

GUAM COMMUNITY COLLEGE

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

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

YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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

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Years Ended September 30, 2012 and 2011**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Guam Community College:

We have audited the accompanying 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 years ended September 30, 2012 and 2011, and which collectively comprise the College's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on the respective financial statements based on our audits.

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

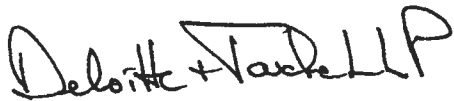
In our opinion, such financial statements, as set forth in Section II of the foregoing table of contents, present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of September 30, 2012 and 2011, and the respective changes in their net assets and their cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013, on our consideration of the Guam Community 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements. The accompanying schedules on pages 35 through 39 are presented for purposes of additional analysis and are 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 financial statements. The accompanying schedules on pages 35 through 39 have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules on pages 35 through 39 are fairly stated in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements. The accompanying schedule on page 34 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

March 4, 2013

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

Management's Discussion and Analysis
Years Ended September 30, 2012 and 2011

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 Assets – This statement is similar to a balance sheet. Net assets represent the difference between the institution's total assets and the institution's liabilities.

Statement of Revenues, Expenses, and Changes in Net Assets – This statement presents the financial results of operating the College for the whole fiscal year. In this presentation, appropriated funds are considered as non-operating revenue. 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 twelfth consecutive year, GCC has maintained its low-risk auditee status. Given this designation by the Independent Auditor, review of the College's financial records demonstrates there were no questioned costs or unresolved prior year audit findings in fiscal year 2012. 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.

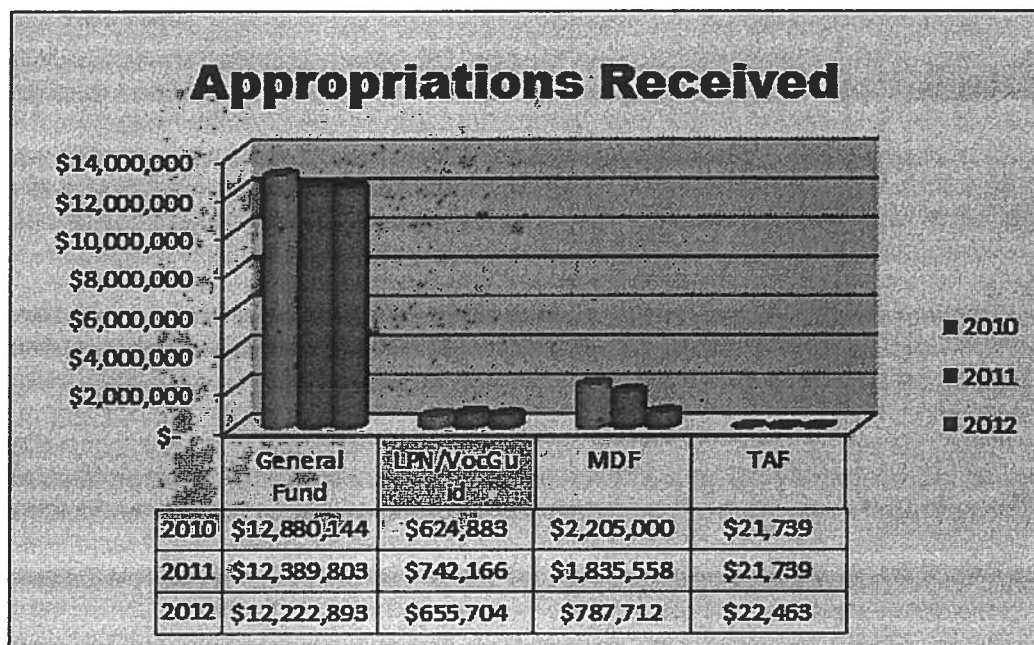
Fiscal Year 2012 Overview

FY 2012 turned out to be a banner year for the College as it received its Accreditation results. It was also a tough year financially for the College. In December 2011, the College submitted its 2012 Institutional Self Evaluation Report (ISER) for Reaffirmation of Accreditation. In March 2012, an Accreditation team of 12 selected by the Accrediting Commission for Community and Junior Colleges (ACCJC) visited the College for the review. In June 2012, College received a status of Reaffirmation of Accreditation. This ensures that the education and credentials that students receive at the College are recognized by employers, businesses, and the community.

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Continuing challenges with the Government of Guam financial issues combined with the delay in the military buildup caused financial woes throughout the Government of Guam. At the beginning of FY12, 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 \$2,357,577 reserve. Subsequently, BBMR released 8% of General Fund appropriations totaling \$970,348. Additionally, there were unexpected 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 Manpower Development Funds were 41% or \$695,000 less than appropriations. In total, GCC saw an overall decrease of 2% from General Fund and 60% from MDF appropriations.



These challenges are the result of economic issues 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. This has resulted in stagnant and decreasing local appropriations although the College experienced increased student enrollment. Also, GovGuam has issued a \$198 million bond to repay prior year taxpayer refunds, retiree cola payments, and retirement liabilities.

The College was able to maintain its fiscal accountability and manage increased student enrollment, through the management of its available resources. At the June 13, 2012 Board of Trustees meeting, through a recommendation made by the College Governing Council, the board voted to freeze faculty and administrator increments for AY 12-13. Additionally, the College implemented fiscal conservation measures through the reduction of contractual operating costs in maintenance, grass cutting, telephone, and insurance costs. Power conservation measures were implemented with standardized temperature settings and installation of PV parking lights and in newly constructed buildings.

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Although there were federal discussions to reduce the amount of Pell funding, Pell remained stable for 2012 at the maximum full time award of \$5,550 per student per academic year. Prior increases are the result of the American Recovery & Reinvestment Act (ARRA) and have greatly assisted students who are struggling to go back to school. Pell grants make up approximately 70% or \$5,060,154 of students tuition and fee payments. This is a 5% increase from 2011 where 65% or \$4,110,416 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 a \$3,500,000 pre-approval USDA loan for the renovation and construction of the Foundation Building. The loan has a 40-year repayment term and is based on a competitive interest rate.
- GCC was a recipient of a DOI Technical Assistance grant of \$142,095 to support the classroom instruction and teaching without textbooks program. The funding allows for the implementation of Classroom Instruction that Works and Teaching Without Textbooks, which will enhance the instructional skills of Guam's teachers as well as provide them with digital resources.
- GCC was a recipient of a DOI Technical Assistance grant of \$45,000 for PAYU-TA, Incorporated, a Guam non-profit corporation. The funding allowed for the participation at the Council for Native Hawaiian Advancement conference.
- GCC was a recipient of DOI Technical Assistance WOMEN's Program grant of \$125,000. The grant will support the WOMEN of Micronesia project, which focuses on the promotion and encouragement of civil engagement by the women of Micronesia. Also, the project seeks to strengthen a Micronesia community of islands wherein economic, social, and environmental rights for men and women are fully respected, ensuring social protection, sustainable livelihoods, environmental security, and an equitable distribution of the region's natural and economic resources.
- 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 third 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.
- GCC was the recipient of \$100,000 from the TakeCare Foundation to support faculty professional development, equipment, medical supplies, and student scholarships.
- On November 30, 2011, the Governor signed an MOU between GCC and the Guam Energy Office for a \$500,000 sub-grant funded from the U.S. Department of Energy. The sub-grant will be used to retrofit the Student Center and the Foundation Building with photovoltaic solar panels. The funding is from ARRA Energy Efficiency and Conservation Block Grant.

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The College operated with 239 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 386 and 377 apprentices over 80 and 57 employers in Fall 2012 and 2011, respectively.

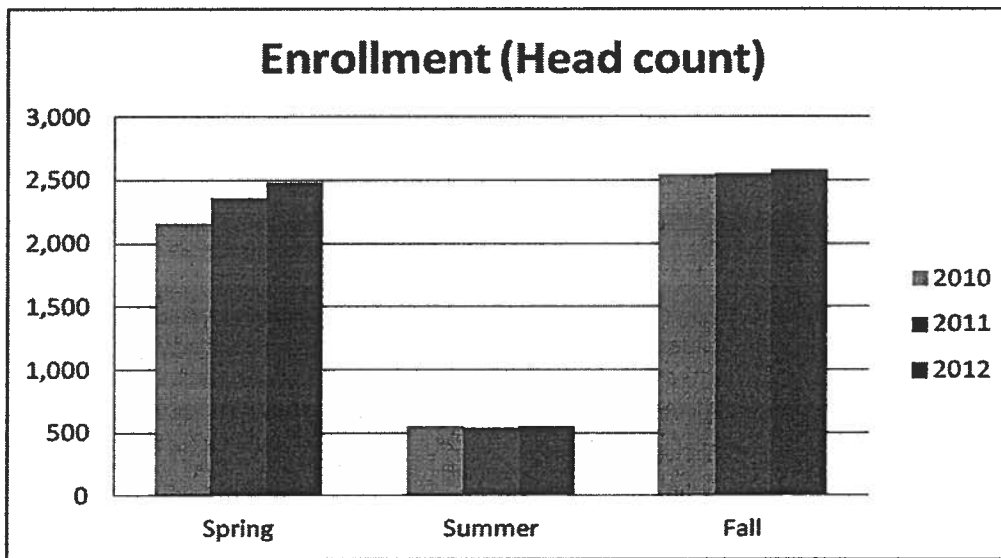
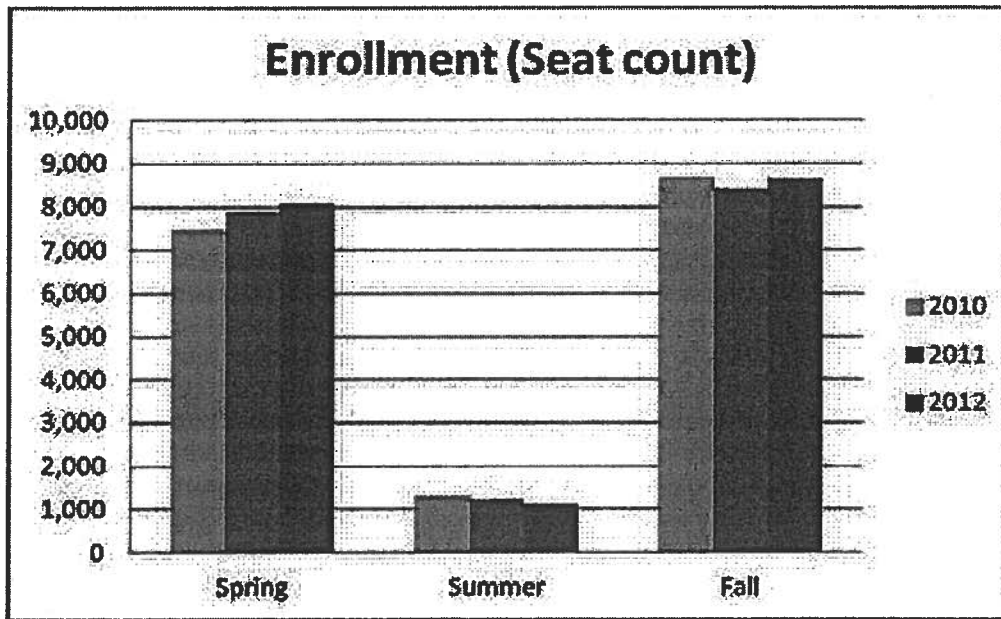
In September 30, 2011, the Legislature passed Public Law 31-99, which provided GCC authorization to enter into a land lease with Guam Power Authority. The proposed lease was to lease part of the 314-acre property for GPA to setup a solar farm and which would allow the College to utilize toward developed curriculum related to alternative energy. However, on November 21, 2011, the Governor signed Public Law 31-134 transferring 314 acres of land located in Mangilao, on the back road to Anderson, to the Guam Ancestral Land Commission. The land was originally transferred from the United States of America through the U.S. Department of Education to GCC. The intent of the *I Liheslaturan Guahan* is to return the properties to the original landowners and/or their heirs.

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 FY12 and there is no request expected for FY13. Overall actual tuition revenues have increased due to increases in the number of students and classes during the academic year 2011-2012. As authorized by the Board of Trustees, 50% of the proceeds from the 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 FY2012 for capital projects and technology fees were \$797,000 and \$764,000, respectively.

There were slight increases in the post secondary enrollment seats and headcounts for the Spring 2012 and Fall 2012 of 5% and 1% respectively, as compared to prior 2011 semesters. This is mainly attributable to competitive tuition rates, maintenance of maximum annual allowable Pell awards, and the decline in economic environment. Based on prior trends, declines in the global economy usually lead to increases in post-secondary enrollment, as people tend to go back to school to obtain degrees so that they can get higher paying jobs.

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The College continues to provide career and technical education programs for students in five of the Guam high schools: GW, JFK, Southern, Simon Sanchez and Okkodo. The secondary high schools had a record enrollment of 2,368 from 2,268 students in SY12-11 and SY11-10, respectively. These programs included the Allied Health, Auto Body, Automotive Service, Construction, Electronics/Networking, Lodging Management, Marketing, Pro-Start, Education and Visual Communications.

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

Summary Statement of Net Assets

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Other current assets	\$ 7,418	\$ 11,989	\$ 8,958
Accounts receivable – U.S.			
Government	4,916	4,322	2,295
Investments (noncurrent)	1,799	1,775	1,758
Capital assets, net	<u>32,709</u>	<u>27,267</u>	<u>18,880</u>
Total	\$ <u>46,842</u>	\$ <u>45,353</u>	\$ <u>31,891</u>
Liabilities:			
Current liabilities	\$ 5,903	\$ 6,706	\$ 4,016
Non-current liabilities	<u>3,448</u>	<u>3,489</u>	<u>1,297</u>
Total	<u>9,351</u>	<u>10,195</u>	<u>5,313</u>
Net assets:			
Invested in capital assets, net			
of related debt	29,649	22,084	17,799
Restricted	1,887	1,833	1,793
Unrestricted	<u>5,955</u>	<u>11,241</u>	<u>6,986</u>
Total liabilities and net assets	\$ <u>46,842</u>	\$ <u>45,353</u>	\$ <u>31,891</u>

The overall financial situation at the College remained stable as compared with prior year, mainly due to the fiscal conservation methods that were adopted by the College. Accounts receivable amounts decreased due to the timely collection of GovGuam appropriations by the end of the fiscal year and the write-off of old outstanding receivables from the previous financial system. Additionally, the College implemented the system of dropping students for non-payment in Fall 2012. This has helped increase collections from student receivables. There was a slight increase in investment balances as the markets were somewhat favorable as compared to 2011. Increases in capital assets were due to the construction of the Student Center completed in November 2011 and the remaining capitalization of assets related to the full utilization of ARRA funds. Additionally, increases in construction in progress were due to the renovation and hardening of the Foundation Building with completion date in October 2012. The decrease in current liabilities is mainly due to reduction in the construction contract liability for the Student Center completed in FY2012.

Due to the constraints of College and University accounting, approximately \$2,374,453 in encumbrances incurred in fiscal year 2012 have yet to be reflected as expenditures in the accompanying financial presentation, but will be liquidated with 2012 net assets. The decrease in encumbrances is due to the completion of construction of the Student Center and ARRA projects by December 2011 and a majority of the construction costs related to the Foundation Building completed by September-October 2012.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 21,307	\$ 18,283	\$ 15,967
Operating expenses	<u>36,602</u>	<u>32,195</u>	<u>29,762</u>
Operating loss	(15,295)	(13,912)	(13,795)
Non operating revenues	14,456	15,653	15,900
Capital contributions	<u>3,172</u>	<u>6,839</u>	<u>2,299</u>
Change in net assets	2,333	8,580	4,404
Net assets at beginning of year	<u>35,158</u>	<u>26,578</u>	<u>22,174</u>
Net assets at end of year	\$ <u>37,491</u>	\$ <u>35,158</u>	\$ <u>26,578</u>

Statement of Cash Flows

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash provided by (used in):			
Operating activities	\$ (11,366)	\$ (9,118)	\$ (11,087)
Noncapital financing activities	18,533	13,289	14,035
Capital and related financing activities	(4,630)	(3,902)	(2,650)
Investing activities	<u>(24)</u>	<u>(17)</u>	<u>(121)</u>
Net change in cash and cash equivalents	2,513	252	177
Cash and cash equivalents at beginning of year	<u>1,445</u>	<u>1,193</u>	<u>1,016</u>
Cash and cash equivalents at end of year	\$ <u>3,958</u>	\$ <u>1,445</u>	\$ <u>1,193</u>

At the end of FY 2012 and 2011, respectively, the College recognized a 4% and 19% increase in student tuition and fees due to the continued increased student enrollment and the Fall 2011 tuition rate adjustment. Federal revenue decreases were attributed to completion of the ARRA related projects in the first quarter of FY 2012. There is a decrease of \$6.2 million in the change in net assets from the prior year due to the one-time ARRA \$6 million funds in 2011 and the decrease in GovGuam appropriations. The net assets of the College show an increase of approximately \$2 million for the current year. The \$2 million increase directly coincides with the increases in capital assets from completed construction projects. The local appropriation for Manpower Development decreased significantly and the General fund appropriation remained constant. In fiscal year 2012, the College received approximately 95% of its local appropriations from the Government of Guam with the remaining balance subsequently received in FY13.

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Pell grant expenditures increased by 40% or \$2,327,147. Total expenditure increases correlate to the increase in student registrations and other related special projects total courses. Increases were the result of increased personnel costs due to increased student enrollment. The actual full-time employee count decreased by 2 employees, from 241 to 239, with an increased cost of \$178,938, due to increased benefit costs. During the first four months of the fiscal year, the College received on average none of its local appropriations. By June 30, 2012, the College had received 62% of its local appropriations. This required the operational reduction of contractual services and strict management and control over its resources in order to deal with the cash shortages. The College remains committed to displaying fiscal responsibility in the management of its funds by operating within the levels of authorization. Overall expenditures increased due to increased federal funds, increased enrollment that required adjunct hiring, equipment, and supply costs.

Capital Assets and Debt Administration

GCC's capital assets of \$32,709,195 as of September 30, 2012, included land, buildings and equipment. Increases in capital assets were due to the completion of the Student Center with costs totaling \$4.4M and ARRA projects during FY12. Costs incurred for the construction of the Foundation Building, A/E for Building 200, and the DNA Toxicology facility and classrooms were included in Construction In Progress. The Foundation Building construction was substantially completed in late October 2012. In July 2012, the College received approval for its application for the \$3,500,000 Community Facilities Direct loan for the renovation and hardening of the Foundation Building. The College remained current in the repayment of the Water Tank and the Learning Resource construction loan from USDA and made principal and interest payments of \$131,216 and \$33,205, respectively, during fiscal year 2012. 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, 2011 and 2010, is set forth in the College's report on the audit of the financial statements, which is dated February 27, 2012, and that Discussion and Analysis explains the major factors impacting the 2011 and 2010 financial statements and can be viewed at the Office of Public Accountability – Guam website at www.guamopa.org.

Economic Outlook for FY 2013

The College continues to closely track the economic situation of the Government of Guam (GovGuam), as it receives in total 58% of its operational funding locally and 90% of the local appropriation is used for personnel costs. The College's FY13 appropriation for all funds decreased by 6% or \$726,329. Additionally, the College has been notified by the Bureau of Budget and Management Resources that there is a 15% reserve that has been placed on all fund sources amounting to \$2,357,891. The Manpower Development Funds collections have decreased significantly. These decreases come at a time when there is speculation of whether or not the military buildup will happen and when. Appropriations to the College have remained flat and continue to be challenging to the College. Future appropriation levels remain unknown. The Government of Guam continues to be fiscally challenged and that has affected government cash flows and funding availability. The Guam economy is affected by a sluggish real estate market, rising costs, and continued uncertainties. Overspending, 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 future island demands for education.

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As of February 14, 2013, the College has received 33% of its FY13 appropriations from the General Fund appropriations. The College has not received any of the Manpower Development Fund Appropriations to date. In FY13, the General Fund appropriation is only used to fund salaries and benefits for full-time classified employees. There is no available funding for any of the College's operation costs from these appropriations. The reduction of appropriations coupled with the increase in employee benefits has required the College to make further cuts in contractual, supplies, and other costs. The slow release of funds and the current reserves have caused a strain on the College's financial resources and affect the programs and future programs to students in both the secondary and post-secondary environment. Adjustments have been made to department budgets and limited spending constraints have been placed on the entire College. Funds are 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 by 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. 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.

At the December 18, 2012 Foundation Board of Governors meeting, the Board approved the funding of up to \$350,000 for the architectural engineering and design of building 100 renovations.

The Building 200 renovation project bid was issued on January 17, 2013 and is expected to be awarded by mid-March 2013. 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. The project will take 15-18 months to complete.

On January 31, 2013, the College paid off the U.S. Department of Agriculture water tank and booster pump equipment loan amounting to \$249,834 inclusive of interest.

At the February 4, 2013, the Board of Trustees approved the 2011-2015 Campus Master Plan. Included in this plan is the Institutional Strategic Master Plan, Facility Master Plan, the Enterprise Architecture, the Information Technology Strategic Plan, and the 5 year Resource Plan.

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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 2013, such as fire alarm system repair, A/C replacement, lighting retrofits, security system installation, restroom renovations, insulation of doors and windows, 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
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Statements of Net Assets
September 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 3,588,384	\$ 1,131,352
Cash and cash equivalents - restricted	369,373	313,493
Due from Government of Guam	840,191	5,654,121
Tuition receivable, less allowance for doubtful accounts of \$1,432,232 and \$1,533,538 at September 30, 2012 and 2011, respectively	1,933,991	4,200,124
Accounts receivable - U.S. Government	4,916,282	4,321,597
Accounts receivable - others	228,964	245,319
Inventories	457,195	444,930
Total current assets	<u>12,334,380</u>	<u>16,310,936</u>
Noncurrent assets:		
Investments	1,798,929	1,774,851
Property, plant and equipment, net	32,709,195	27,267,500
Total noncurrent assets	<u>34,508,124</u>	<u>29,042,351</u>
	<u>\$ 46,842,504</u>	<u>\$ 45,353,287</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of long-term debt	\$ 281,196	\$ 33,323
Accounts payable and accrued liabilities	2,581,542	1,533,335
Construction contracts payable	565,349	2,786,305
Deferred revenue	1,997,753	1,915,627
Deposits held on behalf of others	281,181	255,830
Accrued annual leave	196,137	181,308
Total current liabilities	<u>5,903,158</u>	<u>6,705,728</u>
Noncurrent liabilities:		
Accrued annual leave, net of current portion	255,602	252,632
DCRS sick leave liability	978,663	873,089
Long-term debt, net of current portion	2,213,617	2,363,479
Total liabilities	<u>9,351,040</u>	<u>10,194,928</u>
Commitments and contingency		
Net assets:		
Invested in capital assets, net of related debt	29,649,033	22,084,393
Restricted:		
Expendable	1,875,483	1,821,551
Non-expendable	11,638	10,963
Unrestricted	5,955,310	11,241,452
Total net assets	<u>37,491,464</u>	<u>35,158,359</u>
	<u>\$ 46,842,504</u>	<u>\$ 45,353,287</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position September 30, 2012 and 2011

ASSETS	2012	2011
Cash and cash equivalents	\$ 186,843	\$ 97,658
Investments	7,758,512	6,670,879
Accounts receivable	2,070	2,070
Plant and equipment, net	18,008	18,008
Total assets	<u>\$ 7,965,433</u>	<u>\$ 6,788,615</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 326,787	\$ 156,679
Total liabilities	<u>326,787</u>	<u>156,679</u>
Commitments		
Net assets:		
Unrestricted	7,577,009	4,721,985
Temporarily restricted	18,008	1,872,494
Permanently restricted	43,629	37,457
	<u>7,638,646</u>	<u>6,631,936</u>
Total net assets and liabilities	<u>\$ 7,965,433</u>	<u>\$ 6,788,615</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 Assets
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 7,237,242	\$ 6,396,454
Less: Scholarship discounts and allowances	<u>(5,060,154)</u>	<u>(4,110,416)</u>
	2,177,088	2,286,038
Federal grants and contracts	16,627,544	13,000,849
Government of Guam grants and contracts	403,351	607,188
Auxiliary enterprises	1,136,529	973,716
Contracted educational services	-	149,092
Other revenues	<u>1,900,913</u>	<u>1,458,567</u>
Total operating revenues	<u>22,245,425</u>	<u>18,475,450</u>
Bad debts	<u>(938,028)</u>	<u>(192,466)</u>
Net operating revenues	<u>21,307,397</u>	<u>18,282,984</u>
Operating expenses:		
Education and general:		
Instruction	10,952,166	10,276,828
Scholarships and fellowships	8,359,474	6,063,876
Institutional support	4,537,146	3,414,802
Student services	2,930,697	3,146,206
Operations and maintenance of plant	2,536,239	2,283,879
Academic support	2,806,504	2,388,443
Depreciation	1,967,458	1,659,864
Planning	980,679	1,547,731
Auxiliary enterprises	930,333	748,549
Retiree healthcare costs	<u>601,729</u>	<u>664,518</u>
Total operating expenses	<u>36,602,425</u>	<u>32,194,696</u>
Operating loss	<u>(15,295,028)</u>	<u>(13,911,712)</u>
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	14,569,116	15,699,625
Interest expense	<u>(112,629)</u>	<u>(46,902)</u>
Net nonoperating revenues	<u>14,456,487</u>	<u>15,652,723</u>
Capital contributions:		
Contributions from U.S. Government	<u>3,171,646</u>	<u>6,839,284</u>
Change in net assets	2,333,105	8,580,295
Net assets:		
Net assets at beginning of year	<u>35,158,359</u>	<u>26,578,064</u>
Net assets at end of year	<u>\$ 37,491,464</u>	<u>\$ 35,158,359</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Activities
Years Ended September 30, 2012 and 2011

	2012			2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other additions:								
Net investment gains (losses)	\$ 1,087,633	\$ -	\$ -	\$ 1,087,633	\$ (63,902)	\$ (38,272)	\$ -	\$ (102,174)
Interest income	60	-	-	60	35	-	-	35
Other additions	3,575	-	24,180	27,755	17,234	-	-	17,234
Fundraising	272,367	-	-	272,367	442,124	-	-	442,124
Net assets released from restrictions due to:								
Expiration of time of restriction	1,872,494	(1,872,494)	-	-	-	-	-	-
Total gains (losses) and other additions	3,236,129	(1,872,494)	24,180	1,387,815	395,491	(38,272)	-	357,219
Expenditures and other deductions:								
Depreciation	-	-	-	-	-	-	162,073	162,073
Transfer to Guam Community College	304,106	-	-	304,106	1,005,407	-	-	1,005,407
Fundraising expenses	48,593	-	-	48,593	-	-	-	-
Professional services	5,968	-	-	5,968	3,047	-	-	3,047
Scholarship	2,000	-	-	2,000	-	-	-	-
Other deductions	20,438	-	-	20,438	9,929	-	-	9,929
Total expenditures and other deductions	381,105	-	-	381,105	1,018,383	-	162,073	1,180,456
Change in net assets	2,855,024	(1,872,494)	24,180	1,006,710	(622,892)	(38,272)	(162,073)	(823,237)
Net assets at beginning of year	4,721,985	1,872,494	37,457	6,631,936	5,344,877	1,910,766	199,530	7,455,173
Transfer from permanently restricted to temporarily restricted	-	18,008	(18,008)	-	-	-	-	-
Net assets at end of year	\$ 7,577,009	\$ 18,008	\$ 43,629	\$ 7,638,646	\$ 4,721,985	\$ 1,872,494	\$ 37,457	\$ 6,631,936

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, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Student tuition and fees	\$ 3,835,739	\$ 1,880,982
Federal grants and contracts	16,420,999	13,418,776
Government of Guam grants and contracts	403,351	607,188
Auxiliary enterprises	1,136,529	973,716
Other receipts/payments	1,917,268	1,607,659
Payments to employees	(17,006,041)	(16,538,780)
Payments to suppliers	(9,981,185)	(5,300,523)
Payments for scholarships and fellowships	(8,092,307)	(5,767,242)
Net cash used in operating activities	<u>(11,365,647)</u>	<u>(9,118,224)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	<u>18,532,897</u>	<u>13,289,022</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(7,412,213)	(7,929,722)
Capital contributions received	2,783,506	4,394,341
Proceeds from long-term debt	131,216	-
Principal paid on long-term debt	(33,205)	(353,859)
Interest paid on long-term debt	(99,564)	(12,650)
Net cash used in capital and related financing activities	<u>(4,630,260)</u>	<u>(3,901,890)</u>
Cash flows from investing activities:		
Increase in investments	<u>(24,078)</u>	<u>(17,198)</u>
Net change in cash and cash equivalents	2,512,912	251,710
Cash and cash equivalents at beginning of year	<u>1,444,845</u>	<u>1,193,135</u>
Cash and cash equivalents at end of year	<u>\$ 3,957,757</u>	<u>\$ 1,444,845</u>
<u>Reconciliation of operating loss to net cash used in operating activities:</u>		
Operating loss	\$ (15,295,028)	\$ (13,911,712)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,967,458	1,659,864
Bad debts	938,028	192,466
Loss on disposal of fixed assets	3,060	1,635
On-behalf payments for retiree healthcare costs	601,729	664,518
Changes in assets and liabilities:		
Tuition receivable	1,576,525	(941,924)
Accounts receivable - U.S. Government	(206,545)	417,927
Other receivables	16,355	-
Inventories	(12,265)	(283,933)
Accounts payable and accrued liabilities	(1,185,814)	2,672,402
Accrued annual leave	17,799	(22,019)
DCRS sick leave liability	105,574	120,824
Deferred revenue	82,126	344,402
Deposits held on behalf of others	25,351	(32,674)
Net cash used in operating activities	<u>\$ (11,365,647)</u>	<u>\$ (9,118,224)</u>

Supplemental information of noncash activity:

In 2011, the College acquired property of \$2,118,784 through notes payable to U.S. Department of Agriculture.

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2012 and 2011

(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 assets, revenues, expenses, changes in net assets, and cash flows.

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

Notes to Financial Statements
September 30, 2012 and 2011

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

Basis of Presentation, Continued

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the College has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

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 Assets are separately presented in the College's financial statements. In addition, significant notes are summarized under Foundation Investments.

The Foundation is a private organization that reports under 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.

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

Notes to Financial Statements
September 30, 2012 and 2011

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

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.

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.

Deferred Revenues

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

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

Notes to Financial Statements
September 30, 2012 and 2011

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

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, 2012 and 2011, an accumulated vacation leave liability of \$451,739 and \$433,940, respectively, is included within the statement of net assets 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.

Grants-in-Aid

GovGuam law requires that the College waive the tuition and fees for credit classes for senior citizens. On June 13, 2012, the Board of Trustees voted to approve the Guam Community College Tuition Benefit Program for Employees' Spouse and Dependents effective for Fall 2012. The total of senior citizen waivers provided is \$60,516 and \$58,760 for the years ended September 30, 2012 and 2011, respectively.

Net Assets

Net assets represent the residual interest in the College's assets after liabilities are deducted and consist of three sections: invested in capital assets, net of related debt; restricted expendable and non-expendable, and unrestricted. Net assets invested in capital assets, net of related debt include capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt net of debt service reserve. Net assets are 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 assets are 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.

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

Notes to Financial Statements
September 30, 2012 and 2011

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

Scholarship Discounts and Allowances

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

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, 2012 and 2011, are:

<u>2012</u>		<u>2011</u>	
<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
\$ 4,894,734	\$ 7,758,512	\$ 4,894,734	\$ 6,670,879

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

	<u>2012</u>	<u>2011</u>
Equities and related	\$ 4,961,692	\$ 4,124,144
Mutual funds	1,191,655	1,053,839
Government and government sponsored entity bonds	1,101,745	589,873
Mortgage and asset backed securities	-	563,643
Cash and equivalents	<u>503,420</u>	<u>339,380</u>
	\$ <u>7,758,512</u>	\$ <u>6,670,879</u>

The following represents the composition of investment (losses) gains for the years ended September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unrealized investment gains (losses)	\$ 1,110,198	\$ (1,084,897)
Net realized investment (losses) gains	(112,455)	821,133
Interest income and dividends	<u>89,890</u>	<u>161,590</u>
	\$ <u>1,087,633</u>	\$ <u>(102,174)</u>

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

Notes to Financial Statements
September 30, 2012 and 2011

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

Foundation Investments, Continued

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.

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, 2012 and 2011, the carrying amount of the College's total cash and cash equivalents was \$3,957,757 and \$1,444,845, respectively, and the corresponding bank balances were \$3,739,673 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, 2012 and 2011, bank deposits in the amount of \$2,303,470 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.

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

Notes to Financial Statements
September 30, 2012 and 2011

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

Deposits and Investments, Continued

B. Investments, Continued

Pursuant to Public Law 25-187, the College is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development College. 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, 2012 and 2011, the College had one fixed income corporate note in the amount of \$1,798,929 and \$1,774,851, 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.

New Accounting Standards

During fiscal year 2012, the College implemented the following pronouncements:

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53)*, which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses 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 provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve 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 provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

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

Notes to Financial Statements
September 30, 2012 and 2011

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

New Accounting Standards, Continued

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is intended to enhance 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. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management has not yet determined the effect of implementation of this statement on the financial statements of the College.

In April 2012, GASB issued 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. 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 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.

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, 2012 and 2011, the fund earned interest of \$53,932 and \$28,075, respectively. The Authority has no related expenditures for capital projects for the years ended September 30, 2012 and 2011, respectively.

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

Notes to Financial Statements
September 30, 2012 and 2011

(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.

Reclassifications

Certain 2011 balances have been reclassified to correspond with the 2012 financial statement presentation.

GUAM COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(3) Property, Plant and Equipment

Movements of property, plant and equipment for the years ended September 30, 2012 and 2011 was as follows:

	Estimated Useful Life (in years)	Balance October 1, 2011	Additions	Retirement/ Transfers	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>
	Estimated Useful Life (in years)	Balance October 1, 2010	Additions	Retirement/ Transfers	Balance September 30, 2011
Depreciable:					
Buildings and structures	10-30	\$ 30,817,762	\$ 6,113,711	\$ -	\$ 36,931,473
Furniture, fixtures and equipment	5-6	5,994,941	1,678,205	(72,911)	7,600,235
Vehicles	5	<u>262,358</u>	<u>-</u>	<u>(96,676)</u>	<u>165,682</u>
		<u>37,075,061</u>	<u>7,791,916</u>	<u>(169,587)</u>	<u>44,697,390</u>
Accumulated depreciation:					
Buildings and structures		18,138,574	964,250	-	19,102,824
Furniture, fixtures and equipment		4,594,788	688,222	71,276	5,211,734
Vehicles		<u>236,849</u>	<u>7,392</u>	<u>96,676</u>	<u>147,565</u>
		<u>22,970,211</u>	<u>1,659,864</u>	<u>167,952</u>	<u>24,462,123</u>
Non-depreciable:					
Land		1,903,000	-	-	1,903,000
Construction in progress		<u>2,872,643</u>	<u>8,362,048</u>	<u>(6,105,458)</u>	<u>5,129,233</u>
		<u>\$ 18,880,493</u>	<u>\$ 14,494,100</u>	<u>\$ (6,107,093)</u>	<u>\$ 27,267,500</u>

GUAM COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(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.

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2010, 2009, and 2008, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2012, 2011 and 2010, respectively, have been determined as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Normal costs (% of DB Plan payroll)	17.07%	17.00%	18.34%
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>7.57%</u>	<u>7.50%</u>	<u>8.84%</u>
Employer portion of normal costs (% of total payroll)	3.03%	3.03%	3.73%
Unfunded liability cost (% of total payroll)	<u>23.75%</u>	<u>21.75%</u>	<u>22.69%</u>
Government contribution as a % of total payroll	<u>26.78%</u>	<u>24.78%</u>	<u>26.42%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>28.30%</u>	<u>27.46%</u>	<u>26.04%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

GUAM COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

The College's contributions to the DB Plan for the years ended September 30, 2012, 2011 and 2010 were \$1,645,060, \$1,668,820 and \$1,754,481, 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, 2012 and 2011, 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, 2012, 2011 and 2010 were \$2,353,705, \$2,039,969 and \$1,745,156, respectively, which were equal to the required contributions for the respective years then ended.

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 \$978,663 and \$873,089 at September 30, 2012 and 2011, 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, 2012, 2011 and 2010, the College recognized certain on-behalf payments as transfers from GovGuam, totaling \$601,729, \$664,518 and \$436,614, respectively, representing certain healthcare benefits that GovGuam's general fund paid directly on behalf of College retirees.

GUAM COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(4) Employees' Retirement Plan, Continued

Other Post Employment Benefits, Continued

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, 2012 and 2011. 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, \$2,374,453 and \$8,035,826 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2012 and 2011, respectively. Of the \$2,374,453 as of September 30, 2012, \$319,313 relates to contract commitments.

(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 \$304,106 and \$1,005,407 in contributions from the Foundation during the years ended September 30, 2012 and 2011, 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.

GUAM COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(9) Long-Term Debt

	<u>2012</u>	<u>2011</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.	\$ 2,238,119	\$ 2,118,784
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>278,018</u>
	2,494,813	2,396,802
Less current portion	<u>281,196</u>	<u>33,323</u>
	<u>\$ 2,213,617</u>	<u>\$ 2,363,479</u>

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>
2013	\$ 281,196	\$ 91,862	\$ 373,058
2014	25,544	90,832	116,376
2015	26,618	89,758	116,376
2016	27,737	88,639	116,376
2017	28,903	87,473	116,376
2018-2022	163,796	418,084	581,880
2023-2027	201,244	380,636	581,880
2028-2032	247,253	334,627	581,880
2033-2037	303,782	278,098	581,880
2038-2042	373,234	208,646	581,880
2043-2047	458,565	123,315	581,880
2048-2051	<u>356,941</u>	<u>25,271</u>	<u>382,212</u>
	<u>\$ 2,494,813</u>	<u>\$ 2,217,241</u>	<u>\$ 4,712,054</u>

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

Notes to Financial Statements
September 30, 2012 and 2011

(9) Long-Term Debt, Continued

The College has pledged all future gross revenues to repay \$2,250,000 of U.S. Department of Agriculture debt issued in 2011. Note payable proceeds financed facility construction. The notes are payable from gross revenues and are payable through March 2051. 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, 2012 is \$4,455,372. Principal and interest paid for fiscal year 2012 and net operating revenues were \$104,594 and \$21,307,397, respectively.

The \$372,340 note payable to U.S. Department of Agriculture was subsequently repaid in January 2013. Accordingly, the full amount of the note is presented as a current liability in the statements of net assets.

(10) Noncurrent Liabilities

Noncurrent liability activities for the years ended September 30, 2012 and 2011, were as follows:

	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>

	Beginning Balance October 1, 2010	Additions	Reductions	Ending Balance September 30, 2011	Amount due within one year
Loans payable	\$ 631,877	\$ 2,118,784	\$ (353,859)	\$ 2,396,802	\$ 33,323
Accrued annual leave	455,959	289,409	(311,428)	433,940	181,308
DCRS sick leave liability	<u>752,265</u>	<u>120,824</u>	<u>-</u>	<u>873,089</u>	<u>-</u>
	<u>\$ 1,840,101</u>	<u>\$ 2,529,017</u>	<u>\$ (665,287)</u>	<u>\$ 3,703,831</u>	<u>\$ 214,631</u>

**GUAM COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(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.

Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of GovGuam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of GovGuam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee's base salary beginning in 1991. The College has not assessed the impact of the requirements of the law as of September 30, 2012. Therefore, no liability which may ultimately arise from this matter has been recorded in the accompanying financial statements.

GUAM COMMUNITY COLLEGE
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Schedule 1
Schedule of Salaries and Wages (Cash Basis)
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Salaries and wages:		
Regular, differential and hazardous pay (inclusive of part-time employees)	\$ 13,044,002	\$ 12,865,064
Benefits	<u>4,085,412</u>	<u>3,806,330</u>
Total salaries, wages and benefits	<u>\$ 17,129,414</u>	<u>\$ 16,671,394</u>
Full-time employees at end of year	<u>239</u>	<u>241</u>
Federal Funds:		
Salaries	\$ 1,198,267	\$ 1,133,839
Benefits	<u>288,693</u>	<u>260,189</u>
Total salaries, wages and benefits	<u>\$ 1,486,960</u>	<u>\$ 1,394,028</u>
Full time federal employees at end of year (inclusive in above amount)	<u>21</u>	<u>20</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE
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Schedule of Expenditures by Function and Object Code
Years Ended September 30, 2012 and 2011

	2012	2011
Instruction:		
Salaries, wages and benefits	\$ 9,018,229	\$ 8,770,054
Travel	130,637	82,113
Contract services	430,273	285,377
Supplies	386,115	236,234
Minor equipment	365,983	167,098
Capital expenditures	3,000	71,223
Miscellaneous	617,929	664,729
	<u>\$ 10,952,166</u>	<u>\$ 10,276,828</u>
 Total employees at end of year	 <u>113</u>	 <u>110</u>
	2012	2011
Planning:		
Salaries, wages and benefits	\$ 520,948	\$ 577,782
Travel	22,428	12,098
Contract services	401,214	748,387
Supplies	19,315	24,311
Minor equipment	13,506	35,601
Capital expenditures	-	137,332
Miscellaneous	3,268	12,220
	<u>\$ 980,679</u>	<u>\$ 1,547,731</u>
 Total employees at end of year	 <u>7</u>	 <u>9</u>
	2012	2011
Academic Support:		
Salaries, wages and benefits	\$ 1,709,453	\$ 1,616,788
Travel	58,742	40,011
Contract services	462,052	349,193
Supplies	90,837	136,926
Minor equipment	73,525	80,432
Capital expenditures	39,003	23,331
Miscellaneous and transfers	372,892	141,762
	<u>\$ 2,806,504</u>	<u>\$ 2,388,443</u>
 Total employees at end of year	 <u>25</u>	 <u>21</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE
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Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2012 and 2011

	2012	2011
Student Services:		
Salaries, wages and benefits	\$ 2,606,322	\$ 2,726,362
Travel	16,733	35,042
Contract services	117,978	154,609
Supplies	35,964	44,433
Minor equipment	18,371	51,152
Capital expenditures	-	24,320
Miscellaneous and transfers	135,329	110,288
	<u>\$ 2,930,697</u>	<u>\$ 3,146,206</u>
 Total employees at end of year	 <u>41</u>	 <u>47</u>
	2012	2011
Institutional Support and Interest:		
Salaries, wages and benefits	\$ 2,730,081	\$ 2,343,388
Travel	295,395	339,564
Contract services	1,306,280	606,066
Supplies	66,599	32,291
Minor equipment	30,485	8,555
Interest and miscellaneous	220,935	131,840
	<u>\$ 4,649,775</u>	<u>\$ 3,461,704</u>
 Total employees at end of year	 <u>43</u>	 <u>44</u>
	2012	2011
Operations and Maintenance of Plant:		
Salaries, wages and benefits	\$ 248,618	\$ 295,039
Contract services	875,809	684,349
Supplies	52,911	60,310
Minor equipment	2,073	6,384
Utilities	1,356,828	1,236,162
Miscellaneous	-	1,635
	<u>\$ 2,536,239</u>	<u>\$ 2,283,879</u>
 Total employees at end of year	 <u>6</u>	 <u>6</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE
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Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Scholarships and Fellowships:		
Salaries, wages and benefits	\$ 267,167	\$ 290,933
Travel	-	3,822
Contract services	887	937
Supplies	-	942
Minor equipment	85	-
Miscellaneous	<u>8,091,335</u>	<u>5,767,242</u>
	<u>\$ 8,359,474</u>	<u>\$ 6,063,876</u>
 Total employees at end of year	 <u>3</u>	 <u>3</u>
	<u>2012</u>	<u>2011</u>
Auxiliary:		
Salaries, wages and benefits	\$ 28,596	\$ 51,049
Contract services	165	-
Supplies	1,274	417
Minor equipment	<u>900,298</u>	<u>697,083</u>
	<u>\$ 930,333</u>	<u>\$ 748,549</u>
 Total employee at end of year	 <u>1</u>	 <u>1</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE
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Unrestricted and Restricted Fund Supplemental Schedule

Balance Sheet

September 30, 2012

(With Comparative Balances as of September 30, 2011)

	Unrestricted		Restricted				Investment in Plant	Agency Fund	Elimination	Grand Total		
	Appropriated Fund	Non- appropriated Fund	Total	Federal Fund	Other Grants Fund	ARRA				Total	Capital Projects	Tobacco Settlement
ASSETS												
Cash	\$ -	\$ 3,645,571	\$ 3,645,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,554	\$ -	\$ 3,957,757	\$ 1,444,845
Investments	-	-	-	-	-	-	-	-	1,798,929	-	1,798,929	1,774,851
Due from Government of Guam	50,228	789,963	840,191	-	-	-	-	-	-	-	840,191	5,654,121
Due from other College funds	3,085,473	33,863,695	36,949,168	-	420,801	-	420,801	-	140,000	-	45,549	-
Accounts receivable - U.S. Government	-	25,156	25,156	4,101,420	624,931	164,775	4,891,126	-	-	-	-	-
Accounts receivable - tuition	-	3,371,795	3,371,795	-	-	-	-	-	-	-	4,916,282	4,321,597
Accounts receivable - others	-	228,964	228,964	-	-	-	-	-	-	-	3,371,795	5,733,662
Allowance for doubtful accounts	-	(1,432,232)	(1,432,232)	(5,572)	-	-	(5,572)	-	-	-	228,964	245,319
Inventories	-	457,195	457,195	-	-	-	-	-	-	-	(1,437,804)	(1,533,538)
Construction in progress	-	-	-	-	-	-	-	-	-	-	457,195	444,930
Land	-	-	-	-	-	-	-	-	-	-	5,211,282	5,129,233
Buildings	-	-	-	-	-	-	-	-	-	-	1,903,000	1,903,000
Equipment	-	-	-	-	-	-	-	-	-	-	42,682,922	36,931,473
Vehicles	-	-	-	-	-	-	-	-	-	-	8,656,431	7,600,235
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	202,456	165,682
	\$ 3,135,701	\$ 40,950,107	\$ 44,085,808	\$ 4,095,848	\$ 1,045,732	\$ 164,775	\$ 5,306,355	\$ -	\$ 2,015,483	\$ -	\$ 46,842,504	\$ 45,353,287
LIABILITIES AND FUND BALANCE												
Accounts payable	\$ 93,294	\$ 2,868,028	\$ 2,961,322	\$ 7,179	\$ 7,014	\$ -	\$ 14,193	\$ -	\$ -	\$ -	\$ 2,975,515	\$ 4,147,528
Loans payable	-	2,494,813	2,494,813	-	-	-	-	-	-	-	2,494,813	2,396,802
Due to other College funds	4,492,926	17,788,599	22,281,525	3,814,880	-	2,466,246	6,281,126	4,857,740	-	4,562,827	-	-
Due to depositor	-	-	-	-	-	-	-	-	-	-	281,181	255,830
Accrued liabilities	-	623,115	623,115	-	-	-	-	-	-	-	623,115	606,052
DCRS sick leave liability	-	978,663	978,663	-	-	-	-	-	-	-	978,663	873,089
Deferred revenue	-	1,997,753	1,997,753	-	-	-	-	-	-	-	1,997,753	1,915,627
Fund balance	(1,450,519)	14,199,136	12,748,617	273,789	1,038,718	(2,301,471)	(988,964)	(4,857,740)	2,015,483	(4,562,827)	37,491,464	35,158,359
	\$ 3,135,701	\$ 40,950,107	\$ 44,085,808	\$ 4,095,848	\$ 1,045,732	\$ 164,775	\$ 5,306,355	\$ -	\$ 2,015,483	\$ -	\$ 46,842,504	\$ 45,353,287

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, 2012
(With Comparative Balances for the year ended September 30, 2011)

	Unrestricted			Restricted					Grand Total						
	General	MDF	Total	NAF	Unrestricted	Federal Fund	Other Grant	ARRA	Total	Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant	2012	2011
Revenues:															
Tuition and fees	\$ 13,781,404	787,712	14,569,116	7,237,242	\$ 7,237,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	7,237,242	6,396,454
Government of Guam appropriations	-	-	-	-	14,569,116	-	-	-	-	-	-	-	-	14,569,116	20,922,877
Federal grants and contracts	-	-	-	-	-	11,261,978	-	2,067,749	14,739,036	-	-	-	-	14,739,036	10,506,465
Government of Guam grants and contracts/agency	-	-	-	-	-	-	403,351	-	403,351	-	-	-	-	403,351	607,188
Sales and services of auxiliary enterprises	-	-	-	1,136,529	1,136,529	-	-	-	-	-	-	-	-	1,136,529	973,716
Contracted educational services	-	-	-	1,832,595	1,832,595	-	-	-	-	-	53,932	-	-	1,886,527	949,092
Other sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	986,489
Total current revenues	13,781,404	787,712	14,569,116	10,206,366	24,775,482	11,261,978	1,812,660	2,067,749	15,142,387	-	53,932	-	-	39,971,801	40,542,281
Expenditures and mandatory transfers:															
Educational and general:															
Instruction	6,644,551	877,595	7,522,146	2,615,107	10,137,253	555,560	259,333	-	814,913	-	-	-	-	10,952,166	10,276,828
Planning	374,923	600	375,523	145,807	521,330	459,349	-	-	459,349	-	-	-	-	980,679	1,547,731
Academic support	807,176	934	808,110	178,591	986,701	1,320,256	498,547	-	1,819,803	-	-	-	-	2,806,504	2,388,443
Student services	2,281,239	9,911	2,291,150	240,330	2,531,480	379,737	10,059	9,421	399,217	-	-	-	-	2,930,697	3,146,206
Institutional support	1,381,494	566,448	1,947,942	2,356,471	4,304,313	18,980	301,891	24,591	345,462	-	-	-	-	4,649,775	5,481,704
Operation and maintenance of plant	1,458,034	350,929	1,808,963	378,845	2,187,808	8,154,859	-	-	8,154,859	345,371	-	-	3,060	2,536,239	2,283,879
Scholarship and fellowship	203,664	84	203,748	887	204,635	-	-	-	-	-	-	-	-	8,359,474	6,063,876
Retiree healthcare costs	601,729	-	601,729	938,028	938,028	-	-	-	-	-	-	-	-	601,729	664,518
Bad debts expense	-	-	-	-	-	-	-	-	-	-	-	-	-	938,028	192,466
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	1,967,458	1,659,864
Total expenditures	13,752,810	1,806,401	15,559,211	6,854,066	22,413,277	10,888,721	1,070,850	34,012	11,993,583	345,371	-	-	1,970,518	36,722,749	31,685,515
Auxiliary enterprises:															
Expenditures	28,594	-	28,594	901,739	930,333	-	-	-	-	-	-	-	-	930,333	748,549
Total expenditures	13,781,404	1,806,401	15,587,805	7,755,805	23,343,610	10,888,721	1,070,850	34,012	11,993,583	345,371	-	-	1,970,518	37,653,082	32,434,064
Net (decrease) increase in fund balance	-	(1,018,689)	(1,018,689)	2,450,561	1,431,872	373,257	741,810	2,033,737	3,148,804	(345,371)	53,932	-	(1,970,518)	2,318,719	8,108,217
Beginning fund balance	(1,931,676)	1,349,488	(582,188)	15,825,285	15,443,097	273,789	1,038,719	(2,278,629)	(966,121)	(4,412,541)	1,961,551	(4,562,827)	27,695,200	35,158,359	26,578,064
Fund transfer	-	(49,652)	(49,652)	(4,076,710)	(4,126,352)	(373,257)	(741,811)	(2,056,579)	(3,171,647)	(92,838)	-	-	7,412,213	14,386	472,078
Ending fund balance	(1,931,676)	481,157	(1,450,519)	14,199,136	12,748,617	273,789	1,038,718	(2,301,471)	(988,964)	(4,857,740)	2,015,483	(4,562,827)	33,136,895	37,491,464	35,158,359

See Accompanying Independent Auditor's Report.