

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

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

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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

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Years Ended September 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Guam Community College:

Report on Financial Statements

We have audited the accompanying financial statements of Guam Community College (the College), and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the years ended September 30, 2014 and 2013, and which collectively comprise the College's basic financial statements, as set forth in Section II of the forgoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of September 30, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, as well as the Schedule of Funding Progress and Actuarial Accrued Liability-Post Employment Benefits Other than Pension on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

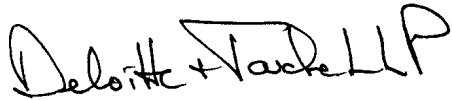
Other Information

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

The schedule of salaries and wages (cash basis), schedule of expenditures by function and object code, the unrestricted and restricted fund supplemental schedule – balance sheet, and unrestricted and restricted fund supplemental schedule – statement of changes in fund balances are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of salaries and wages (cash basis), schedule of expenditures by function and object code, the unrestricted and restricted fund supplemental schedule – balance sheet, and unrestricted and restricted fund supplemental schedule – statement of changes in fund balances are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte + Tatchell LLP". The signature is stylized, with the "D" and "T" being particularly large and prominent.

March 6, 2015

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

**Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013**

For the fourteenth consecutive year, GCC has maintained its low-risk auditee status. Given this designation by the Independent Auditor, review of the College's financial records demonstrate there were no questioned costs or unresolved prior year audit findings in fiscal year 2014. 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 2014 Overview

The College continued to maintain its operations during fiscal year 2014 as enrollment was stable and comparable to prior years. Due to decreased funding from the Manpower Development Fund, restrictions were placed on local budgets. With the release of the merit bonus by Governor Calvo and the Department of Administration in FY13, the College was challenged to pay out a total of four years of merit bonuses consisting of three prior years plus the current year, totaling \$101,895 in FY14. The College implemented restrictions on institution spending as local general fund appropriations covered a majority of salaries and benefits. In line with PL 32-068, February 14, 2014 was the deadline to implement the Government of General Competitive Pay Plan (GCPP). The College continues to closely monitor the impact of the GCPP on its limited financial resources. Legislated through public law, the amount allocated to GCC for the implementation of the GCPP was sufficient to cover the 50% actual costs for implementation. At the end of FY14, the remaining 50% was not paid out.

The College was busy with many new projects and institutional updates. During FY 2014, the Board of Trustees (BOT) approved the update to the 2014-2020 Institutional Strategic Master Plan (ISMP) and Mission Statement, and provided funding to update the Physical Master Plan. In addition new projects would include \$400,000 funding of the architectural and engineering design fee for the Wellness Center and Maintenance Building construction project and \$3,296,036 for the renovation and expansion of Building 100.

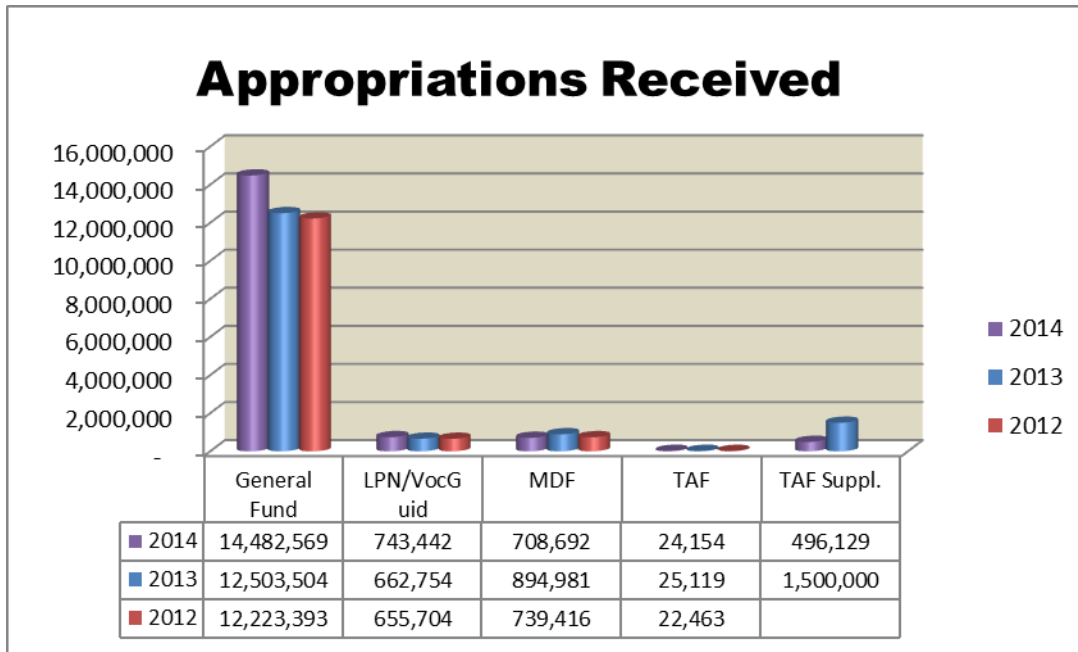
To promote internationalization efforts at the College, GCC signed inter-institutional cooperative agreements with two foreign institutions in FY2014. This included the Kadan Automotive School in Sendai, Japan and the American Hospitality Academy in Makati, Philippines, where GCC students can avail of educational opportunities to expand and enrich their cultural experience as it links to their respective programs.

The College launched the Keep Your Guard Up program and identified nine programs that returning Guam Army Reserve soldiers from Afghanistan can take to lead them to an industry certification. This is a joint effort with community partners that supported 164 underemployed and employed soldiers. Programs included Automotive, Electrical, A+ certification, Supervision and Management, Emergency Management Technician, HVAC, Heavy Equipment, Welding, and EMT. A total of 152 soldiers completed the program.

The College continued its fiscal conservative practices that were in-line with the Government of Guam (GovGuam) policy on fiscal conservation through the maintenance/reduction of personnel costs and increased accountability. There were allotment reductions in the Manpower Development Fund (MDF) that directly correlate to the number of H-2 workers on Guam. Due to the decreased construction industry and the delay of the military buildup, the actual collections from the MDF were 40% or \$708,692 of the appropriation of \$1,770,203. The Legislature and the Governor acknowledged the shortages in the MDF funds with the additional appropriations included in the budget law (PL 32-068) for \$522,241 from the Tourist Attraction Fund. In total, GCC saw an overall increase of 17% from the General Fund and decrease of 21% from MDF appropriations.

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Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013



GCC was exempted from GovGuam Bureau of Budget and Management Research (BBMR) allotment release control. The released reserves and the Governor's fiscal responsibility plan of fiscal management and prioritization and cost savings, helped to ensure that tax returns continued to be paid on time. GovGuam continued its financial conservation with stringent cash management and payoff of prior year liabilities. However, delays in the military buildup led to continued efforts for strict financial policy.

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

Continued federal discussions to reduce the overall deficit did not reduce the amount of Pell funding as Pell for AY 2013-2014 remained stable at the maximum full time award of \$5,645 per student per academic year. The AY 2014-2015 maximum Pell award increased to \$5,730 or \$85. Pell grants make up approximately 64% or \$5,003,341 of students tuition and fee payments. This is a slight increase from 2013 where 64% or \$4,977,361 of student's tuition and fees were paid with Pell grants.

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

- GCC received \$1,454,306 Federal Emergency Management Pre-Disaster Mitigation Competitive sub-award for the procurement of professional services and materials to structurally fortify and harden Building 200.

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Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

- GCC was a recipient of a DOI grant of \$380,000 for the Pacific Post-Secondary Education Council (PPEC) to support effective governance structure, administrative and fiscal operations, institutional processes, resource allocation and facilities, leadership development and regional solutions, academic and curriculum systems and practices, and institutional assessment and continuous improvement systems for PPEC institutions.
- GCC was a recipient of a DOI Technical Assistance Program grant of \$337,334 for the “green” collateral furniture and equipment for classrooms, labs, study areas, and offices in Building 200.
- GCC was a recipient of an American Association of Community Colleges Plus 50 Encore completion Program Grant of \$5,000 to enhance and expand workforce training in Medical Billing and Coding fields. GCC offered a two-week Medical Coding & Billing Boot Camp funded by Take Care and the AACC Plus 50 Encore Grant geared toward industry professionals and persons over 50 years old wanting to start a new career in the field.
- GCC was the sub-recipient of Area Health Education Center Cooperative Agreements under Guam Micronesia Area Health Education Center amounting to \$290,674 and \$48,139. The sub-grant allows the College to develop and conduct training to meet the health workforce needs.
- The Citi Foundation awarded a \$30,000 grant to GCC for the Postsecondary Education Accessibility Initiative summer program for graduating and incoming high school seniors, to prepare them for college. This grant allowed approximately 19 high school seniors to receive academic instruction in English, Reading and Math over the summer.
- The College Access Challenge Grant was awarded for its fifth year amounting to \$1,392,000. The funds will be used to implement activities and services for students who may be at-risk of not enrolling or completing postsecondary education. The grant will improve access to, or participation in, postsecondary education and college retention.
- The College was the sub-recipient of the National Transportation Summer Institute Grant for \$20,124. The sub-grant supports a three week program focusing on introducing middle school students to a career in the transportation industry.
- GCC was the recipient of \$100,000 from the TakeCare Foundation to support faculty professional development, equipment, medical and science supplies, review courses, and student scholarships.

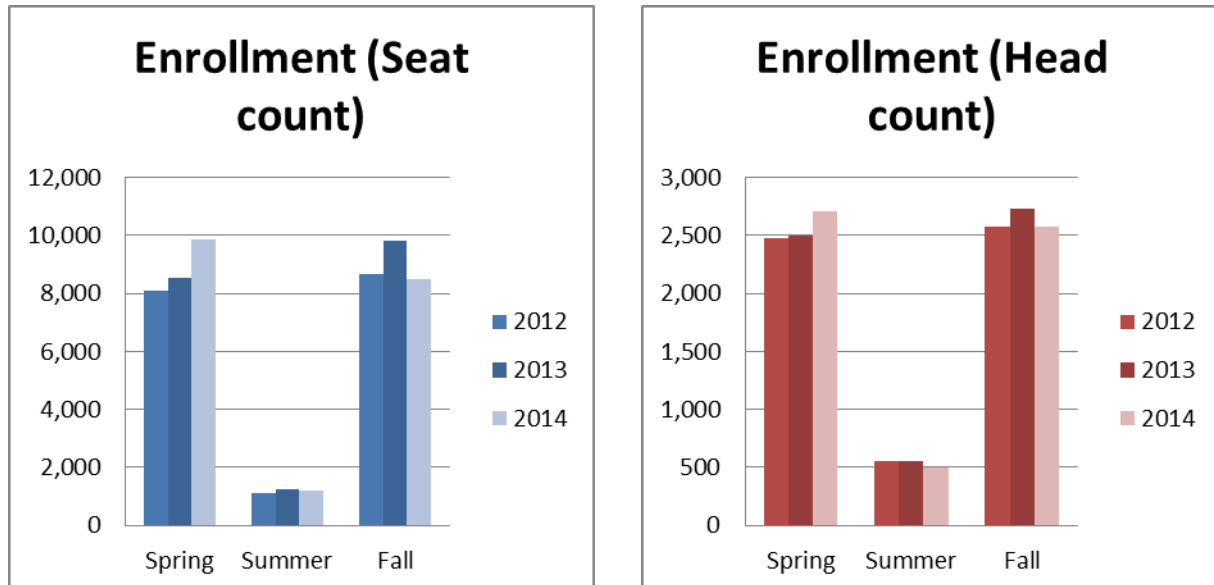
The College operated with 249 full time personnel positions. This does not include adjunct faculty members hired to teach additional postsecondary courses. The College's Government of Guam local appropriation funds are used to provide personnel costs at the College campus and at the five secondary high 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 six 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 459 and 492 apprentices over 81 and 93 active employers in Fall 2014 and 2013, respectively. This is a decrease of 7% of apprentices in the program as compared to the previous year.

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Tuition at GCC currently remains 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 FY14 and there has been no increase request expected for FY15. However, programs seeking course fee increases go through the adjudication process. Overall, actual tuition revenues have increased due to increases in the number of students and classes during the academic year 2013-2014. As authorized by the Board of Trustees, 50% of the proceeds from the tuition revenue increases will be used to hire additional full time permanent faculty and 20% to hire staff and administrative positions. The BOT authorized 30% of the increase to be used for capital improvements to the campus and related operating expenses. Classroom improvements, technology lab upgrades and capital projects are funded through increases in tuition, technology and parking fees. Funds utilized in FY2014 for capital projects and technology fees were \$732,000 and \$366,000, respectively.

There were slight increase and decreases in the post-secondary enrollment seats and headcounts for the Spring 2014 and Fall 2014 of 8.5% and 5.6% respectively, as compared to prior 2013 semesters. This is mainly attributable to competitive tuition rates, increase of maximum annual allowable Pell awards, delays in the military buildup, and the decline in the economic environment. Based on prior trends, declines in the global economy usually lead to increases in post-secondary enrollment, as people tend to go back to school to obtain degrees so that they can get higher paying jobs.



Tiyan High School was placed online in August 2014, which amounted to an additional 93 students in GCC programs. The College continues to provide career and technical education programs for students in six of the Guam high schools: GW, JFK, Southern, Simon Sanchez, Okkodo and Tiyan. The secondary high school's enrollment increased by 8% from 2,350 to 2,536 students in SY13-14 and SY14-15, respectively. These programs included the Allied Health, Auto Body, Automotive Service, Construction, Electronics/Networking Lodging Management, Marketing, Tourism, Education and Visual Communications. Not all programs are available at each of the high school locations.

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Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

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

Summary Statement of Net position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:			
Other current assets	\$ 16,769	\$ 14,228	\$ 7,418
Accounts receivable – U.S. Government	1,288	2,600	4,916
Investments (noncurrent)	1,749	1,770	1,799
Capital assets, net	<u>36,807</u>	<u>33,494</u>	<u>32,709</u>
Total	\$ <u>56,613</u>	\$ <u>52,092</u>	\$ <u>46,842</u>
Liabilities:			
Current liabilities	\$ 5,352	\$ 4,476	\$ 5,903
Non-current liabilities	<u>7,093</u>	<u>6,963</u>	<u>3,448</u>
Total	<u>12,445</u>	<u>11,439</u>	<u>9,351</u>
Net position:			
Net investment in capital assets	31,222	27,759	29,649
Restricted	944	1,883	1,887
Unrestricted	<u>12,002</u>	<u>11,011</u>	<u>5,955</u>
Total liabilities and net position	\$ <u>56,613</u>	\$ <u>52,092</u>	\$ <u>46,842</u>

The overall financial situation at the College increased as compared with prior year, mainly due to the fiscal conservation methods that were in place at the College. Accounts receivable increased due to the slight delays in collection of GovGuam appropriations by the end of the fiscal year. The College has increased collections from students and received 20% return on collections forwarded to a collection agency, totaling over \$200,000. Federal receivables decreased due to tight monitoring and reimbursement of grants. Investment balances remained stable as markets and interest rates were fairly stable. Increases in capital assets were due to increases in construction in progress with the renovation and hardening of Building 200 completed in December 2014, with photovoltaic panels and LEED certification. The liabilities had changes, due to timing of unearned revenues and additional construction costs incurred in FY14.

Due to the constraints of College and University accounting, approximately \$3,485,229 in encumbrances incurred in fiscal year 2014 have yet to be reflected as expenditures in the accompanying financial presentation, but will be liquidated with 2014 net position. The decrease in encumbrances is related to the near completion of Building 200 construction as of the end of fiscal year 2014.

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Years Ended September 30, 2014 and 2013

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 22,432	\$ 18,652	\$ 21,307
Operating expenses	<u>36,252</u>	<u>32,676</u>	<u>36,602</u>
Operating loss	(13,820)	(14,024)	(15,295)
Non-operating revenues	17,335	15,986	14,456
Capital contributions	<u>-</u>	<u>1,200</u>	<u>3,172</u>
Change in net position	3,515	3,162	2,333
Net position at beginning of year	<u>40,653</u>	<u>37,491</u>	<u>35,158</u>
Net position at end of year	\$ <u>44,168</u>	\$ <u>40,653</u>	\$ <u>37,491</u>

Statement of Cash Flows

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash provided by (used in):			
Operating activities	\$ (8,222)	\$ (12,488)	\$ (11,366)
Noncapital financing activities	15,101	14,413	18,533
Capital and related financing activities	(5,684)	1,158	(4,630)
Investing activities	<u>12</u>	<u>(1,971)</u>	<u>(24)</u>
Net change in cash and cash equivalents	1,207	1,112	2,513
Cash and cash equivalents at beginning of year	<u>5,070</u>	<u>3,958</u>	<u>1,445</u>
Cash and cash equivalents at end of year	\$ <u>6,277</u>	\$ <u>5,070</u>	\$ <u>3,958</u>

At the end of FY 2014 and 2013, the College recognized a 2% and 7% increase in student tuition and fees due to slight increased student enrollment and seat counts. Federal revenue increases were attributed to timely drawdowns of Pell award and the College Access Challenge Grant Program award. The net position of the College shows an increase of approximately \$3 million for the current year. The \$3 million increase directly coincides with the \$3 million increase in capital assets from the completed construction projects, increased collection efforts, and cost saving measures implemented by the College to reduce operational costs. Local appropriation from the Manpower Development continues to decrease and the General fund remained stable. In fiscal year 2014, the College received approximately 87% of its local appropriations from the Government of Guam with the remaining subsequent balance received in FY15.

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**Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013**

Pell grant expenditures increased by 42% or \$2,054,766. Expenditure increases correlate to \$2m of Program Year 12-13 Pell award recorded in FY 2012, resulting in a timing difference. Instructional costs remained stable and were in line with stable enrollment and seat counts. The actual full-time employee count increased by three employees, from 246 to 249, with minimal change in personnel costs. Allotment releases remained stable and the College received on average 70-75% of its local appropriations throughout the year. The College remains committed to displaying fiscal responsibility in the management of its funds by operating within the prescribed authorized levels. Overall expenditures increased due timing of federal grant expenditures recognized in the current year.

Capital Assets and Debt Administration

GCC's capital assets of \$36,807,564 as of September 30, 2014, included land, buildings and equipment. Increases in capital assets were due to the ongoing construction of Building 200 with costs amounting to \$4,485,947. Costs incurred for the construction of Building 200, A/E for Building 100, and the Gregorio D. Perez Crime Lab extension, A/E for GCC Wellness Center and Maintenance Buildings, classroom renovations, and other small projects were included in Construction In Progress. The renovation and construction of Building 200 is expected to be substantially completed by October 2014. The College has been awarded a \$5,000,000 Community Facilities Direct loan for the renovation and construction of Building 100 and the Gregorio D. Perez Crime Lab extension. The College remained current in the repayment of Learning Resource and Foundation Building construction loans from USDA and made principal and interest payments of \$116,376 and \$153,720, respectively, during fiscal year 2014. 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, 2013 and 2012, is set forth in the College's report on the audit of the financial statements, which is dated March 6, 2014, and that Discussion and Analysis explains the major factors impacting the 2013 and 2012 financial statements and can be viewed at the Office of Public Accountability website at www.opaguam.org.

Economic Outlook for FY 2015

The College continues to closely track the economic situation of the Government of Guam (GovGuam), as it receives in total 47% of its operational funding locally and 74% of the local appropriation is used for personnel costs. The College's FY15 appropriation for all funds increased by 9% or by \$1,515,891 and with the passage of PL 32-181, GCC was exempted from BBMR allotment release control. The Manpower Development Funds collections will be monitored closely as collections have decreased significantly and the College has placed an internal reserve on MDF funds in prior years. Although the Government of Guam has been able to update its liability and significantly pay down overdue tax refunds and personnel liabilities, the College remains conservative in its allocation of resources. The Government of Guam stretched resources, overspending, future bond payments, and unpaid liabilities continue to affect the government cash flow and funding availability. Although the College continues to seek additional funding from non-GovGuam sources, it still requires an increase in its base budget to grow and meet the future island demands on education, and the increased requirements for personnel costs.

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Management's Discussion and Analysis
Years Ended September 30, 2014 and 2013

As of February 3, 2015, the College received 16% or \$3,048,665 of its FY15 total appropriations from the General Fund, MDF, and the Tourist Attraction Fund (TAF). The College has not received any of the Manpower Development Fund appropriations to date. Based on appropriation levels, collections from MDF are expected to increase due to the increased investments and the start of projects to support the military buildup. However, due to the unpredictability of the MDF account, it continues to be monitored closely. Through Public Law 32-181 an additional \$1,132,850 has been appropriated from the General Fund for the GCC Apprenticeship Program. The General Fund appropriation is budgeted to fund salaries and benefits for full-time classified employees, utility costs, contractual expenditures, and minimal supply costs. The increase of appropriations is critical to cover increases in employee benefits, contractual, supplies, and other costs related to providing programs in both the secondary and post-secondary environments. Increases in appropriation, improvement in cash flow, and exemption from BBMR allotment releases have allowed the College to forecast and plan for institutional needs and institute conservation measures. Adjustments continue to be made to department budgets and spending constraints are reviewed for the entire College. Funds continue to be limited to essential instructional costs, contractual services, personnel costs, and utility costs.

The College takes its finances seriously and monitors its spending within the College's procurement process. The College's management team has weekly discussions of national and local economic conditions, and how such conditions will affect the Government of Guam's finances. Based on such discussions and projection of allotments to be received 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. In the First Hawaiian Bank 2013-2014 Economic Forecast for Guam, Dr. Ruane, M., states the Guam economy for 2013 was stable and resilient and 2014 economy promises to remain stable. The forecast indicated that tourism has rebounded and has diversified. 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 provide opportunities for GCC to expand its programs and services, not only to its civilian community, but the direct and indirect associations that result from this base realignment project. GCC will partner with federal and local government entities as well as private sector businesses to ensure that Guam's workforce is able to take advantage of opportunities that are available through GCC's expansive information technology, allied health, construction & trades courses– which will include GCC's Construction Trades Boot Camp, Allied Health, Education, and other academic programs – offered at the College.

The Building 200 renovation project, now known as Building E was completed in December 2014. Building E was opened for student use in time for the Spring 2015 semester with a total cost of \$5,174,193.

With the passage of the Government of Guam Budget under PL 32-181, the remaining 50% payout of the Government of General Competitive Pay Plan (GCPP) was approved with retroactive payments to January 26, 2014. The College continues to closely monitor the impact of the GCPP on its limited financial resources of which the estimated cost for the retroactive payments amount to over \$150,000.

The 2012 accreditation visit findings indicated that the College should develop a Distance Education Strategic Plan. The DE Strategic Plan and Assessment Report draft is was completed in April 2014 and a pilot of three to four courses is expected to be launched in Fall 2015. Training for faculty and administrators involved in the pilot will take place in Spring 2015. The College will use the plan as a guiding source of information for its future growth endeavors.

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At the December 11, 2014 BOT meeting, the Board approved the request to investigate the opportunity to expand the campus by developing an Annex adjacent to the campus for the Automotive Services Technology and Electronics Program. This expansion project would provide additional classroom and office space to meet these growing programs.

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 2015, such as fire alarm system repair and purchase of mass notification system, A/C replacement, Building 2000 fire sprinkler replacement, drinking fountain replacements, campus signage, anti-skid maintenance, hand railing bars, restroom renovations, electrical upgrades, classroom door replacements, safety issues, and ADA compliance issues. These projects address the repair and maintenance requirements needed to ensure student accessibility and safety, along with the security needed for our College's assets.

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Statements of Net Position
September 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 5,921,395	\$ 4,675,109
Cash and cash equivalents - restricted	355,105	394,839
Time certificate of deposit	2,009,558	2,000,000
Due from Government of Guam	3,749,124	2,013,941
Tuition receivable, less allowance for doubtful accounts of \$1,327,045 and \$1,591,048 at September 30, 2014 and 2013, respectively	4,061,848	4,389,084
Accounts receivable - U.S. Government	1,287,510	2,600,374
Accounts receivable - others	-	161,000
Inventories	672,485	594,000
Total current assets	<u>18,057,025</u>	<u>16,828,347</u>
Noncurrent assets:		
Investments	1,748,504	1,769,691
Property, plant and equipment, net	36,807,564	33,494,299
Total noncurrent assets	<u>38,556,068</u>	<u>35,263,990</u>
	<u>\$ 56,613,093</u>	<u>\$ 52,092,337</u>
 <u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Current portion of long-term debt	\$ 73,293	\$ 70,785
Accounts payable and accrued liabilities	2,819,066	1,696,939
Construction contracts payable	-	134,767
Unearned revenue	1,947,357	2,080,272
Deposits held on behalf of others	281,181	281,181
Accrued annual leave	231,629	212,443
Total current liabilities	5,352,526	4,476,387
Noncurrent liabilities:		
Accrued annual leave, net of current portion	256,839	228,081
DCRS sick leave liability	1,323,230	1,205,176
Long-term debt, net of current portion	5,512,751	5,529,156
Total liabilities	<u>12,445,346</u>	<u>11,438,800</u>
Commitment and contingencies		
Net position:		
Net investment in capital assets	31,221,520	27,759,591
Restricted:		
Expendable	944,103	1,867,977
Non-expendable	-	15,372
Unrestricted	12,002,124	11,010,597
Total net position	<u>44,167,747</u>	<u>40,653,537</u>
	<u>\$ 56,613,093</u>	<u>\$ 52,092,337</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position September 30, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents	\$ 408,921	\$ 249,353
Investments	9,488,438	8,794,971
Accounts receivable	2,070	2,070
Plant and equipment, net	18,008	18,008
Total assets	<u>\$ 9,917,437</u>	<u>\$ 9,064,402</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 357,686	\$ 614,292
Total liabilities	<u>357,686</u>	<u>614,292</u>
Commitments		
Net assets:		
Unrestricted	9,498,114	8,388,473
Temporarily restricted	18,008	18,008
Permanently restricted	43,629	43,629
	<u>9,559,751</u>	<u>8,450,110</u>
Total net assets and liabilities	<u>\$ 9,917,437</u>	<u>\$ 9,064,402</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 7,981,454	\$ 7,798,472
Less: Scholarship discounts and allowances	<u>(5,003,341)</u>	<u>(4,977,371)</u>
	2,978,113	2,821,101
Federal grants and contracts	15,464,559	11,745,911
Government of Guam grants and contracts	723,971	352,893
Auxiliary enterprises	1,194,192	1,157,687
Other revenues	<u>2,071,109</u>	<u>2,733,169</u>
Total operating revenues	<u>22,431,944</u>	<u>18,810,761</u>
Bad debts	<u>-</u>	<u>(158,816)</u>
Net operating revenues	<u>22,431,944</u>	<u>18,651,945</u>
Operating expenses:		
Education and general:		
Instruction	12,072,232	12,052,467
Scholarships and fellowships	6,964,805	4,910,041
Institutional support	4,889,017	4,533,184
Student services	2,960,182	2,828,306
Academic support	2,660,615	2,238,734
Depreciation	2,257,614	2,168,374
Operations and maintenance of plant	2,150,563	1,940,953
Planning	850,246	641,355
Auxiliary enterprises	860,093	792,730
Retiree healthcare costs	<u>586,951</u>	<u>569,695</u>
Total operating expenses	<u>36,252,318</u>	<u>32,675,839</u>
Operating loss	<u>(13,820,374)</u>	<u>(14,023,894)</u>
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	17,422,722	16,156,063
Interest expense	<u>(88,138)</u>	<u>(170,030)</u>
Net nonoperating revenues	<u>17,334,584</u>	<u>15,986,033</u>
Capital contributions:		
Contributions from U.S. Government	<u>-</u>	<u>1,199,934</u>
Change in net position	3,514,210	3,162,073
Net position:		
Net position at beginning of year	<u>40,653,537</u>	<u>37,491,464</u>
Net position at end of year	<u>\$ 44,167,747</u>	<u>\$ 40,653,537</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Activities Years Ended September 30, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other additions:								
Net investment gains	\$ 693,466	\$ -	\$ -	\$ 693,466	\$ 1,036,459	\$ -	\$ -	\$ 1,036,459
Interest income	65	-	-	65	19	-	-	19
Fundraising	45,965	-	-	45,965	85,335	-	-	85,335
Other additions	119,958	-	-	119,958	33,927	-	-	33,927
Total gains and other additions	859,454	-	-	859,454	1,155,740	-	-	1,155,740
Expenditures and other deductions:								
Transfer (from) to Guam Community College	(267,424)	-	-	(267,424)	316,342	-	-	316,342
Fundraising expenses	11,525	-	-	11,525	18,352	-	-	18,352
Professional services	3,950	-	-	3,950	4,924	-	-	4,924
Scholarship	1,500	-	-	1,500	4,500	-	-	4,500
Other deductions	262	-	-	262	158	-	-	158
Total expenditures and other deductions	(250,187)	-	-	(250,187)	344,276	-	-	344,276
Change in net position	1,109,641	-	-	1,109,641	811,464	-	-	811,464
Net assets at beginning of year	8,388,473	18,008	43,629	8,450,110	7,577,009	18,008	43,629	7,638,646
Net assets at end of year	<u>\$ 9,498,114</u>	<u>\$ 18,008</u>	<u>\$ 43,629</u>	<u>\$ 9,559,751</u>	<u>\$ 8,388,473</u>	<u>\$ 18,008</u>	<u>\$ 43,629</u>	<u>\$ 8,450,110</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows
Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Student tuition and fees	\$ 3,172,434	\$ 1,711,172
Federal grants and contracts	16,788,522	12,653,035
Government of Guam grants and contracts	723,971	352,893
Auxiliary enterprises	1,194,192	1,157,687
Other receipts/payments	2,232,109	2,680,068
Payments to employees	(14,085,171)	(17,369,574)
Payments to suppliers	(11,284,807)	(9,059,337)
Payments for scholarships and fellowships	(6,962,900)	(4,613,925)
Net cash used in operating activities	<u>(8,221,650)</u>	<u>(12,487,981)</u>
Cash flows from investing activities:		
Decrease in investments	21,187	29,238
Increase in time certificates of deposit	(9,558)	(2,000,000)
Net cash provided by (used in) investing activities	<u>11,629</u>	<u>(1,970,762)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	15,100,589	14,412,618
Cash flows from capital and related financing activities:		
Purchases of capital assets	(5,570,879)	(2,953,478)
Capital contributions received	(11,099)	1,188,658
Proceeds from long-term debt	-	3,440,000
Principal paid on long-term debt	(13,897)	(334,872)
Interest paid on long-term debt	(88,139)	(181,992)
Net cash provided by (used in) capital and related financing activities	<u>(5,684,014)</u>	<u>1,158,316</u>
Net change in cash and cash equivalents	1,206,554	1,112,191
Cash and cash equivalents at beginning of year	5,069,948	3,957,757
Cash and cash equivalents at end of year	<u>\$ 6,276,502</u>	<u>\$ 5,069,948</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (13,820,374)	\$ (14,023,894)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,257,614	2,168,374
Bad debts	-	158,816
On-behalf payments for retiree healthcare costs	586,951	569,695
Changes in assets and liabilities:		
Tuition receivable	327,235	(2,613,909)
Accounts receivable - U.S. Government	1,323,963	2,327,185
Other receivables	161,000	67,964
Inventories	(78,485)	(136,805)
Accounts payable and accrued liabilities	987,360	(1,303,224)
Accrued annual leave	47,945	(11,215)
DCRS sick leave liability	118,054	226,513
Unearned revenue	(132,915)	82,519
Deposits held on behalf of others	2	-
Net cash used in operating activities	<u>\$ (8,221,650)</u>	<u>\$ (12,487,981)</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2014 and 2013

(1) Organization and Purpose

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

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

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

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

(2) Summary of Significant Accounting and Reporting Policies

Basis of Presentation

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

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

Notes to Financial Statements
September 30, 2014 and 2013

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

Basis of Presentation, Continued

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

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

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Accounts Receivable

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

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

Notes to Financial Statements
September 30, 2014 and 2013

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

Inventory

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

Investments and Investment Income

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

Property, Plant and Equipment

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

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

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

Unearned Revenues

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

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick benefits. As of September 30, 2014 and 2013, an accumulated vacation leave liability of \$488,468 and \$440,524, respectively, is included within the statement of net position as accrued annual leave.

Income Taxes

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

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

Notes to Financial Statements
September 30, 2014 and 2013

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

Grants-in-Aid

GovGuam law requires that the College waive the tuition and fees for credit classes for senior citizens. Effective Fall 2012, the Board of Trustees voted to approve the Guam Community College Tuition Benefit Program for Employees' Spouse and Dependents. The total of senior citizen waivers provided is \$101,593 and \$81,178 for the years ended September 30, 2014 and 2013, respectively.

Net Position

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

Classification of Revenues and Expenses

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

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

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

Scholarship Discounts and Allowances

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

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

Notes to Financial Statements
September 30, 2014 and 2013

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

Foundation Investments

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

The original cost and market values of investments at September 30, 2014 and 2013, are:

<u>2014</u>		<u>2013</u>	
<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
<u>\$4,894,734</u>	<u>\$9,488,438</u>	<u>\$ 4,894,734</u>	<u>\$ 8,794,971</u>

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

	<u>2014</u>	<u>2013</u>
Equities and related	\$ 6,935,670	\$ 5,170,869
Mutual funds	853,586	1,948,671
Government securities	1,267,169	1,232,662
Cash and equivalents	<u>432,013</u>	<u>442,769</u>
	<u>\$ 9,488,438</u>	<u>\$ 8,794,971</u>

The following represents the composition of the net investment gains for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unrealized investment gains	\$ 706,512	\$ 577,577
Net realized investment (losses) gains	(102,936)	235,686
Interest income and dividends	<u>89,890</u>	<u>223,196</u>
	<u>\$ 693,466</u>	<u>\$ 1,036,459</u>

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

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

Notes to Financial Statements
September 30, 2014 and 2013

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

Deposits and Investments

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

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

A. Deposits

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

As of September 30, 2014 and 2013, the carrying amount of the College's total cash and cash equivalents, inclusive of time certificates of deposit, was \$8,286,058 and \$7,069,948, respectively, and the corresponding bank balances were \$8,227,740 and \$7,543,910, respectively. The bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2014 and 2013, bank deposits in the amount of \$694,105 and \$667,744, respectively, were FDIC insured. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

B. Investments

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

Pursuant to Public Law 25-187, the College is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development Authority. Public Law 25-187 requires the establishment of a separate account to be administered by the College to be expended exclusively for enhancement of learning resources and technology. At September 30, 2014 and 2013, the College had one fixed income corporate note in the amount of \$1,748,504 and \$1,769,691, respectively, with imputed interest of 7.25% that matures on June 1, 2057. The fixed income corporate note is uninsured and unregistered, and held by the counterparty, or by its trust department, but not in the College's name. Accordingly, the note is subject to custodial credit risk.

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

Notes to Financial Statements
September 30, 2014 and 2013

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

New Accounting Standards

During fiscal year 2014, the College implemented the following pronouncements:

- GASB 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 implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 67, *Financial Reporting for Pension Plans*, which revises existing guidance for the financial reports of most pension plans. The implementation of this statement did not have a material effect on the accompanying financial statements.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In June 2012, GASB issued 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 68 are effective for fiscal years beginning after June 15, 2014. The implementation of this statement will have a material effect on the financial statements of GCC and will require a restatement disclosure upon implementation. As of September 30, 2014, the net pension liability that GCC will record upon implementation of GASB 68 is \$33,672,222.

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

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions in Statement 71 are effective for fiscal years beginning after June 15, 2014. 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, 2014 and 2013

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

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, 2014 and 2013, the fund earned interest of \$0 and \$0, respectively. The College has no related expenditures for capital projects for the years ended September 30, 2014 and 2013, respectively.

Estimates

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

Risk Management

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

(3) Property, Plant and Equipment

Movements of property, plant and equipment for the years ended September 30, 2014 and 2013 was as follows:

	Estimated Useful Life (in years)	Balance October 1, <u>2013</u>	<u>Additions</u>	Retirement/ <u>Transfers</u>	Balance September 30, <u>2014</u>
Depreciable:					
Buildings and structures	10-30	\$ 48,289,825	\$ 516,691	\$ -	\$ 48,806,515
Furniture, fixtures and equipment	5-6	9,642,562	520,688	(65,285)	10,097,965
Vehicles	5	<u>338,896</u>	<u>-</u>	<u>(34,943)</u>	<u>303,953</u>
		<u>58,271,283</u>	<u>1,037,379</u>	<u>(100,228)</u>	<u>59,208,434</u>
Accumulated depreciation:					
Buildings and structures		21,209,692	1,166,104	-	22,375,796
Furniture, fixtures and equipment		6,619,371	1,063,665	60,698	7,622,338
Vehicles		<u>181,073</u>	<u>27,845</u>	<u>34,943</u>	<u>173,975</u>
		<u>28,010,136</u>	<u>2,257,614</u>	<u>95,641</u>	<u>30,172,109</u>
Non-depreciable:					
Land		1,903,000	-	-	1,903,000
Construction in progress		<u>1,330,152</u>	<u>4,761,811</u>	<u>(223,724)</u>	<u>5,868,239</u>
		\$ <u>33,494,299</u>	\$ <u>3,541,576</u>	\$ <u>(228,311)</u>	\$ <u>36,807,564</u>

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

Notes to Financial Statements
September 30, 2014 and 2013

(3) Property, Plant and Equipment, Continued

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

(4) Employees' Retirement Plan

Defined Benefit Plan

Plan Description:

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

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

**GUAM COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2014 and 2013

(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Funding Policy:

As a result of actuarial valuations performed as of September 30, 2012, 2011, and 2010, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2014, 2013 and 2012, respectively, have been determined as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Normal costs (% of DB Plan payroll)	16.61%	17.52%	17.07%
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>7.11%</u>	<u>8.02%</u>	<u>7.57%</u>
Employer portion of normal costs (% of total payroll)	2.39%	3.00%	3.03%
Unfunded liability cost (% of total payroll)	<u>24.01%</u>	<u>24.33%</u>	<u>23.75%</u>
Government contribution as a % of total payroll	<u>26.40%</u>	<u>27.33%</u>	<u>26.78%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>30.03%</u>	<u>30.09%</u>	<u>28.30%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

The College's contributions to the DB Plan for the years ended September 30, 2014, 2013 and 2012 were \$1,544,902, \$1,704,058, and \$1,645,060, 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, 2014 and 2013, 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, 2014, 2013 and 2012 were \$2,812,980, \$2,571,214 and \$2,353,705, respectively, which were equal to the required contributions for the respective years then ended.

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

Notes to Financial Statements
September 30, 2014 and 2013

(4) Employees' Retirement Plan, Continued

Defined Contribution Plan, Continued

Public Law 26-86 allows members of the DCRS plan to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The College has accrued an estimated liability of \$1,323,230 and \$1,205,176 at September 30, 2014 and 2013, 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, 2014, 2013 and 2012, the College recognized certain on-behalf payments as transfers from GovGuam, totaling \$586,951, \$569,695 and \$601,729, respectively, representing certain healthcare benefits that GovGuam's general fund paid directly on behalf of College retirees.

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

(5) Due from Government Agencies

Due from Government of Guam consists of receivables from GovGuam General Fund. Accounts receivable - U.S. Government consists of uncollected grants at September 30, 2014 and 2013. 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, \$3,485,229 and \$5,935,140 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2014 and 2013, respectively. Of the \$3,485,229 as of September 30, 2014, \$1,642,545 relates to contract commitments.

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

Notes to Financial Statements
September 30, 2014 and 2013

(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 \$334,398 and \$332,606 in contributions from the Foundation during the years ended September 30, 2014 and 2013, respectively.

(8) Transfer of Property

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

(9) Long-Term Debt

	<u>2014</u>	<u>2013</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.	\$2,188,071	\$ 2,213,617
Note payable of an original amount of \$3,500,000 to U.S. Department of Agriculture, for facility construction purposes, interest at 3.125%, repayable in monthly installments of principal and interest of \$12,810 through March 6, 2053, collateralized by a pledge of all gross revenues.	<u>3,397,973</u>	<u>3,386,324</u>
	5,586,044	5,599,941
Less current portion	<u>73,293</u>	<u>70,785</u>
	<u>\$ 5,512,751</u>	<u>\$ 5,529,156</u>

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

Notes to Financial Statements
September 30, 2014 and 2013

(9) Long-Term Debt, Continued

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 73,293	\$ 196,080	\$ 269,373
2016	75,891	193,481	269,372
2017	78,584	190,789	269,373
2018	81,371	187,999	269,370
2019	84,265	185,108	269,373
2020-2024	468,494	878,368	1,346,862
2025-2029	558,240	788,622	1,346,862
2030-2034	712,946	750,292	1,463,238
2035-2039	794,014	552,848	1,346,862
2040-2044	947,815	399,047	1,346,862
2045-2049	1,132,096	214,766	1,346,862
2050-2053	<u>579,035</u>	<u>32,936</u>	<u>611,971</u>
	<u>\$ 5,586,044</u>	<u>\$ 4,570,336</u>	<u>\$ 10,156,380</u>

The College has pledged all future gross revenues to repay \$2,250,000, and \$3,500,000 of U.S. Department of Agriculture debts issued in 2011 and 2013, respectively. Note payable proceeds financed facility construction. The notes are payable from gross revenues and are payable through March 2051 and March 2053, respectively. Annual interest and principal payments on the notes are expected to require less than one percent of net operating revenues. The total interest and principal remaining to be paid on the notes as of September 30, 2014 is \$10,229,342. Principal and interest paid for fiscal year 2014 and net operating revenues were \$270,096 and \$358,057, respectively.

(10) Noncurrent Liabilities

Noncurrent liability activities for the years ended September 30, 2014 and 2013, were as follows:

	Beginning Balance October <u>1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance September <u>30, 2014</u>	Amount due within <u>one year</u>
Loans payable	\$ 5,599,941	\$ 60,000	(\$73,897)	\$5,586,044	\$ 73,293
Accrued annual leave	440,524	47,945	-	488,469	231,629
DCRS sick leave liability	<u>1,205,176</u>	<u>118,054</u>	<u>-</u>	<u>1,323,230</u>	<u>-</u>
	<u>\$ 7,245,641</u>	<u>\$ 225,999</u>	<u>\$ (73,897)</u>	<u>\$ 7,397,743</u>	<u>\$ 304,922</u>

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

Notes to Financial Statements
September 30, 2014 and 2013

(10) Noncurrent Liabilities, Continued

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

(11) Contingencies

Medicare

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

Lawsuit and Claims

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

Financial and Compliance Audits

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

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

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

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

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

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

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

See Accompanying Independent Auditors' Report.

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

Schedule 1
Schedule of Salaries and Wages (Cash Basis)
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Salaries and wages:		
Regular, differential and hazardous pay (inclusive of part-time employees)	\$ 13,858,621	\$ 13,209,866
Benefits	<u>4,558,535</u>	<u>4,375,003</u>
Total salaries, wages and benefits	<u>\$ 18,417,156</u>	<u>\$ 17,584,869</u>
Full-time employees at end of year	<u>249</u>	<u>246</u>
Federal Funds:		
Salaries	\$ 1,001,580	\$ 966,628
Benefits	<u>280,529</u>	<u>265,018</u>
Total salaries, wages and benefits	<u>\$ 1,282,109</u>	<u>\$ 1,231,646</u>
Full time federal employees at end of year (inclusive in above amount)	<u>21</u>	<u>19</u>

See accompanying independent auditors' report.

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

Schedule of Expenditures by Function and Object Code
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Instruction:		
Salaries, wages and benefits	\$ 9,516,881	\$ 9,166,715
Travel	74,012	112,751
Contract services	348,720	423,284
Supplies	572,089	341,128
Minor equipment	258,003	231,810
Capital expenditures	-	90,018
Miscellaneous	<u>1,302,527</u>	<u>1,686,761</u>
	<u>\$ 12,072,232</u>	<u>\$ 12,052,467</u>
Total employees at end of year	<u>113</u>	<u>115</u>
	<u>2014</u>	<u>2013</u>
Planning:		
Salaries, wages and benefits	\$ 639,466	\$ 502,286
Travel	29,874	3,193
Contract services	129,516	110,309
Supplies	11,925	7,986
Minor equipment	37,428	15,807
Miscellaneous	<u>2,037</u>	<u>1,774</u>
	<u>\$ 850,246</u>	<u>\$ 641,355</u>
Total employees at end of year	<u>10</u>	<u>9</u>
	<u>2014</u>	<u>2013</u>
Academic Support:		
Salaries, wages and benefits	\$ 1,676,333	\$ 1,659,537
Travel	39,333	61,190
Contract services	380,145	286,729
Supplies	131,357	57,683
Minor equipment	61,394	45,857
Miscellaneous and transfers	<u>372,053</u>	<u>127,738</u>
	<u>\$ 2,660,615</u>	<u>\$ 2,238,734</u>
Total employees at end of year	<u>25</u>	<u>22</u>

See accompanying independent auditors' report.

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

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Student Services:		
Salaries, wages and benefits	\$ 2,776,395	\$ 2,643,272
Travel	12,561	17,234
Contract services	93,878	70,119
Supplies	19,805	26,947
Minor equipment	4,378	13,991
Miscellaneous and transfers	<u>53,165</u>	<u>56,743</u>
	<u>\$ 2,960,182</u>	<u>\$ 2,828,306</u>
 Total employees at end of year	 <u>43</u>	 <u>43</u>
	<u>2014</u>	<u>2013</u>
Institutional Support and Interest:		
Salaries, wages and benefits	\$ 3,141,789	\$ 2,990,053
Travel	181,096	259,513
Contract services	1,180,616	1,125,842
Supplies	36,198	41,031
Minor equipment	16,905	1,407
Capital expenditures	27,992	27,437
Interest and miscellaneous	<u>304,421</u>	<u>87,901</u>
	<u>\$ 4,889,017</u>	<u>\$ 4,533,184</u>
 Total employees at end of year	 <u>45</u>	 <u>45</u>
	<u>2014</u>	<u>2013</u>
Operations and Maintenance of Plant:		
Salaries, wages and benefits	\$ 350,399	\$ 282,467
Contract services	329,974	301,835
Supplies	68,671	67,716
Minor equipment	28,635	2,345
Utilities	<u>1,372,884</u>	<u>1,286,590</u>
	<u>\$ 2,150,563</u>	<u>\$ 1,940,953</u>
 Total employees at end of year	 <u>8</u>	 <u>7</u>

See accompanying independent auditors' report.

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

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Scholarships and Fellowships:		
Salaries, wages and benefits	\$ 245,351	\$ 296,116
Travel	2,729	350
Contract services	941	907
Supplies	1,905	1,684
Minor equipment	5,157	-
Miscellaneous	<u>6,708,722</u>	<u>4,610,984</u>
	<u>\$ 6,964,805</u>	<u>\$ 4,910,041</u>
 Total employees at end of year	 <u>3</u>	 <u>3</u>
	<u>2014</u>	<u>2013</u>
Auxiliary:		
Salaries, wages and benefits	\$ 70,542	\$ 44,425
Contract services	3,293	-
Supplies	13,053	1,475
Minor equipment	770,705	746,829
Capital expenditures	<u>2,500</u>	<u>-</u>
	<u>\$ 860,093</u>	<u>\$ 792,729</u>
 Total employee at end of year	 <u>2</u>	 <u>2</u>

See accompanying independent auditors' report.

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

Unrestricted and Restricted Fund Supplemental Schedule

Balance Sheet

September 30, 2014

(With Comparative Balances as of September 30, 2013)

	Unrestricted			Restricted										Grand Total	
	Appropriated Fund	Non-appropriated Fund	Total	Federal Fund	Other Grants Fund	ARRA	Total	Capital Projects	Tobacco Settlement	Campus Housing	Investment in Plant	Agency Fund	Elimination	2014	2013
ASSETS															
Cash	\$ -	\$ 5,921,395	\$ 5,921,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 119,473	\$ -	\$ -	\$ 235,632	\$ -	\$ 6,276,500	\$ 5,069,948
TCD	-	2,009,558	2,009,558	-	-	-	-	-	-	-	-	-	-	2,009,558	2,000,000
Investments	-	-	-	-	-	-	-	-	1,748,504	-	-	-	-	1,748,504	1,769,691
Due from Government of Guam	2,480,474	447,391	2,927,865	-	821,259	-	821,259	-	-	-	-	-	-	3,749,124	2,013,941
Due from other College funds	3,873,604	29,460,437	33,334,041	18,887,107	330,578	-	19,217,685	-	140,000	-	427,700	45,549	(53,164,975)	-	-
Accounts receivable - U.S. Government	-	78,443	78,443	1,155,123	53,944	-	1,209,067	-	-	-	-	-	-	1,287,510	2,600,374
Accounts receivable - tuition	-	5,388,893	5,388,893	-	-	-	-	-	-	-	-	-	-	5,388,893	5,980,132
Accounts receivable - others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	161,000
Allowance for doubtful accounts	-	(1,327,045)	(1,327,045)	-	-	-	-	-	-	-	-	-	-	(1,327,045)	(1,591,048)
Inventories	-	672,485	672,485	-	-	-	-	-	-	-	-	-	-	672,485	594,000
Construction in progress	-	-	-	-	-	-	-	-	-	-	5,868,239	-	-	5,868,239	1,330,152
Land	-	-	-	-	-	-	-	-	-	-	1,903,000	-	-	1,903,000	1,903,000
Buildings	-	-	-	-	-	-	-	-	-	-	48,806,516	-	-	48,806,516	48,289,825
Equipment	-	-	-	-	-	-	-	-	-	-	10,097,965	-	-	10,097,965	9,642,562
Vehicles	-	-	-	-	-	-	-	-	-	-	303,953	-	-	303,953	338,896
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(30,172,109)	-	-	(30,172,109)	(28,010,136)
	\$ 6,354,078	\$ 42,651,557	\$ 49,005,635	\$ 20,042,230	\$ 1,205,781	\$ -	\$ 21,248,011	\$ -	\$ 2,007,977	\$ -	\$ 37,235,264	\$ 281,181	\$ (53,164,975)	\$ 56,613,093	\$ 52,092,337
LIABILITIES AND FUND BALANCE															
Accounts payable	\$ 490,840	\$ 930,813	\$ 1,421,653	\$ 10,814	\$ 167,061	\$ -	\$ 177,875	\$ 302,878	\$ -	\$ -	\$ 465,264	\$ -	\$ -	\$ 2,367,670	\$ 1,224,020
Loans payable	-	5,586,044	5,586,044	-	-	-	-	-	-	-	-	-	-	5,586,044	5,599,941
Due to other College funds	4,115,086	20,732,961	24,848,047	19,757,627	-	-	19,757,627	8,559,302	-	-	-	-	(53,164,975)	1	-
Due to depositor	-	-	-	-	-	-	-	-	-	-	-	281,181	-	281,181	281,181
Accrued liabilities	-	939,864	939,864	-	-	-	-	-	-	-	-	-	-	939,864	1,048,210
DCRS sick leave liability	-	1,323,230	1,323,230	-	-	-	-	-	-	-	-	-	-	1,323,230	1,205,176
Unearned revenue	-	1,947,357	1,947,357	-	-	-	-	-	-	-	-	-	-	1,947,357	2,080,272
Fund balance	1,748,153	11,191,288	12,939,441	273,789	1,038,720	-	1,312,509	(8,862,180)	2,007,977	-	36,770,000	-	-	44,167,747	40,653,537
	\$ 6,354,079	\$ 42,651,557	\$ 49,005,636	\$ 20,042,230	\$ 1,205,781	\$ -	\$ 21,248,011	\$ -	\$ 2,007,977	\$ -	\$ 37,235,264	\$ 281,181	\$ (53,164,975)	\$ 56,613,094	\$ 52,092,337

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, 2014
(With Comparative Balances for the year ended September 30, 2013)

	Unrestricted						Restricted									Grand Total	
	Appropriated			Non-appropriated		Total	Federal Fund	Other Grant	ARRA	Total	Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant		2014	2013
	General	TAF	MDF	Total Appropriated	NAF												
Revenues:																	
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ 7,981,454	\$ 7,981,454	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,981,454	\$ 7,798,472
Government of Guam appropriations	16,191,789	522,241	708,692	17,422,722	-	17,422,722	-	-	-	-	-	-	-	-	-	17,422,722	16,156,063
Federal grants and contracts	-	-	-	-	-	-	9,008,101	1,453,117	-	10,461,218	-	-	-	-	-	10,461,218	7,969,874
Gove	-	-	-	-	-	-	-	723,971	-	723,971	-	-	-	-	-	723,971	352,893
Sales and services of auxiliary enterprises	-	-	-	-	1,194,192	1,194,192	-	-	-	-	-	-	-	-	-	1,194,192	1,157,687
Other sources	-	-	-	-	2,350,910	2,350,910	-	-	-	-	-	-	-	-	-	2,350,910	2,650,104
Total current revenues	16,191,789	522,241	708,692	17,422,722	11,526,556	28,949,278	9,008,101	2,177,088	-	11,185,189	-	-	-	-	-	40,134,467	36,085,093
Expenditures and mandatory transfers:																	
Educational and general:																	
Instruction	6,797,521	399,656	578,843	7,776,020	3,662,074	11,438,094	394,489	239,649	-	634,138	-	-	-	-	-	12,072,232	12,052,467
Planning	445,355	-	-	445,355	119,933	565,288	284,958	-	-	284,958	-	-	-	-	-	850,246	641,355
Academic support	895,786	-	-	895,786	449,612	1,345,398	1,047,134	268,083	-	1,315,217	-	-	-	-	-	2,660,615	2,238,734
Student services	2,404,228	-	-	2,404,228	288,008	2,692,236	267,946	-	-	267,946	-	-	-	-	-	2,960,182	2,828,306
Institutional support	3,025,032	25,319	-	3,050,351	1,838,666	4,889,017	-	-	-	-	-	-	-	-	-	4,889,017	4,533,184
Operation and maintenance of plant	1,599,488	65,587	-	1,665,075	404,254	2,069,329	-	-	-	-	76,646	-	-	4,588	-	2,150,563	1,940,953
Scholarship and fellowship	172,301	-	-	172,301	9,791	182,092	6,775,554	7,159	-	6,782,713	-	-	-	-	-	6,964,805	4,910,041
Retiree healthcare costs	586,951	-	-	586,951	-	586,951	-	-	-	-	-	-	-	-	-	586,951	569,695
Interest Expense	-	-	-	-	88,138	88,138	-	-	-	-	-	-	-	-	-	88,138	170,030
Bad debts expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158,816
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	2,257,614	-	2,257,614	2,168,374
	15,926,662	490,562	578,843	16,996,067	6,860,476	23,856,543	8,770,081	514,891	-	9,284,972	76,646	-	-	2,262,202	-	35,480,363	32,211,955
Auxiliary enterprises:																	
Expenditures	45,119	-	-	45,119	814,974	860,093	-	-	-	-	-	-	-	-	-	860,093	792,730
Total expenditures	15,971,781	490,562	578,843	17,041,186	7,675,450	24,716,636	8,770,081	514,891	-	9,284,972	76,646	-	-	2,262,202	-	36,340,456	33,004,685
Net (decrease) increase in fund balance	220,008	31,679	129,849	381,536	3,851,106	4,232,642	238,020	1,662,197	-	1,900,217	(76,646)	-	-	(2,262,202)	-	3,794,011	3,080,408
Beginning fund balance	(1,931,676)	87,523	493,263	(1,350,890)	17,565,800	16,214,910	273,789	1,038,720	(2,301,470)	(988,961)	(5,939,561)	2,007,977	(4,562,827)	33,921,999	-	40,653,537	37,491,464
Fund transfer	-	(2,942)	2,720,449	2,717,507	(10,225,618)	(7,508,111)	(238,020)	(1,662,197)	2,301,470	401,253	(2,845,973)	-	4,562,827	5,110,203	-	(279,801)	81,665
Ending fund balance	\$ (1,711,668)	\$ 116,260	\$ 3,343,561	\$ 1,748,153	\$ 11,191,288	\$ 12,939,441	\$ 273,789	\$ 1,038,720	\$ -	\$ 1,312,509	\$ (8,862,180)	\$ 2,007,977	\$ -	\$ 36,770,000	\$ -	\$ 44,167,747	\$ 40,653,537

See Accompanying Independent Auditors' Report.