



OFFICE OF PUBLIC ACCOUNTABILITY
Doris Flores Brooks, CPA, CGFM
Public Auditor

March 12, 2014

Honorable Judith T. Won Pat, Ed.D.
Speaker
I Mina'Trentai Dos Na Liheslaturan Guåhan
155 Hesler Place
Hagatna, Guam 96910

2014 MAR 13 9:08 AM
32-14-1400
Office of the speaker
Judith T. Won Pat, Ed.D.
Date: 3.13.14
Time: 8:10
Parish: [Signature]

Dear Speaker Won Pat:

Hafa Adai! Transmitted herewith is the Guam Community College's (GCC) Fiscal Year (FY) 2013 audited Financial Statements, Reports on Compliance and on Internal Control, and Letter to Those Charged with Governance. Attached are our highlights of the audit report.

For your convenience, you may also view and download the reports in their entirety at www.guamopa.org.

Senseramente,

Doris Flores Brooks, CPA, CGFM
Public Auditor

RECEIPT ACKNOWLEDGED:

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By: _____

Date: _____

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Guam Community College FY 2013 Financial Highlights

March 7, 2014

The Guam Community College (GCC) closed Fiscal Year (FY) 2013 with a \$3.2 million (M) increase in net position (net income), which is an increase of 35.5% or \$829 thousand (K) from its FY 2012's \$2.3M increase in net position.

Independent auditors, Deloitte & Touche, LLP, delivered unmodified (clean) opinions on GCC's FY 2013 financial statements and reports on compliance and internal controls. No material weaknesses or significant deficiencies were identified. GCC is to be commended again for having maintained its qualification as a low-risk auditee for the 13th consecutive fiscal year. Additionally, no Management Letter was deemed necessary.

Decrease in Total Revenues

Overall, total revenues amounted to \$36M in FY 2013, which is a \$3M decrease from the \$39M earned in FY 2012. Although income from Student Tuition and Fees, Auxiliary Enterprises, and Other Revenues increased in FY 2013, GCC's net operating revenues decreased by \$2.7M from \$21.3M in FY 2012 to \$18.7M in FY 2013. This was mainly attributed to the decreases in Federal and Government of Guam (GovGuam) Grants and Contracts. Federal Grants and Contracts decreased by 29.4% or \$4.9M from \$16.6M in FY 2012 to \$11.7M in FY 2013, while GovGuam Grants and Contracts decreased by \$50K from \$403K in FY 2012 to \$353K in FY 2013.

Contributions from the United States Government decreased by 62.2% or \$2M from \$3.2M in FY 2012 to \$1.2M in FY 2013. The decrease in Federal revenue is attributed to the completion of projects related to the American Recovery and Reinvestment Act (ARRA) in the first quarter of FY 2012 and the receipt of remaining ARRA funds in the beginning of FY 2013. On the other hand, Appropriations from GovGuam increased by 11% or \$1.6M from \$14.6M in FY 2012 to \$16.2M in FY 2013.

Decrease in Operating Expenses

Total operating expenses decreased by \$3.9M from \$36.6M in FY 2012 to \$32.7M in FY 2013. The largest decreases in expenses were for Scholarships and Fellowships, Academic Support, and Operations and Maintenance of Plant. Expenses for Scholarships and Fellowships decreased by \$3.4M from \$8.4M to \$4.9M, primarily due to the timing and payment of scholarships. Academic Support decreased by \$568K from \$2.8M to \$2.2M.

The \$595K decrease from \$2.5M to \$1.9M in Operations and Maintenance of Plant was largely attributed to the \$574K decrease in Contract Services due to the fiscal conservation measures implemented by GCC in FY 2012. Aside from the reduction of contractual operating costs for maintenance, grass cutting, telephone, and insurance, GCC also employed measures to save power.

Since the completion of its energy audit in February 2011, GCC has identified and implemented lighting retrofits, standardized temperature settings, and other energy conservation measures, which resulted in the \$70K decrease in Utilities from \$1.4M in FY 2012 to \$1.3M in FY 2013. GCC is to be commended for its initiative in energy conservation.

Expenses for Instruction increased by \$1.1M from \$11M in FY 2012 to \$12.1M in FY 2013, mainly due to the \$1.07M increase related to special project courses.

Manpower Development Fund

Due to the decline in the construction industry and the delay of the military buildup, the actual collections from the Manpower Development Fund (MDF) were 47% or \$793K less than FY 2013 appropriations. The MDF is used to support the apprenticeship programs, which served 492 apprentices over 93 active employers in Fall 2013, in comparison to the 386 apprentices over the 80 employers in Fall 2012.

Merit Bonus

GCC assessed the impact of the merit bonus law (Public Law 21-59) and paid out \$77K subsequent to September 30, 2013.

GCC Foundation

The GCC Foundation (Foundation) is a legally separate, tax-exempt, public benefit corporation that is a component unit of GCC. As of FY 2013, the Foundation had a total net worth of \$8.5M, which is an increase from its net worth of \$7.6M in the previous year. Investments by the Foundation increased by \$1M from \$7.8M in FY 2012 to \$8.8M in FY 2013.

The Foundation closed FY 2013 with an increase in net position (net income) of \$811K, which was a decrease of \$195K from the prior year's \$1M. Fundraising contributed to the decline as net Fundraising income decreased by 93% or \$208K from \$224K in FY 2012 to \$16K in FY 2013.

Future Outlook

GCC currently provides career and technical education programs for students in five of the high schools: George Washington, John F. Kennedy, Southern, Simon Sanchez, and Okkodo. However, the establishment of Career and Technical Education Courses at the new, upcoming high school at the Tiyan property would require funding (for personnel and equipment) that is not in GCC's FY 2014 budget.

For more details, refer to the Management Discussion and Analysis in the audit report at www.guamopa.org and www.guamcc.edu.

Deloitte.

**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)**

Table of Contents
Years Ended September 30, 2013 and 2012

	<u>Page</u>
I. Independent Auditors' Report	1
Management's Discussion and Analysis	4
II. Basic Financial Statements:	
Statements of Net Position	14
Guam Community College Foundation Statements of Financial Position	15
Statements of Revenues, Expenses and Changes in Net Position	16
Guam Community College Foundation Statements of Activities	17
Statements of Cash Flows	18
Notes to Basic Financial Statements	19
III. Other Supplementary Information:	
Schedule of Funding Progress and Actuarial Accrued Liability	34
Schedule of Salaries and Wages, Cash Basis	35
Schedule of Expenditures by Function and Object Code	36
Unrestricted and Restricted Fund Supplemental Schedule – Balance Sheet	39
Unrestricted and Restricted Fund Supplemental Schedule – Statement of Changes in Fund Balances	40

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.

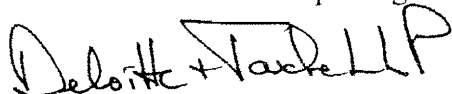
Other Information

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, flowing style.

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.

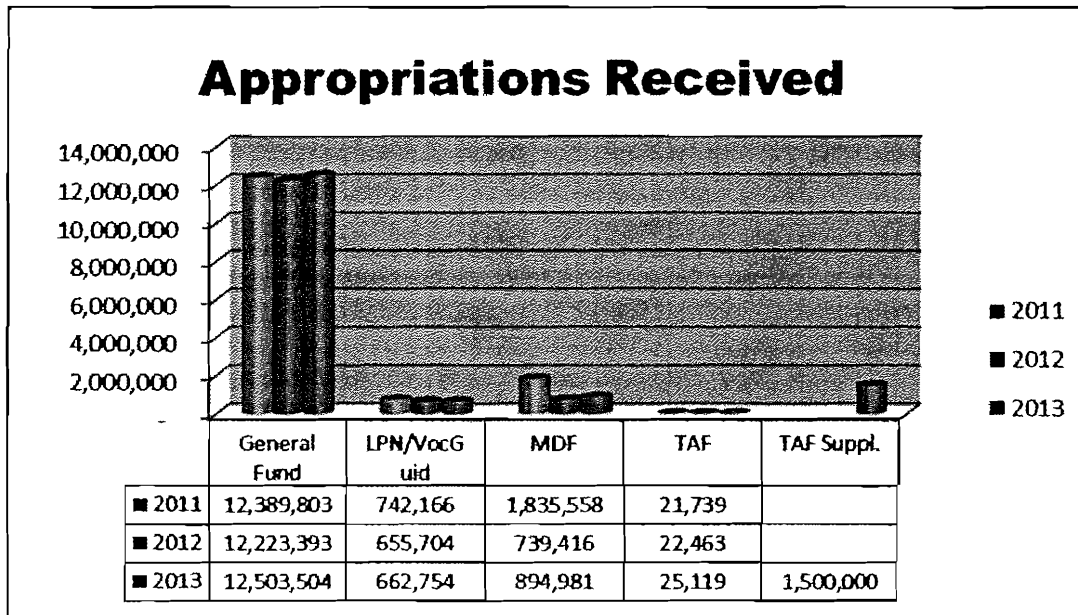
Fiscal Year 2013 Overview

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.

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

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

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.

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

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

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.

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

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.

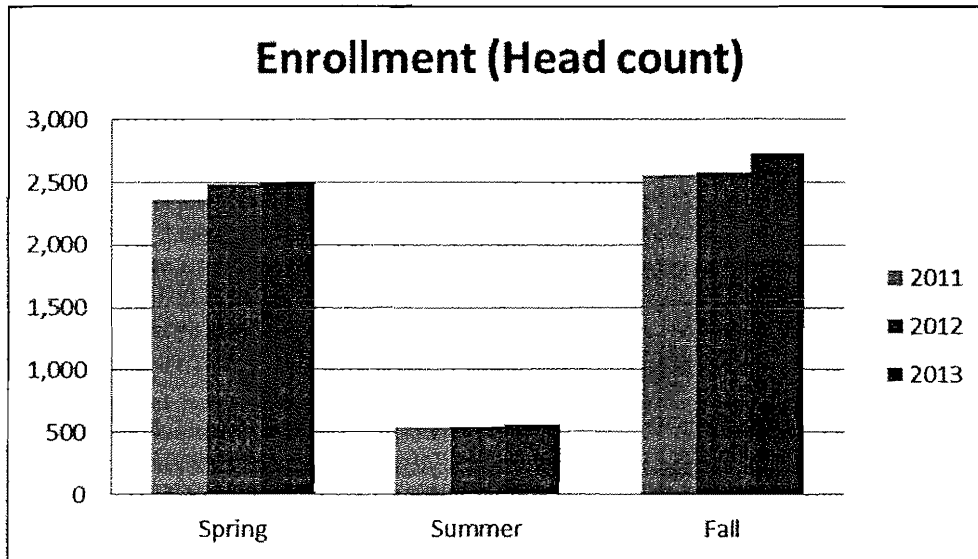
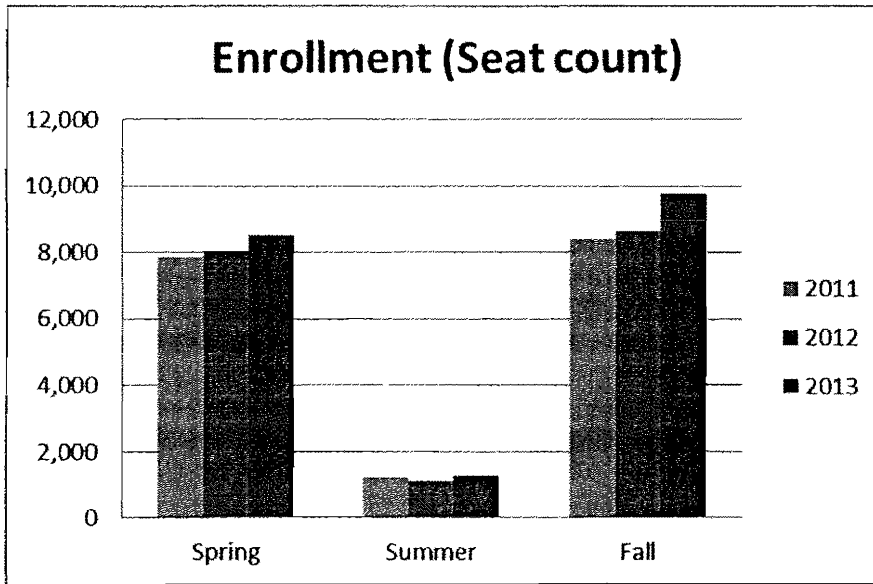
The College operated with 246 full time personnel positions. This does not include adjunct faculty members hired to teach additional postsecondary courses. The College's Government of Guam local appropriation funds are used to provide personnel costs at the College campus and at the five secondary high 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.

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

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



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.

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

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.

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

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

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.

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

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.

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

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

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 BMR 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."

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

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

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	<u>16,828,347</u>	<u>12,334,380</u>
Noncurrent assets:		
Investments	1,769,691	1,798,929
Property, plant and equipment, net	33,494,299	32,709,195
Total noncurrent assets	<u>35,263,990</u>	<u>34,508,124</u>
	<u>\$ 52,092,337</u>	<u>\$ 46,842,504</u>
<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	<u>4,476,387</u>	<u>5,903,158</u>
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	<u>11,438,800</u>	<u>9,351,040</u>
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	<u>40,653,537</u>	<u>37,491,464</u>
	<u>\$ 52,092,337</u>	<u>\$ 46,842,504</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
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	<u>(4,977,371)</u>	<u>(5,060,154)</u>
	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	<u>2,733,169</u>	<u>1,900,913</u>
Total operating revenues	<u>18,810,761</u>	<u>22,245,425</u>
Bad debts	<u>(158,816)</u>	<u>(938,028)</u>
Net operating revenues	<u>18,651,945</u>	<u>21,307,397</u>
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	<u>569,695</u>	<u>601,729</u>
Total operating expenses	<u>32,675,839</u>	<u>36,602,425</u>
Operating loss	<u>(14,023,894)</u>	<u>(15,295,028)</u>
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	16,156,063	14,569,116
Interest expense	<u>(170,030)</u>	<u>(112,629)</u>
Net nonoperating revenues	<u>15,986,033</u>	<u>14,456,487</u>
Capital contributions:		
Contributions from U.S. Government	<u>1,199,934</u>	<u>3,171,646</u>
Change in net position	3,162,073	2,333,105
Net position:		
Net position at beginning of year	<u>37,491,464</u>	<u>35,158,359</u>
Net position at end of year	<u>\$ 40,653,537</u>	<u>\$ 37,491,464</u>

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	1,155,740	-	-	1,155,740	3,236,129	(1,872,494)	24,180	1,387,815
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	344,276	-	-	344,276	381,105	-	-	381,105
Change in net position	811,464	-	-	811,464	2,855,024	(1,872,494)	24,180	1,006,710
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	\$ 8,388,473	\$ 18,008	\$ 43,629	\$ 8,450,110	\$ 7,577,009	\$ 18,008	\$ 43,629	\$ 7,638,646

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)
Net cash used in operating activities	(12,487,981)	(11,365,647)
Cash flows from investing activities:		
Decrease (increase) in investments	29,238	(24,078)
Increase in time certificates of deposit	(2,000,000)	-
Net cash used in investing activities	(1,970,762)	(24,078)
Cash flows from noncapital financing activities:		
Government of Guam appropriations	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)
Net cash provided by (used in) capital and related financing activities	1,158,316	(4,630,260)
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
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 superceded 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, 2012	<u>Additions</u>	Retirement/ <u>Transfers</u>	Balance September 30, 2013
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, 2011	<u>Additions</u>	Retirement/ <u>Transfers</u>	Balance September 30, 2012
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>
	<u>5,599,941</u>	<u>2,494,813</u>
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 1, 2012	Additions	Reductions	Ending Balance September 30, 2013	Amount due within one year
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 1, 2011	Additions	Reductions	Ending Balance September 30, 2012	Amount due within one year
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	<u>1,686,761</u>	<u>617,929</u>
	<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	<u>1,774</u>	<u>3,268</u>
	<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	<u>127,738</u>	<u>372,892</u>
	<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	\$ 1,957,757
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				Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant	Grand Total		
	Appropriated			Non-appropriated		Federal Fund	Other Grant	ARRA	Total					2012	2011	
	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	11,761,082	1,500,000	894,981	16,156,063	-	16,156,063	-	-	-	-	-	-	-	-	16,156,063	14,569,136
Federal grants and contracts	-	-	-	-	-	-	7,070,985	800,858	98,031	7,969,874	-	-	-	-	7,969,874	14,739,836
Gover	-	-	-	-	-	-	-	352,893	-	352,893	-	-	-	-	352,893	463,351
Sales and services of auxiliary enterprises	-	-	-	-	1,157,687	1,157,687	-	-	-	-	-	-	-	-	1,157,687	1,135,529
Other sources	-	-	-	-	2,650,104	2,650,104	-	-	-	-	-	-	-	-	2,650,104	1,886,227
Total current revenues	11,761,082	1,500,000	894,981	16,156,063	11,606,263	22,762,326	7,070,985	1,153,751	98,031	8,322,767	-	-	-	-	36,085,093	19,921,861
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	-	-	-	12,032,467	10,912,166
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	2,896,514
Student services	2,290,774	-	-	2,290,774	228,211	2,518,985	-	16,130	-	309,321	-	-	-	-	2,828,306	2,330,697
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	-	1,940,053	2,538,259
Scholarship and fellowship	211,559	-	-	211,559	2,942	214,501	4,695,540	-	-	4,695,540	-	-	-	-	4,910,041	8,359,478
Retiree healthcare costs	569,695	-	-	569,695	-	569,695	-	-	-	-	-	-	-	-	569,695	601,739
Interest Expense	-	-	-	-	162,524	162,524	-	-	-	-	-	-	-	-	162,524	-
Bad debts expense	-	-	-	-	158,816	158,816	-	-	-	-	-	7,506	-	-	158,816	638,628
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,729,358	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	-	2,171,280	32,211,955	35,722,749
Auxiliary enterprises																
Expenditures	31,724	-	-	31,724	761,006	792,730	-	-	-	-	-	-	-	-	792,730	930,333
Total expenditures	11,761,082	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	-	2,171,280	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)	-	(2,171,280)	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	17,491,464	35,158,359
Fund transfer	-	-	(38,345)	(38,345)	(718,973)	(757,318)	(662,984)	(473,386)	(98,030)	(1,234,400)	(885,031)	-	-	2,356,384	81,665	14,386
Ending fund balance	\$ (1,931,676)	\$ 87,523	\$ 442,812	\$ (1,350,890)	\$ (7,565,800)	\$ 16,214,910	\$ 273,789	\$ 1,038,720	\$ (2,301,470)	\$ (988,961)	\$ (5,039,561)	\$ 2,007,977	\$ (4,562,827)	\$ 33,921,499	\$ 40,653,377	\$ 37,491,464

See Accompanying Independent Auditors' Report.

Deloitte.

GUAM COMMUNITY COLLEGE

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

**INDEPENDENT AUDITORS' REPORTS ON
COMPLIANCE AND ON INTERNAL CONTROL**

YEAR ENDED SEPTEMBER 30, 2013

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

Board of Trustees
Guam Community College:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Guam Community College (the College) and its discretely presented component unit as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 6, 2014.

Internal Control Over Financial Reporting

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

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

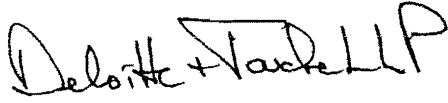
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

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

March 6, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Guam Community College:

Report on Compliance for Each Major Federal Program

We have audited Guam Community College's (the College's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended September 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

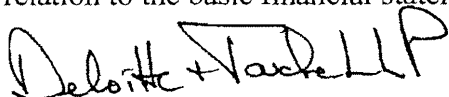
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB A-133

We have audited the financial statements of Guam Community College and its discretely presented component unit as and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated March 6, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



March 6, 2014

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

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

CFDA #	Federal Grantor/Program Title	Expenditures
10.766	U.S. Department of Agriculture (Direct Loan) Communities Facilities Loans and Grants Total U.S. Department of Agriculture	\$ 3,440,000 * <u>3,440,000</u>
15.875	U.S. Department of the Interior Pass-Through the Governor's Office: Economic, Social, and Political Development of the Territories Total U.S. Department of the Interior	 <u>613,006</u> <u>613,006</u>
47.076	U.S. National Science Foundation (Direct Program) Education and Human Resources Total National Science Foundation	 <u>31,136</u> <u>31,136</u>
81.117	U.S. Department of Energy Pass-Through the Guam State Energy Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	 <u>7,500</u>
81.041	ARRA State Energy Program Total U.S. Department of Energy	<u>98,031</u> <u>105,531</u>
	U.S. Department of Education: Direct Programs:	
84.007	Student Financial Assistance Cluster: Federal Supplemental Educational Opportunity Grants	 <u>53,778</u> *
84.033	Federal Work-Study Program	<u>84,557</u> *
84.063	Federal Pell Grant Program	<u>4,557,205</u> *
	Subtotal Student Financial Assistance Cluster	<u>4,695,540</u>
84.002A	Adult Education - Basic Grants to States	<u>473,596</u>
84.031A	Higher Education-Institution Aid	<u>2,994</u>
84.042A	TRIO-Student Support Services	<u>301,462</u> *
84.048A	Career and Technical Education - Basic Grants to States	<u>769,943</u>
84.378A	College Access Challenge Grant Program	<u>789,923</u>
	Subtotal Direct Programs	<u>7,033,458</u>
84.403	Pass-Through Guam Department of Education: Consolidated Grant to the Outlying Areas Subtotal Pass-through Guam Department of Education	 <u>352,893</u> <u>352,893</u>
	Total U.S. Department of Education	<u>7,386,351</u>
	U.S. Department of Health and Human Services: Direct Programs:	
93.587	Promote the Survival and Continuing Vitality of Native American Languages Subtotal Direct Programs	 <u>16,463</u> <u>16,463</u>
93.824	Pass-Through Guam Department of Public Health and Social Services: Area Health Education Centers Infrastructure Development Awards Subtotal Pass-Through Guam Department of Public Health and Social Services	 <u>127,795</u> <u>127,795</u>
	Total U.S. Department of Health and Human Services	<u>144,258</u>
	Corporation for National and Community Service Pass-Through the University of Guam:	
94.005	Learn and Serve America Higher Education Total Corporation for National and Community Service:	 <u>17,537</u> <u>17,537</u>
97.047	U.S. Department of Homeland Security (Direct Programs) Pre-Disaster Mitigation Total U.S. Department of Homeland Security	 <u>23,548</u> <u>23,548</u>
	Total Federal Awards	<u>\$ 11,761,367</u>

* Denotes a major program as defined by OMB Circular A-133.

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

See accompanying notes to Schedule of Expenditures of Federal Awards.

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

1. Scope of Audit

Guam Community College (the College) is a component unit of the Government of Guam established by the enactment of Public Law 14-77, "The Community College Act of 1977." Only the transactions of the College are included within the scope of the OMB A-133 audit (the "Single Audit").

Programs Subject to Single Audit

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- U.S. Department of Agriculture
- U.S. Department of the Interior
- U.S. National Science Foundation
- U.S. Department of Energy
- U.S. Department of Education
- U.S. Department of Health and Human Services
- Corporation for National and Community Service
- U.S. Department of Homeland Security

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the College and is presented on the accrual basis of accounting, consistent with the manner in which the College maintains its accounting records. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. All expenses and capital outlays are reported as expenditures.

The College recognizes contributions from the federal government when qualifying expenditures are incurred and expenditures are recognized on the accrual basis of accounting.

3. Reconciliation of Schedule of Expenditures of Federal Awards (SEFA) to Financial Statements

The Schedule of Expenditures of Federal Awards reconciles to the financial statements, as follows:

Capital contributions from U.S. government, as reported	\$ 1,199,934
Federal grants and contracts, as reported	11,747,311
Government of Guam grants and contracts, as reported	352,893
Others, included in long-term debt	3,440,000
Scholarship discounts and allowances, as reported	(4,977,371)
Unidentified variance	<u>(1,400)</u>
Total expenditures per the SEFA	\$ <u>11,761,367</u>

4. American Recovery and Reinvestment Act of 2009

In February 2009, the Federal Government enacted the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2013, the College's expenditures and related grant award notifications are as follows:

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

Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2013

4. American Recovery and Reinvestment Act of 2009, Continued

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Grant Amount</u>	<u>FY 2013 Expenditures</u>
81.041	ARRA State Energy Program	\$ <u>1,286,000</u>	\$ <u>98,031</u>
		\$ <u>1,286,000</u>	\$ <u>98,031</u>

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| 2. Material weakness(es) identified? | No |
| 3. Significant deficiency(ies) identified? | None reported |
| 4. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | | | | | | | | | |
|--|---|---|--------|---|-----------------|--------------------------------------|---------|---------------------------------|--|
| Internal control over major programs: | | | | | | | | | |
| 5. Material weakness(es) identified? | No | | | | | | | | |
| 6. Significant deficiency(ies) identified? | None reported | | | | | | | | |
| 7. Type of auditors' report issued on compliance for major programs: | Unmodified | | | | | | | | |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No | | | | | | | | |
| 9. Identification of major programs: | | | | | | | | | |
| <table border="0" style="width: 100%;"> <tr> <td style="text-align: center;"><u>CFDA Numbers</u></td> <td style="text-align: center;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td style="text-align: center;">10.766</td> <td style="text-align: center;">Communities Facilities Loans and Grants</td> </tr> <tr> <td style="text-align: center;">84.007 - 84.063</td> <td style="text-align: center;">Student Financial Assistance Cluster</td> </tr> <tr> <td style="text-align: center;">84.042A</td> <td style="text-align: center;">TRIO – Student Support Services</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.766 | Communities Facilities Loans and Grants | 84.007 - 84.063 | Student Financial Assistance Cluster | 84.042A | TRIO – Student Support Services | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | | | | |
| 10.766 | Communities Facilities Loans and Grants | | | | | | | | |
| 84.007 - 84.063 | Student Financial Assistance Cluster | | | | | | | | |
| 84.042A | TRIO – Student Support Services | | | | | | | | |
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$352,841 | | | | | | | | |
| 11. Auditee qualified as low-risk auditee? | Yes | | | | | | | | |

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Cost

No matters were reported.

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

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2013

There are no unresolved prior audit findings and questioned costs.



Deloitte & Touche LLP
361 S. Marine Corps Drive
Tamuning, GU 96913-3911
USA

Tel: 1-671-646-3884
Fax: 1-671-649-4932
www.deloitte.com

March 6, 2014

Board of Trustees
Guam Community College:

To the Board of Trustees:

We have performed an audit of the financial statements of the Guam Community College (the College) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and have issued our report thereon dated March 6, 2014.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the College is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our responsibility under generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, have been described in our engagement letter dated September 25, 2013. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the whether the College’s basic financial statements and the accompanying supplementary information, in relation to the basic financial statements as a whole, for the year ended September 30, 2013, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America, and to perform specified procedures on the required supplementary information for the year ended September 30, 2013.
- To express an opinion on whether the supplementary information that accompanies the basic financial statements including the schedule of expenditures of federal awards, is presented fairly, in all material respects, in relation to the financial statements as a whole;
- To report on the College’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2013 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.
- To report on the College’s compliance with requirements applicable to each major program and on internal control over compliance in accordance with the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (“OMB Circular A-133”).

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared with the oversight of management and the Board of Trustees are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Trustees of their responsibilities.

We considered the College's 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 College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We also considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our audit does not, however, provide a legal determination of the College's compliance with those requirements.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the College's 2013 financial statements include management's estimate of the allowance for uncollectible accounts, which is determined based upon past collection experience and aging of the accounts, and management's estimate of depreciation expense, which is based on estimated useful lives of the respective capital assets. During the year ended September 30, 2013, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

AUDIT ADJUSTMENTS AND UNCORRECTED MISSTATEMENTS

As the result of our audit work, we identified matters that resulted in audit adjustments that we believe, either individually or in the aggregate, would have a significant effect on the College's financial reporting process. Such proposed adjustments, listed in Attachment I, have been recorded in the accounting records and are reflected in the 2013 financial statements. Those proposed adjustments that were not recorded by management are also included in the schedule described in the next paragraph.

In addition, we have attached to this letter, as Appendix A to Attachment II, a summary of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period and prior period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

SIGNIFICANT ACCOUNTING POLICIES

The College's significant accounting policies are set forth in Note 2 to the College's 2013 financial statements. During the year ended September 30, 2013, there were no significant changes in previously adopted accounting policies or their application, except for the following pronouncements adopted by the College:

- 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. The implementation of this statement did not have a material effect on the accompanying financial statements.

- 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*. The implementation of this statement did not have a material effect on the accompanying financial statements.
- 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 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 but is of the opinion that Statement 68 will materially impact the College's financial statements.

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.

OTHER INFORMATION IN THE ANNUAL REPORTS

When audited financial statements are included in documents containing other information such as the College's 2013 Annual Report, we will read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We will read the other information in the College's 2013 Annual Report and will inquire as to the methods of measurement and presentation of such information. If we note a material inconsistency or if we obtain any knowledge of a material misstatement of fact in the other information, we will discuss this matter with management and, if appropriate, with the Board.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the College's 2013 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2013.

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the College's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the College is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Attachment II, a copy of the representation letter we obtained from management.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO OUR RETENTION

Throughout the year, routine discussions were held or were the subject of correspondence with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the College's management and staff and had unrestricted access to the College's senior management in the performance of our audit.

CONTROL-RELATED MATTERS

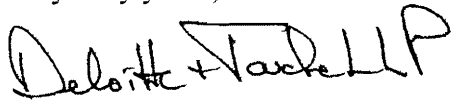
We have also issued a separate report to you, dated March 6, 2014, containing information regarding our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grant agreements.

We have also issued a separate report to you, also dated March 6, 2014, regarding the College's compliance with requirements applicable to each major federal program and on internal control over compliance in accordance with OMB Circular A-133.

This report is intended solely for the information and use of management of the College, the Board of Trustees, and the Office of Public Accountability - Guam and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the staff and management of the College for their cooperation and assistance during the course of this engagement.

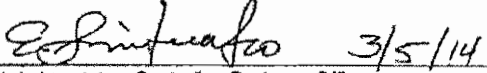
Very truly yours,

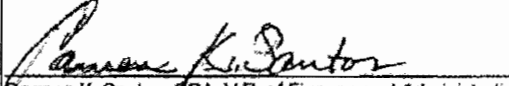
A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, stylized font.

Guam Community College
 Summary of Corrected Misstatements
 September 30, 2013

Name	Debit	Credit
Fund 11/12		
1 AJE To record unaccrued unpaid interest at year end		
Accrued Interest	-	11,962.00
Interest	11,962.00	-
	<u>11,962.00</u>	<u>11,962.00</u>

I have reviewed the adjustments above and authorized that they be recorded in the general ledger as of September 30, 2013
 The adjustments are results of errors and not results of fraud or illegal acts.


 Edwin Limutaco, Controller, Business Office


 Carmen K. Santos, CPA, V.P. of Finance and Administration



Kalehon Kumuniddi Guåhan
Accredited by the
Western Association of
Schools and Colleges

March 6, 2014

Deloitte & Touche LLP
361 South Marine Corps Drive
Tamuning, GU 96913

We are providing this letter in connection with your audits of the financial statements of the Guam Community College (the College) as of September 30, 2013 and 2012, which collectively comprise the College's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the College in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (GAAP).
- b. The fair presentation of the required supplementary information including, Management's Discussion and Analysis, and additional information accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud.
- d. Establishing and maintaining effective internal control over financial reporting.
- e. The review and approval of the basic financial statements and related notes and acknowledge your role in the preparation of this information. Specifically, we acknowledge that your role in the preparation of the basic financial statements was a matter of convenience rather than one of necessity. We have reviewed the basic financial statement preparation assistance provided by you and acknowledge that the financial statements are prepared in accordance with GAAP. Our review was based on the use of the financial statement disclosure checklist for stand-alone business-type activities obtained from the Government Finance Officers Association.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

ATTACHMENT II, CONTINUED

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in conformity with GAAP. In addition:
 - a. The basic financial statements properly classify all funds and activities.
 - b. Net position components (net investment in capital assets, restricted, and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 - c. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - d. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 - e. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported
 - f. Deposits and investment securities are properly classified in category of custodial credit risk.
 - g. Capital assets are properly capitalized, reported and, if applicable, depreciated.
 - h. Required supplementary information is measured and presented within prescribed guidelines.
 - i. Costs to federal awards have been charged in accordance with applicable cost principles
2. The College has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
3. The College has provided you:
 - a. Financial records and related data for all financial transactions of the College and for all funds administered by the College. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the College and provide the audit trail to be used in a review of accountability. Information presented in the financial reports is supported by the books and records from which the basic financial statements have been prepared.
 - b. Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared as well as Public Laws enacted by the Government of Guam's Legislature.
 - c. Contracts and grant agreements (including amendments, if any).
4. There have been no:
 - a. Action taken by the College's management that contravenes the provision of federal laws and local laws and regulations or of contracts and grants applicable to the College.
 - b. Communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the basic financial statements.

5. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.
6. The College has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud. However, management has made available to you their understanding about the risks of fraud in the College and do not believe that the basic financial statements are materially misstated as a result of fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the College involving:
 - a. Management.
 - b. Employees who have significant roles in the College's internal control over financial reporting.
 - c. Others, if the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the College received in communications from employees, former employees, regulators, or others.
9. Significant assumptions used by us in making accounting estimates are reasonable.
10. We adopted the provisions of 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. The implementation of this statement did not have a material effect on the accompanying financial statements.
11. We adopted the provisions of 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.
12. We adopted the provisions of 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*. The implementation of this statement did not have a material effect on the accompanying financial statements.
13. We adopted the provisions of 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. The implementation of this statement did not have a material effect on the accompanying financial statements.

14. 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.
15. 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 this statement on the financial statements of the College.
16. 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.
17. In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, which requires a state or local government guarantor that offers a non-exchange 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.
18. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information

- b. The required supplementary information is measured and presented in accordance with the requirements of the Governmental Accounting Standards Board.
 - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period
19. Regarding supplementary information
- a. We are responsible for the fair presentation of the supplementary information in accordance with GAAP
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP
 - c. The methods of measurement and presentation of the supplementary information have not changed from those in the prior period
20. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We did not incur any Research & Development costs within the fiscal year. In addition, we have accurately completed the appropriate sections of the data collection form.
21. We are responsible for compliance with local, state and federal laws, rules and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the College's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The College is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
22. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs.
23. We have:
- a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
 - b. Complied, in all material respects, with the requirements identified above in connection with federal awards.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations.
 - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and

ATTACHMENT II, CONTINUED

reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.

- e. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit.

24. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

25. No evidence of fraud or dishonesty in fiscal operations of programs administered by the College has been discovered.

Except where otherwise stated below, immaterial matters less than \$105,600 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

26. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the basic financial statements.

27. The College has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

28. Regarding related parties:

- a. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.

29. In preparing the financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:

- a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events.

- b. The effect of the change would be material to the financial statements.

30. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the basic financial statements:


- a. The concentration exists at the date of the financial statements.

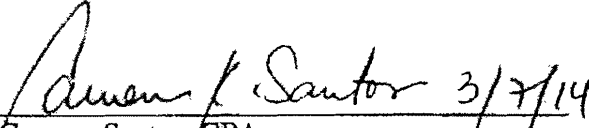
ATTACHMENT II, CONTINUED

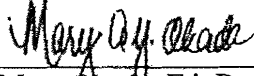
- b. The concentration makes the College vulnerable to the risk of a near-term severe impact.
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.
31. There are no:
- a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Known actual or possible litigation and claims whose effects should be considered and accounted for and disclosed in the financial statements and that have not been disclosed to you.
32. The College has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except for the lien established by U.S. Department of Agriculture as disclosed in note 9 to the financial statements.
33. The College has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
34. No department of Guam Community College has reported a material instance of noncompliance to us.
35. There are no known related party transactions, which should be recorded or disclosed in the financial statements.
36. 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. Commercial coverage is provided for claims arising from most of these matters.
37. The College is responsible for determining and maintaining the adequacy of the allowance for doubtful accounts, interfund receivables, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowances are adequate to absorb currently estimated bad debts in the account balances.
38. Quantitative and qualitative information regarding the allowance for doubtful accounts has been properly disclosed in the financial statements.
39. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the College and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.
40. 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. The College has not experienced any losses on such accounts and management believes it is not exposed to credit risk on its deposits.
41. The College, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The financial statements referred to above reflect all adjustments required by GASB Statement 42.

ATTACHMENT II, CONTINUED

42. 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 financial statements.
43. 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.
44. No events have occurred after September 30, 2013, but before March 6, 2014, the date the financial statements were available to be issued that require consideration as adjustments to, or disclosures in, the financial statements.


Edwin Limtuatco
Controller, Business Office


Carmen Santos, CPA
V.P. of Finance and Administration


Mary Okada, Ed. D.
President

Guam Community College
 Summary of Current Year Misstatements
 9/30/2013

APPENDIX A

Entry Description	Assets	Liabilities	Equity	Profit and Loss
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
PAJE 1 - To adjust for stale dated checks over 3 years old Accounts payable Other income		191,217		(191,217)
PAJE 2 - To capitalize interest CIP Interest expense	43,110			(43,110)
	43,110	191,217	0	(234,327)

Concurrence: The above misstatements have been provided and explained to me. I understand these misstatements and I believe they are considered to be immaterial to the financial statements taken as a whole. I also believe they did not result from fraud or illegal acts, rather errors.

 3/7/14
 Edwin Limutalco, Controller, Business Office

 3/7/14
 Carmen Santos, CPA, V.P. of Finance and Administration