

GUAM COMMUNITY COLLEGE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2006 AND 2005

Independent Auditors' Report

Board of Trustees
Guam Community College:

We have audited the accompanying financial statements of the Guam Community College (a component unit of the Government of Guam) and its discretely presented component unit as of and for the years ended September 30, 2006 and 2005. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

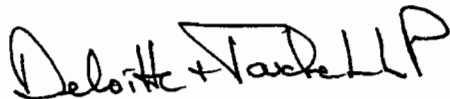
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Guam Community College Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Guam Community College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Guam Community College and its discretely presented component unit as of September 30, 2006 and 2005, and the respective changes in its net assets and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Our audit of the financial statements was made for the purpose of expressing our opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules on pages 25 – 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Guam Community College's management. The information in those schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2007, on our consideration of the Guam Community College's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Deloitte + Stark LLP". The signature is written in a cursive, flowing style.

May 14, 2007

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2006

Introduction

The following discussion and analysis provides an overview of the financial activities of Guam Community College (the College). This is a requirement of the Government Accounting Standards Board (GASB) found in Statement 34, *Basic Financial Statements and Management's Discussion 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. The presentation format used in these statements has also been updated by GASB. This is the fourth year this report format is being used. As a result, comparable financial data from the prior year is also being provided. The three statements presented are the:

Statement of Net Assets – This statement is similar to a balance sheet. Net assets represent the difference between the institution's total assets and the institution's liabilities. Net assets were previously called fund balance.

Statement of Revenues, Expenses, and Changes in Net Assets – 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. Because of this change, these additions to revenue are placed after the results of operations. Previously, they were grouped at the beginning of the statement with other revenues.

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 reports 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 found at the end of the report and the statements are structured so the dollar totals there link to the official statements.

Fiscal Year 2006 Overview

During fiscal year 2006, the College completed many of the construction projects for the Mangilao campus that began in previous years. These projects included the Technology Center, The Multipurpose Auditorium, the Water Pump, in addition to other smaller projects funded through Non-Appropriated, Tobacco, and FEMA funds. Additionally, the College received a Flood Mitigation Grant designed to upgrade the drainage system for the campus. The College also completed a Campus Facility Master Plan in addition to a Technology Plan. All of these plans are currently incorporated into the Institutional Strategic Master Plan.

In fiscal year 2006, the College was granted reaffirmation of its accreditation status from the Accrediting Commission for Colleges and Junior Colleges, Western Association for Schools and Colleges (ACCJC – WASC). The next scheduled visit is in 2012.

During fiscal year 2006, the College operated with 209 full time personnel positions. This does not include adjunct faculty members hired to teach additional postsecondary courses. Because of the continuous submission of a growth budget to identify the need to expand its services and programs, the College received additional funding for the Licensed Practical Nursing (LPN) and Vocational Counseling programs. The LPN program will address the islands' continued need to develop and train

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2006

students for the Allied Health fields. The additional funding also places Vocational Counselors in each of the four public high schools to provide information to students about the career and technical opportunities available to them from the College.

The College implemented an increase in its tuition and fees during FY 2006. This additional revenue will allow the College to hire additional faculty and staff positions, while setting aside additional funds for classroom improvements. The College has continued to increase its revenue base by increasing the number of contracted educational services (Special Projects). These services expanded in the areas including the Culinary Arts program and providing testing services for many external agencies, such as the Transportation Security Administration (TSA), etc.

During the end of fiscal year 2006, the College began the implementation of the Student and Financial Information System that will serve as the integration of information, while providing students with updated technology and customer services for on-line registration. This will address the critical need to update the College's ability to provide accurate and timely information no longer available on the current antiquated system. The first major milestone will occur in June 2007 with the rollout of the Student module and the portal access. The entire implementation of all modules is expected by the end of FY 2009.

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

Summary Statement of Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets:			
Current assets	\$ 6,973	\$ 11,412	\$ 13,095
Accounts receivable – U.S. Government	-	-	600
Investments (noncurrent)	1,740	1,740	1,740
Capital assets, net	<u>14,697</u>	<u>10,547</u>	<u>7,203</u>
Total	\$ <u>23,410</u>	\$ <u>23,699</u>	\$ <u>22,638</u>
Liabilities:			
Current liabilities	\$ 4,039	\$ 1,820	\$ 2,055
Noncurrent liabilities	<u>1,265</u>	<u>3,091</u>	<u>3,698</u>
Total	<u>5,304</u>	<u>4,911</u>	<u>5,753</u>
Net assets:			
Invested in capital assets	12,130	8,112	4,202
Restricted – expendable	-	21	1,055
Restricted – nonexpendable	1,845	1,858	1,754
Unrestricted	<u>4,131</u>	<u>8,797</u>	<u>9,874</u>
Total liabilities and net assets	\$ <u>23,410</u>	\$ <u>23,699</u>	\$ <u>22,638</u>

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2006

At the end of fiscal year 2006, the net assets of the College decreased by \$682,000. This is compared to the increase in FY 2005 of \$1.9 million. The College received information from the U.S. Department of Education on its intent to recover the funds that were given to the College to construct a dormitory. This is a result of the conversion of the dormitory to administration offices following the aftermath of Typhoon Pongsona, deviating from its original intended purpose.

Due to the constraints of College and University accounting, approximately \$3,215,051 in encumbrances incurring in fiscal year 2006 have yet to be reflected as expenditures in the accompanying financial presentation, but will be liquidated with 2006 net assets.

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 10,944	\$ 9,333	\$ 8,660
Operating expenses	<u>22,770</u>	<u>20,296</u>	<u>20,338</u>
Operating Loss	(11,826)	(10,963)	(11,678)
Non operating revenues	<u>11,144</u>	<u>12,866</u>	<u>12,502</u>
Change in net assets	(682)	1,903	824
Net assets at beginning of year	<u>18,788</u>	<u>16,885</u>	<u>16,061</u>
Net assets at end of year	\$ <u>18,106</u>	\$ <u>18,788</u>	\$ <u>16,885</u>

Statement of Cash Flows

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash provided by (used in):			
Operating activities	\$ (11,444)	\$ (10,144)	\$ (10,621)
Noncapital financing activities	11,008	12,096	14,353
Capital financing activities	<u>(4,783)</u>	<u>(4,699)</u>	<u>(1,699)</u>
Net (decrease) increase in cash and cash equivalents	(5,219)	(2,747)	2,033
Cash and cash equivalents at beginning of year	<u>7,611</u>	<u>10,358</u>	<u>8,325</u>
Cash and cash equivalents at end of year	\$ <u>2,392</u>	\$ <u>7,611</u>	\$ <u>10,358</u>

The College experienced a decrease in timely release of its appropriations during fiscal year 2006. This has caused some difficulty in the financial planning for the institution and the ability to maintain timely payments with all of its vendors. This has also caused a decrease in cash reserves that it has maintained over the years. Despite this, the College is committed to displaying fiscal responsibility in the management of its funds by operating within the levels of authorizations.

Management's Discussion and Analysis for the years ended September 30, 2005 and 2004, is set forth in the College's report on the audit of the financial statements, which is dated June 2, 2006, and that Discussion and Analysis explains the major factors impacting the 2005 and 2004 financial statements and can be viewed at the Office of the Public Auditor's website at www.guamopa.com.

GUAM COMMUNITY COLLEGE

Statements of Net Assets
September 30, 2006 and 2005

<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 2,125,860	\$ 7,342,299
Cash and cash equivalents - restricted	266,144	269,354
Due from Government of Guam	935,427	799,615
Tuition receivable, less allowance for doubtful accounts of \$1,222,665 and \$976,626 at September 30, 2006 and 2005, respectively	2,478,048	1,475,754
Accounts receivable - U.S. Government	397,410	228,206
Other receivables	664,209	1,154,852
Inventories	105,944	140,722
Other current assets	-	796
Total current assets	6,973,042	11,411,598
Noncurrent assets:		
Investments	1,740,000	1,740,000
Property, plant and equipment, net	14,696,808	10,546,867
Total noncurrent assets	16,436,808	12,286,867
	\$ 23,409,850	\$ 23,698,465
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of long-term debt	\$ 2,212,460	\$ 210,579
Accounts payable and accrued liabilities	410,334	498,538
Deferred revenue	1,225,493	927,139
Current portion of accrued annual leave	190,082	183,319
Total current liabilities	4,038,369	1,819,575
Noncurrent liabilities:		
Accrued annual leave	288,885	319,859
DCRS sick leave liability	355,293	312,107
Long-term debt, net of current portion	354,560	2,189,421
Deposits held on behalf of others	266,144	269,354
Total noncurrent liabilities	1,264,882	3,090,741
Commitment and contingency		
Net assets:		
Invested in capital assets, net of related debt	12,129,788	8,111,834
Restricted:		
Expendable	-	21,008
Nonexpendable	1,845,286	1,858,399
Unrestricted	4,131,525	8,796,908
Total net assets	18,106,599	18,788,149
	\$ 23,409,850	\$ 23,698,465

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position
September 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 34,639	\$ 25,468
Investments	7,942,047	7,247,069
Plant and equipment, net	<u>420,186</u>	<u>480,213</u>
Total assets	<u>\$ 8,396,872</u>	<u>\$ 7,752,750</u>
NET ASSETS		
Commitments		
Net assets:		
Unrestricted	\$ 3,786,851	\$ 3,360,130
Temporarily restricted	4,170,384	3,892,956
Permanently restricted	<u>439,637</u>	<u>499,664</u>
Total net assets	<u>\$ 8,396,872</u>	<u>\$ 7,752,750</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 2,764,582	\$ 2,678,080
Less: Scholarship discounts and allowances	<u>(1,612,933)</u>	<u>(1,202,799)</u>
	1,151,649	1,475,281
Federal grants and contracts	5,784,799	5,121,974
Government of Guam grants and contracts	1,311,007	434,675
Contracted educational services	1,253,697	1,211,545
Auxiliary enterprises	604,369	713,483
Other revenues	1,168,742	534,052
Less uncollectible revenues	<u>(330,000)</u>	<u>(158,297)</u>
Total operating revenues	<u>10,944,263</u>	<u>9,332,713</u>
Operating expenses:		
Education and general:		
Instruction	7,598,361	7,468,774
Institutional support	3,461,060	3,097,461
Scholarships and fellowships	2,902,298	2,819,813
Operations and maintenance of plant	2,374,214	1,467,622
Student services	3,072,433	2,236,165
Academic support	1,376,854	1,784,301
Depreciation	800,153	754,615
Planning	612,973	234,903
Auxiliary enterprises	<u>571,665</u>	<u>432,711</u>
Total operating expenses	<u>22,770,011</u>	<u>20,296,365</u>
Operating loss	<u>(11,825,748)</u>	<u>(10,963,652)</u>
Nonoperating revenues:		
Government of Guam appropriations:		
Operations	<u>11,144,198</u>	<u>12,866,283</u>
Net nonoperating revenues	<u>11,144,198</u>	<u>12,866,283</u>
Change in net assets	(681,550)	1,902,631
Net assets:		
Net assets at beginning of year	<u>18,788,149</u>	<u>16,885,518</u>
Net assets at end of year	<u>\$ 18,106,599</u>	<u>\$ 18,788,149</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Activities
Years Ended September 30, 2006 and 2005

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gains and other additions:								
Investment income	\$ 417,550	\$ 277,428	\$ -	\$ 694,978	\$ 462,355	\$ 302,796	\$ -	\$ 765,151
Interest income	374	-	-	374	366	-	-	366
Fundraising	18,482	-	-	18,482	4,676	-	-	4,676
Total gains and other additions	436,406	277,428	-	713,834	467,397	302,796	-	770,193
Expenses and other deductions:								
Depreciation	-	-	60,027	60,027	-	-	60,027	60,027
Professional services	4,063	-	-	4,063	4,063	-	-	4,063
Transfer to Guam Community College	-	-	-	-	85,062	-	-	85,062
Scholarship	3,000	-	-	3,000	3,000	-	-	3,000
Other deductions	2,195	-	-	2,195	365	-	-	365
General and administrative	427	-	-	427	1,948	-	-	1,948
Fundraising expense	-	-	-	-	-	-	-	-
Total expenses and other deductions	9,685	-	60,027	69,712	94,438	-	60,027	154,465
Excess of gains and other additions over expenses and other deductions	426,721	277,428	(60,027)	644,122	372,959	302,796	(60,027)	615,728
Net assets at beginning of year	3,360,130	3,892,956	499,664	7,752,750	2,987,171	3,590,160	559,691	7,137,022
Net assets at end of year	<u>\$ 3,786,851</u>	<u>\$ 4,170,384</u>	<u>\$ 439,637</u>	<u>\$ 8,396,872</u>	<u>\$ 3,360,130</u>	<u>\$ 3,892,956</u>	<u>\$ 499,664</u>	<u>\$ 7,752,750</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Statements of Cash Flows
Years Ended September 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Student tuition and fees	\$ 722,295	\$ 963,470
Federal grants/contracts	5,615,595	5,806,650
Government of Guam grants and contracts	1,801,650	171,672
Auxiliary services	640,461	280,772
Other receipts/payments	1,210,096	1,745,597
Payments for educational and general expenses	(18,532,760)	(16,292,822)
Scholarship/fellowships	(2,902,298)	(2,819,813)
Net cash used in operating activities	(11,444,961)	(10,144,474)
Cash flows from noncapital financing activities:		
Government of Guam appropriations	11,008,386	12,095,978
Net cash provided by noncapital financing activities	11,008,386	12,095,978
Cash flows from capital financing activities:		
Expended on plant facility and capital assets	(6,115,982)	(1,331,834)
Proceeds from capital debt	404,967	30,033
Payment of capital debt	(237,947)	(630,033)
Construction in progress	1,165,888	(2,767,005)
Net cash used in capital financing activities	(4,783,074)	(4,698,839)
Net decrease in cash and cash equivalents	(5,219,649)	(2,747,335)
Cash and cash equivalents at beginning of year	7,611,653	10,358,988
Cash and cash equivalents at end of year	\$ 2,392,004	\$ 7,611,653
<u>Reconciliation of operating loss to net cash used in operating activities:</u>		
Operating loss	\$ (11,825,748)	\$ (10,963,652)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	800,153	754,615
Uncollectible revenues	330,000	158,297
Changes in assets and liabilities:		
Accounts receivable, net	(1,010,855)	160,556
Inventories	34,778	(11,984)
Other assets	796	-
Accounts payable	(88,204)	(41,313)
Accrued liabilities	(24,211)	(32,690)
DCRS sick leave liability	43,186	82,375
Deferred revenue	298,354	(250,694)
Deposits held on behalf of others	(3,210)	16
Net cash used in operating activities	\$ (11,444,961)	\$ (10,144,474)

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

(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. The Law sets forth the purposes of the College as follows:

1. To establish technical, vocational and other related occupational training and education courses of instruction aimed at developing educated and skilled workers on Guam;
2. To coordinate vocational-technical 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 vocational-technical fields;
5. To award appropriate certificates, degrees and diplomas to qualified students; and
6. To serve as 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. Accordingly, the accompanying financial statements include the accounts of the Foundation.

(2) Summary of Significant Accounting and Reporting Policies

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Other GASB Statements are required to be implemented in conjunction with GASB Statements No. 34 and No. 35. Therefore, the College has also implemented, where applicable, Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

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

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.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Reporting Entity

The College adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Guam Community College Foundation (Foundation) is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39. 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 Assets 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 FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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.

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.

Trade Accounts Receivable

The allowance for doubtful accounts is stated at 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.

Inventory

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

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

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

Investments

Investments consist of bank certificates of deposit with original maturities of more than three months. Time certificates of deposit with initial maturities of less than three months are included in cash and cash equivalents. Investments are stated at amortized cost including accrued interest.

Deferred Revenues

Deferred 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Earned employee vacation due is accrued at year end for financial statement purposes. Included in the accounts payable and accrued liabilities at September 30, 2006 and 2005 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statement of Revenues, Expenses and Changes in Net Assets.

Grants-in-Aid

GovGuam law requires that the College waive the tuition and fees for credit classes for senior citizens. The College provides no waivers to faculty, staff or dependents. The total of senior citizen waivers provided is less than \$10,000 for the years ended September 30, 2006 and 2005.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of notes payable; and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

Restricted Net Assets – Expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets - Nonexpendable - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Related cash accounts are also restricted.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

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

Net Assets, Continued

Unrestricted Net Assets –Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for student, faculty and staff.

The College's policy is to expend resources according to the terms and conditions of the grants or contracts under which the resources were received.

Classification of Revenues

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

Operating Revenues – Operating revenues 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) interest on investments.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues 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 Assets. 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.

Capitalization of Interest

The College capitalizes interest on construction in progress based on the weighted average interest rate. During the years ended September 30, 2006 and 2005, \$118,672 and \$84,196, respectively, was capitalized.

Reclassifications

Certain balances in the 2005 financial statements have been reclassified to correspond with the 2006 presentation.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

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

Foundation Investments

The Foundation adopted the requirements of Financial Accounting Standards Statements 116, 117 and 124 which require that the Foundation account for its investments at market value.

The Foundation has also adopted Statement of Financial Accounting Standards (SFAS) No. 115. Under SFAS 115, investments in securities are classified as either trading securities, securities held to maturity or securities available for sale. At September 30, 2006 and 2005, all investments are classified as trading securities. Securities are recorded at their fair values with fair value determined at quoted market prices. Unrealized gains and losses on trading securities at September 30, 2006 and 2005 are included in investment income.

The original cost and market values of investments at September 30, 2006 and 2005, are:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
	\$ <u>5,348,663</u>	\$ <u>7,942,047</u>	\$ <u>5,348,663</u>	\$ <u>7,247,069</u>

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

	<u>2006</u>	<u>2005</u>
Equities and related	\$ 6,002,614	\$ 5,385,960
Fixed income securities	1,468,182	1,410,264
Cash and equivalents	<u>471,251</u>	<u>450,845</u>
	\$ <u>7,942,047</u>	\$ <u>7,247,069</u>

The following represents the composition of investment income for the years ended September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Realized investment gains	\$ -	\$ 100,000
Unrealized investment gains	496,264	506,260
Net interest income and dividends	<u>198,714</u>	<u>158,891</u>
	\$ <u>694,978</u>	\$ <u>765,151</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

Notes to Financial Statements
September 30, 2006 and 2005

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

Deposits and Investments

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. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by the College or its agent in the College's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the College's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those 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, 2006 and 2005, the carrying amount of the College's total cash and cash equivalents was \$2,392,004 and \$7,611,653, respectively, and the corresponding bank balances were \$3,925,561 and \$8,728,392, respectively. Of the bank balance amounts, \$3,625,561 and \$8,428,392, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2006 and 2005, bank deposits in the amount of \$300,000 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. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the College or its agent in the College's name;

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

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

Deposits and Investments, Continued

- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the College's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the College's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

As of September 30, 2006, the College has one fixed income security known as the Tobacco Bond. The bond amount is \$1,740,000 with a rating of Baa3 by Moody's Investor Services, with interest at 3.7%, maturing on May 15, 2041. The principal is restricted by law but use of interest earned from the investment is not restricted.

New Accounting Standards

During fiscal year 2006, GCC implemented the following pronouncements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets when service utility has declined significantly and unexpectedly.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment to GASB Statement No. 34)*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets.
- GASB Statement No. 47, *Accounting for Termination of Benefits*, which establishes guidance for state and local governmental employers on accounting and financial reporting for termination of benefits.
- GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefits Expenditures/Expense and Liabilities by Cost-Sharing Employers*, which clarifies the requirements of GASB Statement Nos. 27 and 45 for recognition of pension and other postemployment benefit expenditures/expense and liabilities by cost-sharing employers.

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

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this Statement are effective for periods beginning after December 15, 2007. The College does not believe that the implementation of this Statement will have a material effect on its financial statements.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

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

New Accounting Standards, Continued

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*, an amendment to NCGA Statement 1. GASB Statement No. 44 improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. The College does not believe the implementation of this Statement will have a material effect on its financial statements.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. The College does not believe the implementation of this Statement will have a material effect on its financial statements.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this Statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the College.

Tobacco Settlement

The College received \$3,241,203 from a tobacco settlement agreement entered into by the Government of Guam 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 and Commerce Authority, a component unit of the Government of Guam. During the years ended September 30, 2006 and 2005, the fund earned interest of \$29,502 and \$29,132, respectively. The College expended \$21,596 and \$975,146 for capital projects for the years ended September 30, 2006 and 2005, respectively.

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 disclosures 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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

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

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.

(3) 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.

Physical plant and certain equipment were transferred to the College from the Government of Guam effective July 1, 1978, except for Police Academy assets, which were transferred on September 28, 1978. Title to the land is held by the Government of Guam. 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 over the estimated useful lives of the related assets. Vehicles, furniture and fixtures are depreciated over a period of 5 years. Building and structures are depreciated over a period of 30 years. Depreciation is computed on the straight line method.

Movements of property, plant and equipment for the years ended September 30, 2006 and 2005 are as follows:

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2006</u>
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	19,636,554	5,961,499	-	25,598,053
Equipment	5,074,369	126,524	-	5,200,893
Vehicles	<u>455,691</u>	<u>27,959</u>	<u>160,196</u>	<u>323,454</u>
	<u>27,069,614</u>	<u>6,115,982</u>	<u>160,196</u>	<u>33,025,400</u>
Accumulated depreciation:				
Building	16,228,060	249,093	-	16,477,153
Equipment	3,220,718	541,028	-	3,761,746
Vehicles	<u>428,762</u>	<u>10,032</u>	<u>160,196</u>	<u>278,598</u>
	<u>19,877,540</u>	<u>800,153</u>	<u>160,196</u>	<u>20,517,497</u>
Construction in progress	<u>3,354,793</u>	<u>2,188,905</u>	<u>3,354,793</u>	<u>2,188,905</u>
Net	<u>\$ 10,546,867</u>	<u>\$ 7,504,734</u>	<u>\$ 3,354,793</u>	<u>\$ 14,696,808</u>

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

(3) Property, Plant and Equipment, Continued

	Balance September 30, <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2005</u>
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	19,014,000	622,554	-	19,636,554
Equipment	4,390,130	696,785	12,546	5,074,369
Vehicles	<u>491,787</u>	<u>12,495</u>	<u>48,591</u>	<u>455,691</u>
	<u>25,798,917</u>	<u>1,331,834</u>	<u>61,137</u>	<u>27,069,614</u>
Accumulated depreciation:				
Building	16,112,750	115,310	-	16,228,060
Equipment	2,593,095	630,745	3,122	3,220,718
Vehicles	<u>468,793</u>	<u>8,560</u>	<u>48,591</u>	<u>428,762</u>
	<u>19,174,638</u>	<u>754,615</u>	<u>51,713</u>	<u>19,877,540</u>
Construction in progress	<u>578,364</u>	<u>3,382,592</u>	<u>606,163</u>	<u>3,354,793</u>
Net	\$ <u>7,202,643</u>	\$ <u>3,959,811</u>	\$ <u>615,587</u>	\$ <u>10,546,867</u>

(4) Due from Government Agencies

Due from Government of Guam agencies consists of receivables from the Government of Guam General Fund and the accounts receivable - U.S. Government consists of uncollected grants at September 30, 2006 and 2005. While some grants are available for use during the fiscal year, others are available on either a calendar-year basis or for a period of twenty-seven months.

At September 30, 2006, the College has been informed that it has fiscal year 2006 appropriations due from the Government of Guam of \$2,578,344. The College has not received any of the 2006 appropriations subsequent to September 30, 2006 to date. Therefore, revenue recognition has been deferred and will only occur upon receipt of the cash. The net receivable is as follows:

Receivable from the Government of Guam	\$ 3,513,771
Amount deferred	<u>2,578,344</u>
Net receivable from the Government of Guam	\$ <u>935,427</u>

(5) Employees' Retirement Plan

Employees of the College hired before September 30, 1995, are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999, those employees who were members of the Defined Benefit Plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System. The Defined Benefit Plan and the DCRS are administered by the Government of Guam Retirement Fund, to which the College contributes based upon a fixed percentage of the employees' payroll.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

(5) Employees' Retirement Plan, Continued

As a result of actuarial valuations performed as of September 30, 2004, 2003 and 2002 (applicable to fiscal year 2006, 2005 and 2004, respectively), contribution rates for the years ended September 30, 2006, 2005 and 2004, respectively, have been determined as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Normal costs (% of DB Plan payroll)	17.83%	18.30%	17.66%
Unfunded liability costs (% of total payroll)	<u>21.36%</u>	<u>19.93%</u>	<u>16.23%</u>
	39.19%	38.23%	33.89%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Government contribution as a % of DB Plan payroll	<u>29.69%</u>	<u>28.73%</u>	<u>24.39%</u>
Government contribution as a % of total payroll	<u>26.00%</u>	<u>24.89%</u>	<u>20.81%</u>

Statutory contribution rates for employer and employee contributions were 21.81% and 9.5% and 20.81% and 9.5%, respectively, of qualifying payroll for the years ended September 30, 2006 and 2005.

The plan utilized the actuarial cost method termed "entry age normal". Significant actuarial assumptions are as follows:

	<u>2004</u> <u>Actuarial Valuation</u>	<u>2003</u> <u>Actuarial Valuation</u>
Interest rate and rate of return	7.0%	7.0%
Payroll increases	3.5%	3.5%
Salary increases	4.0% - 8.5%	4.0% - 8.5%

The actuarial valuations performed as of September 30, 2004 and 2003, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor.

Contributions into the DCRS 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 annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2006 and 2005, are determined using the same rate as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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

Contributions to the DCRS for the year ended September 30, 2006 and 2005 are \$1,091,948 and \$948,965, respectively.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

(5) Employees' Retirement Plan, Continued

However, as a result of Public Law 21-03, the College has no further responsibility to pay for its share of the unfunded retirement costs. This responsibility now rests with the General Fund of the Government of Guam. Rather, the College's responsibility is to pay the statutorily imposed retirement rate. As of September 30, 2006 and 2005, the General Fund has accrued approximately \$5,380,251 and \$4,060,942, respectively, for the College's cumulative unfunded retirement liability as a result of the adoption of GASB 27.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. Management accrued a sick leave liability of \$355,293 and \$312,107 at September 30, 2006 and 2005, respectively.

(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, \$3,215,051 and \$3,504,037 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2006 and 2005, respectively.

(7) Contingency

The Government of Guam 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, the Government of Guam 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 the Government of Guam 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.

(8) Transfer of Property

In February 2000, the College received title to 314 acres of land situated in the municipality of Mangilao from the Government of Guam with no restrictions. As of the report date, the College had not received an appraised value of the land and therefore, the land has not been recorded in the accompanying financial statements.

(9) Long-Term Debt

	<u>2006</u>	<u>2005</u>
Note payable to U.S. Department of Education, interest at 5.5%, repayable in semi-annual installments of principal and interest of \$102,660 through March 31, 2023.	\$ 2,194,680	\$ 2,400,000

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2006 and 2005

(9) Long-Term Debt, Continued

	<u>2006</u>	<u>2005</u>
Note payable to U.S. Department of Agriculture, 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 the booster pump equipment.	372,340	-
	2,567,020	2,400,000
Less current portion	<u>2,212,460</u>	<u>210,579</u>
	\$ <u>354,560</u>	\$ <u>2,189,421</u>

The future maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,212,460	\$ 139,923	\$ 2,352,383
2008	17,904	15,156	33,060
2009	18,703	14,357	33,060
2010	19,538	13,522	33,060
2011	20,410	12,650	33,060
2012-2016	116,560	48,740	165,300
2017-2021	145,003	20,297	165,300
2022-2023	<u>16,442</u>	<u>212</u>	<u>16,654</u>
	\$ <u>2,567,020</u>	\$ <u>264,857</u>	\$ <u>2,831,877</u>

The U.S. DOE loan has been classified as current in the accompanying 2006 financial statements because the campus housing facility was not used for its intended purpose. The interest expense for the U.S. Department of Education note is presented for only a one year term due to its current classification. Subsequently, the College has paid \$1 million of the loan and is pursuing payment of the balance.

(10) Noncurrent Liabilities

Noncurrent liability activity at September 30, 2006 and 2005, was as follows:

	<u>Beginning Balance September 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2006</u>	<u>Amount due within one year</u>
Loan payable	\$ 2,400,000	\$ 404,967	\$ 237,947	\$ 2,567,020	\$ 2,212,460
Deposit held on behalf of others	269,354	-	3,210	266,144	-
Accrued annual leave	503,178	290,941	315,152	478,967	190,082
DCRS sick leave liability	<u>312,107</u>	<u>43,186</u>	<u>-</u>	<u>355,293</u>	<u>-</u>
Total noncurrent liabilities	\$ <u>3,484,639</u>	\$ <u>739,094</u>	\$ <u>556,309</u>	\$ <u>3,667,424</u>	\$ <u>2,402,542</u>

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2006 and 2005

(10) Noncurrent Liabilities, Continued

	Beginning Balance September 30, 2004	Additions	Reductions	Ending Balance September 30, 2005	Amount due within one year
Loan payable	\$ 3,000,000	\$ 30,033	\$ 630,033	\$ 2,400,000	\$ 210,579
Deposit held on behalf of others	269,338	16	-	269,354	-
Accrued annual leave	535,868	-	32,690	503,178	183,319
DCRS sick leave liability	<u>229,732</u>	<u>82,375</u>	<u>-</u>	<u>312,107</u>	<u>-</u>
Total noncurrent liabilities	\$ <u>4,034,938</u>	\$ <u>112,424</u>	\$ <u>662,723</u>	\$ <u>3,484,639</u>	\$ <u>393,898</u>

GUAM COMMUNITY COLLEGE

Schedule 1
Schedule of Salaries and Wages (Cash Basis)
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Salaries and wages:		
Regular, differential and hazardous pay (inclusive of part-time employees)	\$ 10,221,702	\$ 9,646,484
Benefits	<u>2,741,623</u>	<u>2,753,531</u>
Total salaries, wages and benefits	<u>\$ 12,963,325</u>	<u>\$ 12,400,015</u>
 Full-time employees at end of year	 209	 193
 Of the 209 employees, 12 were paid out of federal funds, for a total of:		
Salaries	\$ 607,101	
Benefits	<u>144,338</u>	
Total salaries, wages and benefits	<u>\$ 751,439</u>	

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Instruction:		
Salaries, wages and benefits	\$ 6,508,745	\$ 6,415,051
Travel	50,912	39,080
Contract services	258,034	260,908
Supplies	153,135	212,889
Minor equipment	106,974	200,135
Capital expenditures	167,449	75,241
Miscellaneous	353,112	265,470
	<u>\$ 7,598,361</u>	<u>\$ 7,468,774</u>
 Total employees at end of year	 <u>92</u>	
	<u>2006</u>	<u>2005</u>
Planning:		
Salaries, wages and benefits	\$ 369,854	\$ 185,851
Travel	5,904	9,735
Contract services	174,641	36,905
Supplies	8,441	737
Minor equipment	10,132	675
Capital expenditures	43,851	1,000
Miscellaneous	150	-
	<u>\$ 612,973</u>	<u>\$ 234,903</u>
 Total employees at end of year	 <u>6</u>	
	<u>2006</u>	<u>2005</u>
Academic Support:		
Salaries, wages and benefits	\$ 1,015,445	\$ 1,521,114
Travel	18,463	26,014
Contract services	83,310	115,286
Supplies	75,203	43,546
Minor equipment	31,700	50,285
Capital expenditures	62,168	27,579
Miscellaneous	90,565	477
	<u>\$ 1,376,854</u>	<u>\$ 1,784,301</u>
 Total employees at end of year	 <u>14</u>	

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Student Services:		
Salaries, wages and benefits	\$ 2,446,777	\$ 1,809,896
Travel	51,331	51,482
Contract services	254,224	188,945
Supplies	55,066	18,109
Minor equipment	17,816	13,366
Capital expenditures	37,799	2,152
Miscellaneous and transfers	<u>209,420</u>	<u>152,215</u>
	<u>\$ 3,072,433</u>	<u>\$ 2,236,165</u>
 Total employees at end of year	 <u><u>45</u></u>	
	<u>2006</u>	<u>2005</u>
Institutional Support:		
Salaries, wages and benefits	\$ 2,129,381	\$ 1,979,019
Travel	144,181	105,913
Contract services	813,501	778,622
Supplies	66,800	53,874
Minor equipment	23,976	7,883
Capital expenditures	38,515	105,634
Miscellaneous	<u>244,706</u>	<u>66,516</u>
	<u>\$ 3,461,060</u>	<u>\$ 3,097,461</u>
 Total employees at end of year	 <u><u>40</u></u>	
	<u>2006</u>	<u>2005</u>
Operations and Maintenance of Plant:		
Salaries, wages and benefits	\$ 332,570	\$ 325,471
Contract services	418,397	677,498
Supplies	68,682	142,649
Minor equipment	194,601	30,215
Capital expenditures	542,419	62,987
Utilities	817,545	-
Miscellaneous	<u>-</u>	<u>228,802</u>
	<u>\$ 2,374,214</u>	<u>\$ 1,467,622</u>
 Total employees at end of year	 <u><u>9</u></u>	

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2006 and 2005

	2006	2005
Scholarships and Fellowships:		
Salaries, wages and benefits	\$ 119,914	\$ 119,822
Contract services	1,336	781
Supplies	418	955
Minor equipment	160	-
Miscellaneous	2,780,470	2,698,255
	\$ 2,902,298	\$ 2,819,813
Total employees at end of year	2	
	2006	2005
Auxiliary:		
Salaries, wages and benefits	\$ 40,639	\$ 43,791
Supplies	868	1,115
Minor equipment	509,924	387,255
Capital expenditures	-	550
Miscellaneous	20,234	-
	\$ 571,665	\$ 432,711
Total employee at end of year	1	

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE
Unrestricted and Restricted Fund Supplemental Schedule
Balance Sheet
September 30, 2006
(With Comparative Balances as of September 30, 2005)

	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 Grant Fund	Total							2006	2005
ASSETS														
Cash	\$ -	\$ 17,210	\$ 17,210	\$ 101,547	\$ -	\$ 101,547	\$ 879,107	\$ -	\$ -	\$ -	\$ 266,144	\$ -	\$ 1,264,008	\$ 3,632,504
Short term investment	-	1,022,710	1,022,710	-	-	-	-	1,845,286	-	-	-	-	2,867,996	5,719,149
Due from Government of Guam	935,427	-	935,427	-	-	-	-	-	-	-	-	-	935,427	799,615
Due from other College funds	105,452	5,403,630	5,509,082	-	-	-	5,000	6,804	95,638	-	-	(5,616,524)	-	-
Accounts receivable - U.S. Government	-	-	-	397,410	-	397,410	-	-	-	-	-	-	397,410	228,206
Accounts receivable - tuition	-	3,651,544	3,651,544	15,357	33,812	49,169	-	-	-	-	-	-	3,700,713	2,452,380
Accounts receivable - other	-	422,772	422,772	-	240,644	240,644	793	-	-	-	-	-	664,209	1,154,852
Allowance for doubtful accounts	(74,321)	(1,141,064)	(1,215,385)	(5,572)	(1,708)	(7,280)	-	-	-	-	-	-	(1,222,665)	(976,626)
Prepaid expense	-	-	-	-	-	-	-	-	-	-	-	-	-	796
Inventory	-	105,944	105,944	-	-	-	-	-	-	-	-	-	105,944	140,722
Construction in progress	-	2,049,868	2,049,868	-	-	-	68,898	70,139	-	-	-	-	2,188,905	3,354,793
Land	-	-	-	-	-	-	-	-	-	1,903,000	-	-	1,903,000	1,903,000
Buildings	-	2,946,875	2,946,875	-	1,112,786	1,112,786	967,904	1,486,649	3,000,000	16,083,839	-	-	25,598,053	19,636,554
Equipment	-	-	-	-	-	-	-	-	-	5,200,893	-	-	5,200,893	5,074,369
Vehicles	-	-	-	-	-	-	-	-	-	323,454	-	-	323,454	455,691
Accumulated depreciation	-	(70,336)	(70,336)	-	(18,580)	(18,580)	(5,696)	(58,973)	(375,000)	(19,988,912)	-	-	(20,517,497)	(19,877,540)
	<u>\$ 966,558</u>	<u>\$ 14,409,153</u>	<u>\$ 15,375,711</u>	<u>\$ 508,742</u>	<u>\$ 1,366,954</u>	<u>\$ 1,875,696</u>	<u>\$ 1,916,006</u>	<u>\$ 3,349,905</u>	<u>\$ 2,720,638</u>	<u>\$ 3,522,274</u>	<u>\$ 266,144</u>	<u>\$ (5,616,524)</u>	<u>\$ 23,409,850</u>	<u>\$ 23,698,465</u>
LIABILITIES AND FUND BALANCE														
Accounts payable	\$ -	\$ (237,208)	\$ (237,208)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 647,542	\$ -	\$ -	\$ -	\$ 410,334	\$ 498,538
Loan payable	-	372,340	372,340	-	-	-	-	-	2,194,680	-	-	-	2,567,020	2,400,000
Due to other College funds	2,788,805	112,256	2,901,061	220,962	109,254	330,216	1,133,411	-	1,251,836	-	-	(5,616,524)	-	-
Due to depositor	-	-	-	-	-	-	-	-	-	-	266,144	-	266,144	269,354
Accrued liabilities	-	478,967	478,967	-	-	-	-	-	-	-	-	-	478,967	503,178
DCRS sick leave liability	-	355,293	355,293	-	-	-	-	-	-	-	-	-	355,293	312,107
Deferred revenue	-	1,225,493	1,225,493	-	-	-	-	-	-	-	-	-	1,225,493	927,139
Fund balance	<u>(1,822,247)</u>	<u>12,102,012</u>	<u>10,279,765</u>	<u>287,780</u>	<u>1,257,700</u>	<u>1,545,480</u>	<u>782,595</u>	<u>3,349,905</u>	<u>(1,373,420)</u>	<u>3,522,274</u>	<u>-</u>	<u>-</u>	<u>18,106,599</u>	<u>18,788,149</u>
	<u>\$ 966,558</u>	<u>\$ 14,409,153</u>	<u>\$ 15,375,711</u>	<u>\$ 508,742</u>	<u>\$ 1,366,954</u>	<u>\$ 1,875,696</u>	<u>\$ 1,916,006</u>	<u>\$ 3,349,905</u>	<u>\$ 2,720,638</u>	<u>\$ 3,522,274</u>	<u>\$ 266,144</u>	<u>\$ (5,616,524)</u>	<u>\$ 23,409,850</u>	<u>\$ 23,698,465</u>

See Accompanying Independent Auditors' Report.

GUAM COMMUNITY COLLEGE

Unrestricted and Restricted Fund Supplemental Schedule
Statement of Changes in Fund Balances
Year Ended September 30, 2006
(With Comparative Balances for the year ended September 30, 2005)

	Unrestricted								Restricted							Grand Total			
	Appropriated			Non-appropriated					Total Unrestricted	Federal Fund	Other Grant	Total	Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant	Elimination	2006	2005
	General	Trades	MDF	Total Appropriated	NAF Supp	NAF Adj	NAF	Non-appropriated											
Revenues:																			
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,764,582	\$ -	\$ 2,764,582	\$ 2,764,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,764,582	\$ 2,678,080
Government of Guam appropriations	10,981,765	-	162,433	11,144,198	-	-	-	-	11,144,198	-	-	-	-	-	-	-	-	11,144,198	12,866,283
Federal grants and contracts	-	-	-	-	-	-	-	-	-	4,171,866	-	4,171,866	-	-	-	-	-	4,171,866	3,919,175
Government of Guam grants and contracts/agency	-	-	-	-	-	-	-	-	-	-	1,311,007	1,311,007	-	-	-	-	-	1,311,007	434,675
Sales and services of auxiliary enterprises	-	-	-	-	-	(31,519)	635,888	604,369	604,369	-	-	-	-	-	-	-	-	604,369	635,888
Contracted educational services	-	-	-	-	-	-	1,253,697	1,253,697	1,253,697	-	-	-	-	-	-	-	-	1,253,697	1,211,545
Other sources	-	-	83,963	83,963	-	-	358,091	358,091	442,054	-	-	-	60,403	58,528	-	767,822	(767,822)	560,985	534,052
Total current revenues	10,981,765	-	246,396	11,228,161	-	2,733,063	2,247,676	4,980,739	16,208,900	4,171,866	1,311,007	5,482,873	60,403	58,528	-	767,822	(767,822)	21,810,704	22,279,698
Expenditures and mandatory transfers:																			
Educational and general:																			
Instruction	5,817,697	-	60,943	5,878,640	-	644,975	667,337	1,312,312	7,190,952	508,349	76,427	584,776	-	-	-	-	(177,367)	7,598,361	7,468,774
Planning	330,658	-	-	330,658	-	5,740	-	5,740	336,398	284,253	-	284,253	-	-	-	-	(7,678)	612,973	234,903
Academic support	1,007,731	-	-	1,007,731	-	(68,421)	348,024	279,603	1,287,334	50,677	200,085	250,762	-	-	-	-	(161,242)	1,376,854	1,784,301
Student services	2,074,068	-	-	2,074,068	-	444,397	15,308	459,705	2,533,773	546,581	32,773	579,354	-	-	-	-	(40,694)	3,072,433	2,236,165
Institutional support	2,957,009	-	-	2,957,009	-	330,489	370,639	701,128	3,658,137	-	-	-	93	-	160,637	-	(357,807)	3,461,060	3,097,461
Operation and maintenance of plant	1,322,667	-	-	1,322,667	-	113,923	234,081	348,004	1,670,671	-	-	-	29,013	82,043	647	613,339	(21,499)	2,374,214	1,467,622
Scholarship and fellowship	121,624	-	-	121,624	-	203	-	203	121,827	2,782,006	-	2,782,006	-	-	-	-	(1,535)	2,902,298	2,819,813
Bad debt	-	-	-	-	-	330,000	-	330,000	330,000	-	-	-	-	-	-	-	-	330,000	158,297
Depreciation expense	-	-	-	-	-	70,336	-	70,336	70,336	-	18,580	18,580	4,357	50,820	100,000	556,060	-	800,153	754,615
Total educational and general	13,631,454	-	60,943	13,692,397	-	1,871,642	1,635,389	3,507,031	17,199,428	4,171,866	327,865	4,499,731	33,463	132,863	261,284	1,169,399	(767,822)	22,528,346	20,021,951
Auxiliary enterprises:																			
Expenditures	41,517	-	-	41,517	-	(19,291)	549,439	530,148	571,665	-	-	-	-	-	-	-	-	571,665	432,711
Total expenditures	13,672,971	-	60,943	13,733,914	-	1,852,351	2,184,828	4,037,179	17,771,093	4,171,866	327,865	4,499,731	33,463	132,863	261,284	1,169,399	(767,822)	23,100,011	20,454,662
Net (decrease) increase in fund balance	(2,691,206)	-	185,453	(2,505,753)	-	880,712	62,848	943,560	(1,562,193)	-	983,142	983,142	26,940	(74,335)	(261,284)	(401,577)	-	(1,289,307)	1,825,036
Beginning fund balance, restated	763,506	-	(80,000)	683,506	-	7,471,267	3,148,449	10,619,716	11,303,222	287,780	274,558	562,338	755,655	3,424,240	(1,112,136)	3,854,830	-	18,788,149	16,885,518
Fund transfer	-	-	-	-	-	-	538,736	538,736	538,736	-	-	-	-	-	-	69,021	-	607,757	77,595
Adjustments to fund balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending fund balance	\$ (1,927,700)	\$ -	\$ 105,453	\$ (1,822,247)	\$ -	\$ 8,351,979	\$ 3,750,033	\$ 12,102,012	\$ 10,279,765	\$ 287,780	\$ 1,257,700	\$ 1,545,480	\$ 782,595	\$ 3,349,905	\$ (1,373,420)	\$ 3,522,274	\$ -	\$ 18,106,599	\$ 18,788,149

See Accompanying Independent Auditors' Report.