314 acres of land situated in the municipality of Mangilao from GovGuam with no restrictions. The College had not received an appraised value of the land and therefore, the land has not been recorded in the accompanying financial statements. On November 17, 2011, the land was transferred to the Guam Ancestral Lands Commission.

(9) Long-Term Debt

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Note payable of an original amount of \$2,250,000 to U.S. Department of Agriculture, for facility construction purposes, interest at 4.125%, repayable in monthly installments of principal and interest of \$9,698 from March 10, 2013 through March 10, 2051, collateralized by a pledge of all gross revenues and a security interest in all equipment, furniture and fixtures. | \$ 2,213,617 | \$ 2,238,119 |
| Note payable of an original amount of \$3,500,000 to U.S. Department of Agriculture, for facility construction purposes, interest at 3.125%, repayable in monthly installments of principal and interest of \$12,810 through March 6, 2053, collateralized by a pledge of all gross revenues. | 3,386,324 | - |
| Note payable of an original amount of \$372,340 to U.S. Department of Agriculture, for facility construction purposes, interest at 4.375%, repayable in monthly installments of principal and interest of \$2,755 through April 16, 2024, collateralized by the income and principal related to the reserve account and booster pump equipment. | - | <u>256,694</u> |
| | 5,599,941 | 2,494,813 |
| Less current portion | <u>70,785</u> | <u>281,196</u> |
| | \$ <u>5,529,156</u> | \$ <u>2,213,617</u> |

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

Notes to Financial Statements
September 30, 2013 and 2012

(9) Long-Term Debt, Continued

Annual debt service requirements to maturity for principal and interest are as follows:

| <u>Year ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------------|---------------------|---------------------|----------------------|
| 2014 | \$ 70,785 | \$ 198,588 | \$ 269,373 |
| 2015 | 73,293 | 196,080 | 269,373 |
| 2016 | 75,891 | 193,481 | 269,372 |
| 2017 | 78,584 | 190,789 | 269,373 |
| 2018 | 81,371 | 187,999 | 269,370 |
| 2019-2023 | 452,388 | 894,474 | 1,346,862 |
| 2024-2028 | 538,985 | 807,877 | 1,346,862 |
| 2029-2033 | 642,538 | 704,324 | 1,346,862 |
| 2034-2038 | 766,444 | 580,418 | 1,346,862 |
| 2039-2043 | 914,794 | 432,068 | 1,346,862 |
| 2044-2048 | 1,092,522 | 254,340 | 1,346,862 |
| 2049-2053 | <u>812,346</u> | <u>59,487</u> | <u>871,833</u> |
| | <u>\$ 5,599,941</u> | <u>\$ 4,699,925</u> | <u>\$ 10,299,866</u> |

The College has pledged all future gross revenues to repay \$2,250,000, and \$3,500,000 of U.S. Department of Agriculture debts issued in 2011 and 2013, respectively. Note payable proceeds financed facility construction. The notes are payable from gross revenues and are payable through March 2051 and March 2053, respectively. Annual interest and principal payments on the notes are expected to require less than one percent of net operating revenues. The total interest and principal remaining to be paid on the notes as of September 30, 2013 is \$10,299,866. Principal and interest paid for fiscal year 2013 and net operating revenues were \$358,057 and \$18,532,280, respectively.

(10) Noncurrent Liabilities

Noncurrent liability activities for the years ended September 30, 2013 and 2012, were as follows:

| | Beginning Balance October <u>1, 2012</u> | <u>Additions</u> | <u>Reductions</u> | Ending Balance September <u>30, 2013</u> | Amount due within <u>one year</u> |
|---------------------------|---|---------------------|---------------------|---|---|
| Loans payable | \$ 2,494,813 | \$ 3,500,000 | \$ (394,872) | \$ 5,599,941 | \$ 70,785 |
| Accrued annual leave | 451,739 | 423,861 | (435,076) | 440,524 | 212,443 |
| DCRS sick leave liability | <u>978,663</u> | <u>226,513</u> | <u>-</u> | <u>1,205,176</u> | <u>-</u> |
| | <u>\$ 3,925,215</u> | <u>\$ 4,150,374</u> | <u>\$ (829,948)</u> | <u>\$ 7,245,641</u> | <u>\$ 283,228</u> |

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

Notes to Financial Statements
September 30, 2013 and 2012

(10) Noncurrent Liabilities, Continued

| | Beginning Balance October <u>1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | Ending Balance September <u>30, 2012</u> | Amount due within <u>one year</u> |
|---------------------------|---|-------------------|---------------------|---|---|
| Loans payable | \$ 2,396,802 | \$ 131,216 | \$ (33,205) | \$ 2,494,813 | \$ 281,196 |
| Accrued annual leave | 433,940 | 364,443 | (346,644) | 451,739 | 196,137 |
| DCRS sick leave liability | <u>873,089</u> | <u>105,574</u> | <u>-</u> | <u>978,663</u> | <u>-</u> |
| | <u>\$ 3,703,831</u> | <u>\$ 601,233</u> | <u>\$ (379,849)</u> | <u>\$ 3,925,215</u> | <u>\$ 477,333</u> |

(11) Commitment and Contingencies

Medicare

GovGuam and its component units, including the College, began withholding and remitting funds to the U.S. Social Security system for the health insurance component of its salaries and wages effective October 1998. Prior to that date, GovGuam did not withhold or remit Medicare payments to the U.S. Social Security system. If the Government is found to be liable for Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of the College and all other component units of GovGuam that payment of this health insurance component is optional prior to October 1998. Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

Lawsuit and Claims

The College is involved in various legal proceedings. Management believes that any losses arising from these actions will not materially affect the College's financial position.

Financial and Compliance Audits

The College has participated in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. The College's management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial position of the College.

**Guam Community College
(A Component Unit of the Government of Guam)**

**Schedule of Funding Progress and Actuarial Accrued Liability - Post
Employment Benefits Other than Pension (Unaudited)**

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2011, 2009, and 2007 for the Guam Community College's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|-----------------------------|---------------------------------|---|------------------------|-----------------|--------------------|--------------------------------------|
| October 1, 2007 | \$ - | \$ 14,935,000 | \$ 14,935,000 | 0.0% | \$ 11,410,000 | 130.9% |
| October 1, 2009 | \$ - | \$ 17,559,253 * | \$ 17,559,253 * | 0.0% | \$ 12,781,000 | 137.4% |
| October 1, 2011 | \$ - | \$ 19,794,000 | \$ 19,794,000 | 0.0% | \$ 14,242,000 | 139.0% |

* No formal valuation was performed. The liabilities as of October 1, 2009 represent discounted October 1, 2011 liabilities.

The actuarial accrued liability presented above is for the College's active employees only. It does not include the actuarial accrued liability for the College's retirees, which was not separately presented in the OPEB valuation.

See Accompanying Independent Auditors' Report.

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

Schedule 1
Schedule of Salaries and Wages (Cash Basis)
Years Ended September 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| Salaries and wages: | | |
| Regular, differential and hazardous pay (inclusive of part-time employees) | \$ 13,209,866 | \$ 13,044,002 |
| Benefits | <u>4,375,003</u> | <u>4,085,412</u> |
| Total salaries, wages and benefits | <u>\$ 17,584,869</u> | <u>\$ 17,129,414</u> |
| Full-time employees at end of year | <u>246</u> | <u>239</u> |
| Federal Funds: | | |
| Salaries | \$ 966,628 | \$ 1,198,267 |
| Benefits | <u>265,018</u> | <u>288,693</u> |
| Total salaries, wages and benefits | <u>\$ 1,231,646</u> | <u>\$ 1,486,960</u> |
| Full time federal employees at end of year (inclusive in above amount) | <u>19</u> | <u>21</u> |

See accompanying independent auditors' report.

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

Schedule of Expenditures by Function and Object Code
Years Ended September 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|------------------------------------|----------------------|----------------------|
| Instruction: | | |
| Salaries, wages and benefits | \$ 9,166,715 | \$ 9,018,229 |
| Travel | 112,751 | 130,637 |
| Contract services | 423,284 | 430,273 |
| Supplies | 341,128 | 386,115 |
| Minor equipment | 231,810 | 365,983 |
| Capital expenditures | 90,018 | 3,000 |
| Miscellaneous | 1,686,761 | 617,929 |
| | <u>\$ 12,052,467</u> | <u>\$ 10,952,166</u> |
| Total employees at end of year | <u>115</u> | <u>113</u> |
| | <u>2013</u> | <u>2012</u> |
| Planning: | | |
| Salaries, wages and benefits | \$ 502,286 | \$ 520,948 |
| Travel | 3,193 | 22,428 |
| Contract services | 110,309 | 401,214 |
| Supplies | 7,986 | 19,315 |
| Minor equipment | 15,807 | 13,506 |
| Miscellaneous | 1,774 | 3,268 |
| | <u>\$ 641,355</u> | <u>\$ 980,679</u> |
| Total employees at end of year | <u>9</u> | <u>7</u> |
| | <u>2013</u> | <u>2012</u> |
| Academic Support: | | |
| Salaries, wages and benefits | \$ 1,659,537 | \$ 1,709,453 |
| Travel | 61,190 | 58,742 |
| Contract services | 286,729 | 462,052 |
| Supplies | 57,683 | 90,837 |
| Minor equipment | 45,857 | 73,525 |
| Capital expenditures | - | 39,003 |
| Miscellaneous and transfers | 127,738 | 372,892 |
| | <u>\$ 2,238,734</u> | <u>\$ 2,806,504</u> |
| Total employees at end of year | <u>22</u> | <u>25</u> |

See accompanying independent auditors' report.

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

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--------------------------------------|---------------------|---------------------|
| Student Services: | | |
| Salaries, wages and benefits | \$ 2,643,272 | \$ 2,606,322 |
| Travel | 17,234 | 16,733 |
| Contract services | 70,119 | 117,978 |
| Supplies | 26,947 | 35,964 |
| Minor equipment | 13,991 | 18,371 |
| Miscellaneous and transfers | 56,743 | 135,329 |
| | <u>\$ 2,828,306</u> | <u>\$ 2,930,697</u> |
| Total employees at end of year | <u>43</u> | <u>41</u> |
| | <u>2013</u> | <u>2012</u> |
| Institutional Support and Interest: | | |
| Salaries, wages and benefits | \$ 2,990,053 | \$ 2,730,081 |
| Travel | 259,513 | 295,395 |
| Contract services | 1,125,842 | 1,306,280 |
| Supplies | 41,031 | 66,599 |
| Minor equipment | 1,407 | 30,485 |
| Capital expenditures | 27,437 | - |
| Interest and miscellaneous | 87,901 | 220,935 |
| | <u>\$ 4,533,184</u> | <u>\$ 4,649,775</u> |
| Total employees at end of year | <u>45</u> | <u>43</u> |
| | <u>2013</u> | <u>2012</u> |
| Operations and Maintenance of Plant: | | |
| Salaries, wages and benefits | \$ 282,467 | \$ 248,618 |
| Contract services | 301,835 | 875,809 |
| Supplies | 67,716 | 52,911 |
| Minor equipment | 2,345 | 2,073 |
| Utilities | 1,286,590 | 1,356,828 |
| | <u>\$ 1,940,953</u> | <u>\$ 2,536,239</u> |
| Total employees at end of year | <u>7</u> | <u>6</u> |

See accompanying independent auditors' report.

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

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--------------------------------|---------------------|---------------------|
| Scholarships and Fellowships: | | |
| Salaries, wages and benefits | \$ 296,116 | \$ 267,167 |
| Travel | 350 | - |
| Contract services | 907 | 887 |
| Supplies | 1,684 | - |
| Minor equipment | - | 85 |
| Miscellaneous | <u>4,610,984</u> | <u>8,091,335</u> |
| | <u>\$ 4,910,041</u> | <u>\$ 8,359,474</u> |
| | | |
| Total employees at end of year | <u>3</u> | <u>3</u> |
| | | |
| | <u>2013</u> | <u>2012</u> |
| Auxiliary: | | |
| Salaries, wages and benefits | \$ 44,425 | \$ 28,596 |
| Contract services | - | 165 |
| Supplies | 1,475 | 1,274 |
| Minor equipment | <u>746,829</u> | <u>900,298</u> |
| | <u>\$ 792,729</u> | <u>\$ 930,333</u> |
| | | |
| Total employee at end of year | <u>2</u> | <u>1</u> |

See accompanying independent auditors' report.

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

Unrestricted and Restricted Fund Supplemental Schedule

Balance Sheet

September 30, 2013

(With Comparative Balances as of September 30, 2012)

| | Unrestricted | | | Restricted | | | | Capital Projects | Tobacco Settlement | Campus Housing | Investment in Plant | Agency Fund | Elimination | Grand Total | |
|---------------------------------------|----------------------|------------------------------|----------------------|----------------------|-------------------------|-------------|----------------------|---------------------|-----------------------|-------------------|------------------------|-------------------|------------------------|----------------------|----------------------|
| | Appropriated Fund | Non- appropriated Fund | Total | Federal Fund | Other Grants Fund | ARRA | Total | | | | | | | 2013 | 2012 |
| ASSETS | | | | | | | | | | | | | | | |
| Cash | \$ - | \$ 4,736,030 | \$ 4,736,030 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 98,286 | \$ - | \$ - | \$ 235,632 | \$ - | \$ 5,069,948 | \$ 3,957,757 |
| TCD | - | 2,000,000 | 2,000,000 | - | - | - | - | - | - | - | - | - | - | 2,000,000 | - |
| Investments | - | - | - | - | - | - | - | - | 1,769,691 | - | - | - | - | 1,769,691 | 1,798,929 |
| Due from Government of Guam | 1,502,173 | 365,793 | 1,867,966 | - | 145,975 | - | 145,975 | - | - | - | - | - | - | 2,013,941 | 840,191 |
| Due from other College funds | 794,267 | 43,599,953 | 44,394,220 | 13,421,605 | 697,681 | - | 14,119,286 | - | - | - | 427,700 | 45,549 | (58,986,755) | - | - |
| Accounts receivable - U.S. Government | - | 83,253 | 83,253 | 2,316,064 | 201,057 | - | 2,517,121 | - | - | - | - | - | - | 2,600,374 | 4,916,282 |
| Accounts receivable - tuition | - | 5,980,132 | 5,980,132 | - | - | - | - | - | - | - | - | - | - | 5,980,132 | 3,371,795 |
| Accounts receivable - others | - | 161,000 | 161,000 | - | - | - | - | - | - | - | - | - | - | 161,000 | 228,964 |
| Allowance for doubtful accounts | - | (1,591,048) | (1,591,048) | - | - | - | - | - | - | - | - | - | - | (1,591,048) | (1,437,804) |
| Inventories | - | 594,000 | 594,000 | - | - | - | - | - | - | - | - | - | - | 594,000 | 457,195 |
| Construction in progress | - | - | - | - | - | - | - | - | - | - | 1,330,152 | - | - | 1,330,152 | 5,211,282 |
| Land | - | - | - | - | - | - | - | - | - | - | 1,903,000 | - | - | 1,903,000 | 1,903,000 |
| Buildings | - | - | - | - | - | - | - | - | - | - | 48,289,825 | - | - | 48,289,825 | 42,682,922 |
| Equipment | - | - | - | - | - | - | - | - | - | - | 9,642,562 | - | - | 9,642,562 | 8,656,431 |
| Vehicles | - | - | - | - | - | - | - | - | - | - | 338,896 | - | - | 338,896 | 202,456 |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | (28,010,136) | - | - | (28,010,136) | (25,946,896) |
| | <u>\$ 2,296,440</u> | <u>\$ 55,929,113</u> | <u>\$ 58,225,553</u> | <u>\$ 15,737,669</u> | <u>\$ 1,044,713</u> | <u>\$ -</u> | <u>\$ 16,782,382</u> | <u>\$ -</u> | <u>\$ 1,867,977</u> | <u>\$ -</u> | <u>\$ 33,921,999</u> | <u>\$ 281,181</u> | <u>\$ (58,986,755)</u> | <u>\$ 52,092,337</u> | <u>\$ 46,842,504</u> |
| LIABILITIES AND FUND BALANCE | | | | | | | | | | | | | | | |
| Accounts payable | \$ 410,185 | \$ 671,798 | \$ 1,081,983 | \$ 1,279 | \$ 5,993 | \$ - | \$ 7,272 | \$ 134,765 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,224,020 | \$ 2,975,515 |
| Loans payable | - | 5,599,941 | 5,599,941 | - | - | - | - | - | - | - | - | - | - | 5,599,941 | 2,494,813 |
| Due to other College funds | 3,237,145 | 27,757,916 | 30,995,061 | 15,462,601 | - | 2,301,470 | 17,764,071 | 5,804,796 | (140,000) | 4,562,827 | - | - | (58,986,755) | - | - |
| Due to depositor | - | - | - | - | - | - | - | - | - | - | - | 281,181 | - | 281,181 | 281,181 |
| Accrued liabilities | - | 1,048,210 | 1,048,210 | - | - | - | - | - | - | - | - | - | - | 1,048,210 | 623,115 |
| DCRS sick leave liability | - | 1,205,176 | 1,205,176 | - | - | - | - | - | - | - | - | - | - | 1,205,176 | 978,663 |
| Unearned revenue | - | 2,080,272 | 2,080,272 | - | - | - | - | - | - | - | - | - | - | 2,080,272 | 1,997,753 |
| Fund balance | (1,350,890) | 17,565,800 | 16,214,910 | 273,789 | 1,038,720 | (2,301,470) | (988,961) | (5,939,561) | 2,007,977 | (4,562,827) | 33,921,999 | - | - | 40,653,537 | 37,491,464 |
| | <u>\$ 2,296,440</u> | <u>\$ 55,929,113</u> | <u>\$ 58,225,553</u> | <u>\$ 15,737,669</u> | <u>\$ 1,044,713</u> | <u>\$ -</u> | <u>\$ 16,782,382</u> | <u>\$ -</u> | <u>\$ 1,867,977</u> | <u>\$ -</u> | <u>\$ 33,921,999</u> | <u>\$ 281,181</u> | <u>\$ (58,986,755)</u> | <u>\$ 52,092,337</u> | <u>\$ 46,842,504</u> |

See Accompanying Independent Auditors' Report.

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

**Unrestricted and Restricted Fund Supplemental Schedule
Statement of Changes in Fund Balances
Year Ended September 30, 2013
(With Comparative Balances for the year ended September 30, 2012)**

| | Unrestricted | | | | | | Restricted | | | | | | | | Grand Total | |
|--|-----------------------|------------------|-------------------|-----------------------|----------------------|----------------------|-------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|----------------------|----------------------|------|
| | Appropriated | | | Non-appropriated | | | Federal Fund | Other Grant | ARRA | Total | Capital Projects | Tobacco Settlement | Campus Housing | Investment In-Plant | 2013 | 2012 |
| | General | TAF | MDF | Total Appropriated | NAF | Total Unrestricted | | | | | | | | | | |
| Revenues: | | | | | | | | | | | | | | | | |
| Tuition and fees | \$ - | \$ - | \$ - | \$ - | \$ 7,798,472 | \$ 7,798,472 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,798,472 | \$ 7,237,242 | |
| Government of Guam appropriations | 13,761,082 | 1,500,000 | 894,981 | 16,156,063 | - | 16,156,063 | - | - | - | - | - | - | - | 16,156,063 | 14,569,116 | |
| Federal grants and contracts | - | - | - | - | - | - | 7,070,985 | 800,858 | 98,031 | 7,969,874 | - | - | - | 7,969,874 | 14,739,036 | |
| Gover | - | - | - | - | - | - | - | 352,893 | - | 352,893 | - | - | - | 352,893 | 403,351 | |
| Sales and services of auxiliary enterprises | - | - | - | - | 1,157,687 | 1,157,687 | - | - | - | - | - | - | - | 1,157,687 | 1,136,529 | |
| Other sources | - | - | - | - | 2,650,104 | 2,650,104 | - | - | - | - | - | - | - | 2,650,104 | 1,886,527 | |
| Total current revenues | 13,761,082 | 1,500,000 | 894,981 | 16,156,063 | 11,606,263 | 27,762,326 | 7,070,985 | 1,153,751 | 98,031 | 8,322,767 | - | - | - | 36,085,093 | 39,971,801 | |
| Expenditures and mandatory transfers: | | | | | | | | | | | | | | | | |
| Educational and general: | | | | | | | | | | | | | | | | |
| Instruction | 6,514,235 | 232,065 | 772,711 | 7,519,011 | 3,594,818 | 11,113,829 | 475,390 | 266,428 | - | 741,818 | 196,820 | - | - | 12,052,467 | 10,952,166 | |
| Planning | 317,738 | - | - | 317,738 | 118,932 | 436,670 | 204,685 | - | - | 204,685 | - | - | - | 641,355 | 980,679 | |
| Academic support | 978,269 | - | - | 978,269 | 289,035 | 1,267,304 | 739,195 | 232,235 | - | 971,430 | - | - | - | 2,238,734 | 2,806,504 | |
| Student services | 2,290,774 | - | - | 2,290,774 | 228,211 | 2,518,985 | 293,191 | 16,130 | - | 309,321 | - | - | - | 2,828,306 | 2,930,697 | |
| Institutional support | 2,633,844 | 70,949 | 38,972 | 2,743,765 | 1,631,348 | 4,375,113 | - | 158,071 | - | 158,071 | - | - | - | 4,533,184 | 4,649,775 | |
| Operation and maintenance of plant | 213,244 | 1,109,463 | 34,847 | 1,357,554 | 572,993 | 1,930,547 | - | 7,500 | - | 7,500 | - | - | 2,906 | 1,940,953 | 2,536,239 | |
| Scholarship and fellowship | 211,559 | - | - | 211,559 | 2,942 | 214,501 | 4,695,540 | - | - | 4,695,540 | - | - | - | 4,910,041 | 8,359,474 | |
| Retiree healthcare costs | 569,695 | - | - | 569,695 | - | 569,695 | - | - | - | - | - | - | - | 569,695 | 601,729 | |
| Interest Expense | - | - | - | - | 162,524 | 162,524 | - | - | - | - | - | 7,506 | - | 170,030 | - | |
| Bad debts expense | - | - | - | - | 158,816 | 158,816 | - | - | - | - | - | - | - | 158,816 | 938,028 | |
| Depreciation expense | - | - | - | - | - | - | - | - | - | - | - | - | 2,168,374 | 2,168,374 | 1,967,458 | |
| Total expenditures | 13,729,358 | 1,412,477 | 846,530 | 15,988,365 | 6,759,619 | 22,747,984 | 6,408,001 | 680,364 | - | 7,088,365 | 196,820 | 7,506 | - | 32,211,955 | 36,722,749 | |
| Auxiliary enterprises: | | | | | | | | | | | | | | | | |
| Expenditures | 31,724 | - | - | 31,724 | 761,006 | 792,730 | - | - | - | - | - | - | - | 792,730 | 930,333 | |
| Total expenditures | 13,761,082 | 1,412,477 | 846,530 | 16,020,089 | 7,520,625 | 23,540,714 | 6,408,001 | 680,364 | - | 7,088,365 | 196,820 | 7,506 | - | 33,004,685 | 37,653,082 | |
| Net (decrease) increase in fund balance | - | 87,523 | 48,451 | 135,974 | 4,085,638 | 4,221,612 | 662,984 | 473,387 | 98,031 | 1,234,402 | (196,820) | (7,506) | - | 3,080,408 | 2,318,719 | |
| Beginning fund balance | (1,931,676) | - | 481,157 | (1,450,519) | 14,199,135 | 12,748,616 | 273,789 | 1,038,719 | (2,301,471) | (988,963) | (4,857,740) | 2,015,483 | (4,562,827) | 33,136,895 | 35,158,359 | |
| Fund transfer | - | - | (36,345) | (36,345) | (718,973) | (755,318) | (662,984) | (473,386) | (98,030) | (1,234,400) | (885,001) | - | - | 2,956,384 | 81,665 | |
| Ending fund balance | \$ (1,931,676) | \$ 87,523 | \$ 493,263 | \$ (1,350,890) | \$ 17,565,800 | \$ 16,214,910 | \$ 273,789 | \$ 1,038,720 | \$ (2,301,470) | \$ (988,961) | \$ (5,939,561) | \$ 2,007,977 | \$ (4,562,827) | \$ 33,921,999 | \$ 37,491,464 | |

See Accompanying Independent Auditors' Report.