

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

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

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**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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

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Years Ended September 30, 2016 and 2015

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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, 2016 and 2015, 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.

## **Opinion**

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, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 as well as the Schedule of Proportional Share of the Net Pension Liability on page 39, and the Schedule of Pension Contributions on page 40, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the Schedule of Funding Progress and Actuarial Accrued Liability – Post Employment Benefits Other Than Pensions that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic or historical context. Our opinion on the financial statements is not affected by this missing information.

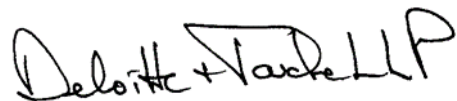
### *Other Information*

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 31, 2017 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 + Tuckers LLP". The signature is written in a cursive, stylized font.

March 31, 2017

**GUAM COMMUNITY COLLEGE  
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Management's Discussion and Analysis  
Years Ended September 30, 2016 and 2015

For the sixteenth consecutive year, Guam Community College (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 2016. 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 2016 Overview**

The College continued to maintain its operations during fiscal year 2016 as enrollment decreased slightly from prior years. With the passage of the Government of Guam Budget under PL 33-66, appropriations increased by 5% overall. However, continued decreased funding from the Manpower Development Fund of 11% required restrictions to be placed on local budgets. The College implemented restrictions on institution spending as local appropriation releases were delayed and a 10% cash reserve imposed by GovGuam Department of Administration (DOA). General Fund appropriations cover a majority of salaries and benefits and utility costs.

In March 2016, GCC and Triple J Auto Group entered into a memorandum of agreement to provide a historic training opportunity that could eventually benefit everyone on Guam who drives a vehicle, through the development of the first brand specific training program on island.

In April 2016, GCC received presentations from the Hospitality and Tourism and the Visual Communications department faculty interested in offering a four year degree in career and technical education. The College will make its final determination some time in 2018.

In May 2016, as part of the GCC Management Information Systems Computer Labs Replacement Cycle and in conjunction with Planning & Development's Room Vitalization Project, Instructional Computer Labs in Rooms A27, D2, D3, and D10 were upgraded. Student Technology fees in the amount of \$126,877 were used to purchase brand new desktop PCs running on Microsoft Windows 10, with MS Office Pro Plus 2016 software, battery backups, and security cables included. A total of 105 computers were purchased in addition to upgraded lab furniture.

In June 2016, GCC received notice that Building E received the designation of LEED Gold. Building E officially opened in December 2014. Slated as GCC's third LEED-designed structure, Building E contains solar panels, a rainwater catchment system and other sustainable features, and houses the Education and Pre-Architectural Drafting programs, and the English Department.

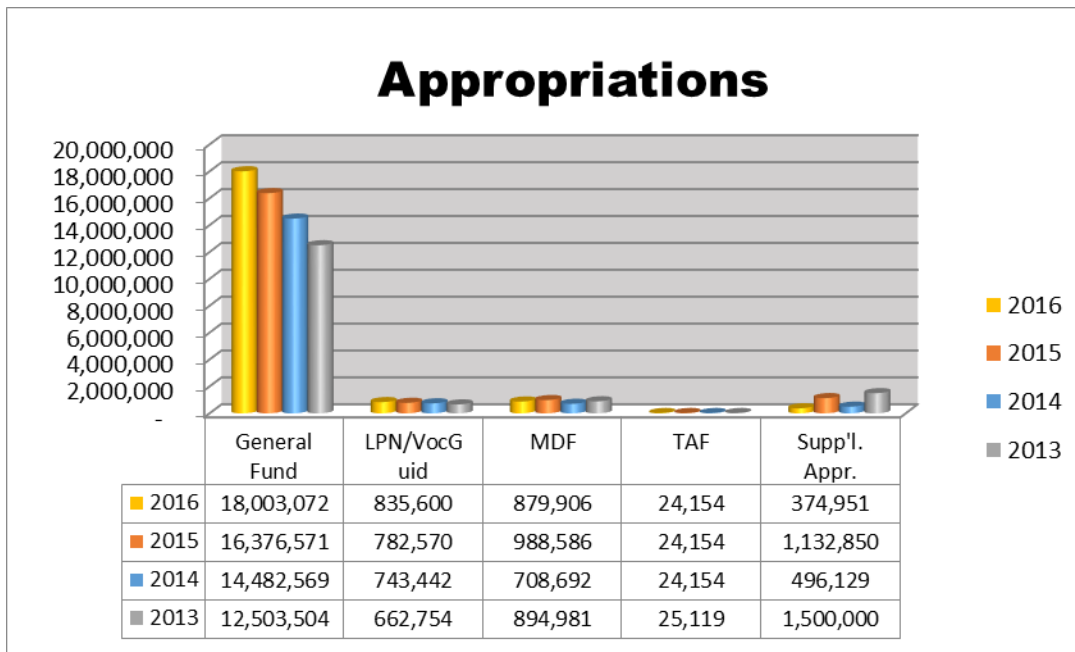
In September 2016, GCC broke ground on the renovation and expansion of GCC's Building 100 project. The USDA and the GCC Capital Improvement Fund are the combined funding sources for construction of the \$4.5M project. The construction will expand Building 100 into a two-story concrete structure with Leadership in Energy and Environmental Design (LEED) features. It will house GCC's Criminal Justice program and connect to the recently renovated and expanded two-story Building E. Completion of the project is slated for December 2017.

In a prior fiscal year, the Board approved a \$400,000 request to fund the A/E costs for the construction of a Wellness Center and Maintenance Building that will be approximately 20,500 square feet with an additional 10,500 square feet for a merchandise loading area. Estimated costs for the construction is \$4,500,000. The A/E for the building was subsequently completed in December 2015 and is currently pending funding for construction.

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The College continued its fiscal conservation 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. Based on prior year collection declines, anticipated allotment reductions in the Manpower Development Fund (MDF) directly correlate to the number of H-2B workers on Guam. Therefore, MDF budget appropriation was reduced to \$879,906. The Legislature and the Governor acknowledged the shortages in the MDF funds and provided additional General Fund appropriations included in the budget law (PL 33-66) in the amount of \$374,951. In total, GCC saw an overall increase of 4%: 10% from the General Fund and a decrease of 11% from MDF appropriations.



GCC was exempted from GovGuam Bureau of Budget and Management Research (BBMR) allotment release control, however it was subjected to a 10% cash hold from GovGuam Department of Administration. 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 and increased tax return payments for the Earned Income tax Credit lead to continued efforts for strict financial policy.

The College was able to maintain its fiscal accountability 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. Due to energy conservation measures power costs decreased by 17% as compared to prior years. In addition, through maintenance of systems, water costs decreased by 83%.

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Continued federal discussions to reduce the overall deficit did not reduce the amount of financial aid available to students as Pell funding for AY 2015-2016 held a maximum full time award of \$5,775, or \$40 increase per student per academic year. The AY 2016-2017 maximum Pell award increased to \$5,815 or \$35 per student per academic year. Pell grants make up approximately 58% or \$4,286,536 of students tuition and fee payments. This is a decrease as compared with 2015 amounts where 64% or \$4,817,285 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.

- In February 2016, GCC received a \$15,000 sub-award from Coastline Community College to strengthen its online offerings. The grant is part of the Asian & Pacific Islander American Scholarship Fund (APIASF) Enhancing Technology and Online Education at Pacific Island AANAPISIs (E-TOPIA) Project, a new initiative supporting innovative online education at federally designated Asian American and Native American Pacific Islander-Serving Institutions (AANAPISIs) in the Pacific Islands.
- GCC was the sub-recipient of an Area Health Education Center Cooperative under Guam Micronesia Area Health Education Center amounting to \$142,115. The sub-grant allows the College to provide NCLEX-PN review, caregiver training, Pharmacy Technician training, Certified Nursing Assistant Training plus BLS and review, Interpreting in Health and Community Settings training courses, and professional development for faculty of Nursing or Allied Health programs, materials, and supplies.
- The College was the sub-recipient of the National Transportation Summer Institute Grant for \$20,083. The sub-grant supports a three week program focusing on introducing middle school students to a career in the transportation industry.
- In August 2016, GCC's Allied Health Program received a \$100,000 grant for scholarships, faculty training, and equipment and supplies from TakeCare. Over the past eight years, TakeCare has contributed \$800,000 to our Allied Health program, grant funding for both students and faculty scholarships, and funding the purchase of updated equipment and supplies.
- The College was the recipient of the Island of Opportunity Alliance – Louis Stokes Alliance for Minority Participation sub-award for \$55,828. This sub-award allows the College to hire lab assistants, teaching assistants and tutors for math and science programs; funds science area exploration; and organization of a STEM awareness day at the College.
- In August, GCC was awarded another TRIO Project AIM five-year grant for \$292,340 per academic year, for a total of \$1,461,700 that will help 200 first generation students per year to succeed in earning their associate degree and continuing their education at a four-year institution.



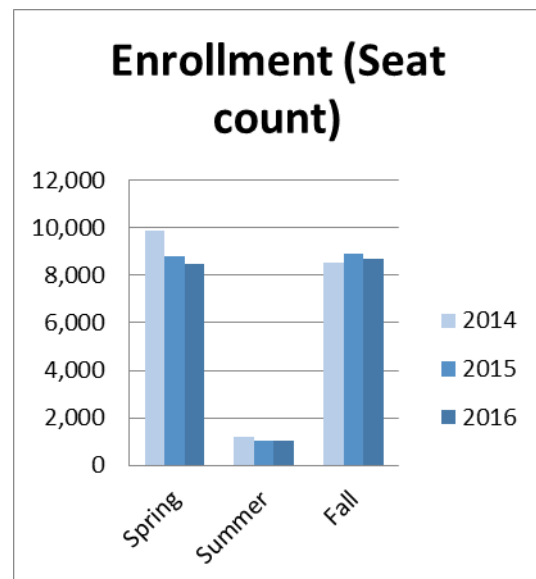
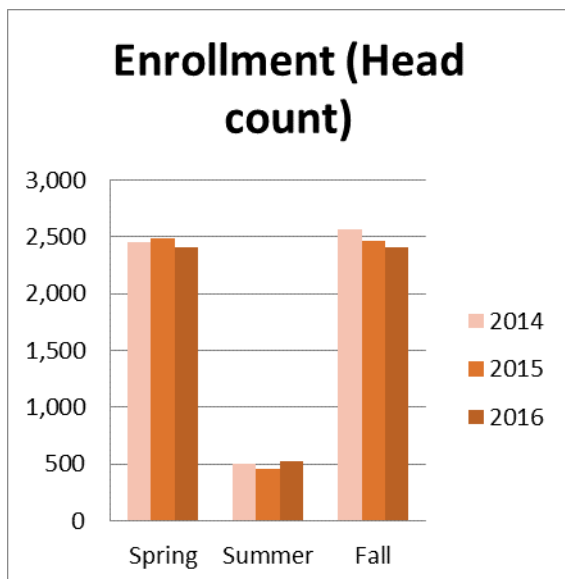
**GUAM COMMUNITY COLLEGE  
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Management's Discussion and Analysis  
Years Ended September 30, 2016 and 2015

The College operated with 246 full time personnel positions. This does not include adjunct faculty members hired to teach additional postsecondary courses. The College's Government of Guam local appropriation funds are used to provide personnel costs at the College campus and at the six 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 funding 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 528 and 560 apprentices over 84 and 74 active employers in Fall 2015 and 2016, respectively. This is an increase of 6% of apprentices in the program as compared to the previous year.

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 since Fall 2011 and there has been no increase request expected for FY17. However, programs seeking course fee increases go through the adjudication process. Overall, actual tuition revenues have decreased due to a decline in the number of students and seats during the academic year 2015-2016. As authorized by the Board of Trustees, 50% of the proceeds from the tuition revenue 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 and technology fees. Funds utilized in FY2016 for capital projects and technology fees were \$710,000 and \$376,000, respectively.

There were slight decreases in the post-secondary enrollment seats and headcounts for the Spring 2016 and Fall 2016 of -3.13% and -2.31% respectively, as compared to prior 2015 semesters. Based on prior trends, increases in the global economy, increases in the local minimum wage to \$8.25 and decreases in unemployment rates, usually lead to decreases in post-secondary enrollment, as people tend to work versus going to school. However, the decrease was slight as the College maintained its competitive tuition rates and the maximum annual allowable Pell awards increased for available students.



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In accordance with PL 14-77 (amended by PL 31-99), the College is mandated to provide career and technical education programs in all public high schools on Guam. Due to this mandate, GovGuam appropriations continue to support 49 and 47 instructional and non-instructional faculty and supplies at each of the six public high schools as of FY16 and FY15. 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 14% from 2,609 to 2,978 students in SY15-16 and SY16-17 respectively. These programs include Allied Health, Auto Body, Automotive Service, Construction, Electronics/Networking, Lodging Management, Marketing, Tourism, Early Childhood Education and Visual Communications. Not all programs are available at each of the high school locations due to space limitations.

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

**Summary Statement of Net position**

	<u>2016</u>	<u>2015</u>	<u>2014</u> (Restated)
Assets:			
Other current assets	\$ 20,604	\$ 20,352	\$ 16,768
Accounts receivable – U.S. Government	1,849	1,182	1,288
Investments (noncurrent)	1,932	1,917	1,749
Capital assets, net	<u>35,010</u>	<u>36,639</u>	<u>36,808</u>
Total assets	<u>59,395</u>	<u>60,090</u>	<u>56,613</u>
Deferred outflows of resources:			
Deferred outflows from pension	<u>4,469</u>	<u>3,841</u>	<u>3,555</u>
Total assets and deferred outflows of resources	\$ <u>63,864</u>	\$ <u>63,931</u>	\$ <u>60,168</u>
Liabilities:			
Current liabilities	\$ 3,948	\$ 4,809	\$ 5,353
Non-current liabilities	<u>39,437</u>	<u>36,520</u>	<u>40,108</u>
Total liabilities	43,385	41,329	45,461
Deferred inflows of resources:			
Deferred inflows from pension	<u>-</u>	<u>2,988</u>	<u>1,973</u>

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Years Ended September 30, 2016 and 2015

Net position:			
Invested in capital assets, net of related debt	30,595	31,082	31,221
Restricted – expendable	1,399	1,313	944
Unrestricted	<u>(11,515)</u>	<u>(12,780)</u>	<u>(19,431)</u>
 Total net position	 <u>20,479</u>	 <u>19,614</u>	 <u>12,734</u>
 Total liabilities, deferred inflows of resources and net pension	 \$ <u>63,864</u>	 \$ <u>63,931</u>	 \$ <u>60,168</u>

The overall financial situation at the College improved as compared with prior year, mainly due to increased fiscal conservation methods that were placed by the College and funding set aside in preparation for capital projects starting in FY17. In current assets, accounts receivable amounts increase due to the delays in collection of GovGuam appropriations and increases in cash are due to Building 100 project USDA funding requirements. At the end of the fiscal year, the College received 57% of total appropriations, or \$11.8M out of \$20.6M, and \$15.2M or 74% as of February 24, 2017. As of March 20, 2017, \$2M was received for FY16 appropriations. However, due to timing, this amount will be recorded in FY17 appropriation revenues. The College has increased collections from students and received 32% return on collections forwarded to a collection agency, totaling over \$356,000. Federal receivables increased slightly due to timing of reimbursement of grants. Investment balances increased slightly as markets provided positive returns during this period. There were slight increases in building, equipment and improvements due to equipment purchases and various repairs to buildings and infrastructure. Additionally, there were increases in Construction in Progress due to projects for the campus-wide fire alarm and mass notification system, Wellness Center and Maintenance Building A/E, Building 300 A/E, Building 1000 restroom renovations and other projects. However, accumulated depreciation increases offset these capital changes. Decreases in accounts payable occurred due to completion of Building 200 and payment of construction payables. Increases in accrued liabilities resulted from additional accruals for annual and sick leave liabilities and accrual of a full pay period at the end of the year.

Due to the constraints of College and University accounting, approximately \$6,267,643 in encumbrances incurred in fiscal year 2016 have yet to be reflected as expenditures in the accompanying financial presentation, but will be liquidated with 2016 net position. The increase in encumbrances is related to the construction and renovation of Building 100 started at the end of fiscal year 2016.

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Management's Discussion and Analysis  
Years Ended September 30, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>	<u>2014</u> (Restated)
Operating revenues	\$ 19,208	\$ 18,498	\$ 22,432
Operating expenses	<u>36,560</u>	<u>34,255</u>	<u>34,804</u>
Operating loss	(17,352)	(15,757)	(12,372)
Non-operating revenues, net	17,922	20,075	17,335
Capital contributions	<u>295</u>	<u>2,562</u>	<u>-</u>
Change in net position	865	6,880	4,963
Net position at beginning of year	<u>19,614</u>	<u>12,734</u>	<u>7,771</u>
Net position at end of year	\$ <u>20,479</u>	\$ <u>19,614</u>	\$ <u>12,734</u>

**Statement of Cash Flows**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash provided by (used in):			
Operating activities	\$(15,184)	\$ (16,394)	\$ (8,222)
Noncapital financing activities	20,439	15,979	15,101
Capital and related financing activities	(1,936)	(441)	(5,684)
Investing activities	<u>(30)</u>	<u>(179)</u>	<u>12</u>
Net change in cash and cash equivalents	3,289	(1,035)	1,207
Cash and cash equivalents at beginning of year	<u>5,242</u>	<u>6,277</u>	<u>5,070</u>
Cash and cash equivalents at end of year	\$ <u>8,531</u>	\$ <u>5,242</u>	\$ <u>6,277</u>

At the end of FY 2016 and 2015, the College recognized a 4% decrease and a 5% decrease in student tuition and fees due to changes in student enrollment and seat counts. Federal revenue decreases in Pell grants were attributed to student enrollment declines. Decreases of local grants and auxiliaries were due to decreases in Title V sub-grant of \$300,000 and decrease of 2015 DOI grants and 2015 CCDF sub-awards of \$847,500. GCC's contributions to the Unfunded Liability were maintained due to contributing employees on the DC plan. The net position of the College shows an increase of approximately \$865 thousand for the current year. Although non-appropriated revenues decreased due to enrollment, the College maintained a positive net position due to increased local appropriations, increases to contributions for capital assets, successful collection efforts, and cost saving measures implemented by the College to reduce operational costs from utilities and contractual services .

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Pell grant expenditures decreased by 7% due to enrollment decreases. Instructional costs show an increase as compared to FY 2015. Prior year pension expense was reduced due to the adjustment of GASB 68 overstatement in FY2014. Otherwise, instructional expenditures remained stable and were in line with stable enrollment and seat counts. The actual full-time employee count increased by two employees, from 244 to 246, with slight change in personnel costs. Allotment releases slowed down and the College received on average 40%-50% of its local appropriations throughout the year. The College remains committed to displaying fiscal responsibility in the management of its funds by operating within the prescribed authorized levels. Overall expenditures decreased due to timing of federal grant expenditures recognized in the current year.

**Capital Assets and Debt Administration**

GCC's capital assets of \$35,010,234 as of September 30, 2016, included land, buildings and equipment. Slight increases in buildings, improvements, and equipment were due to small renovation projects and equipment purchases. Increases in Construction in Progress were due to projects for the campus-wide fire alarm and mass notification system, Wellness Center and Maintenance Building A/E, Building 300 A/E, Building 1000 restroom renovations and other projects. The College has been awarded a \$5,000,000 Community Facilities Direct loan from USDA 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 \$1,116,376 and \$153,720, respectively, during fiscal year 2016. 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, 2015 and 2014, is set forth in the College's report on the audit of the financial statements, which is dated March 5, 2016, and that Discussion and Analysis explains the major factors impacting the 2015 and 2014 financial statements and can be viewed at the Office of Public Accountability – Guam website at [www.opaguam.org](http://www.opaguam.org).

**Economic Outlook for FY 2017**

The College continues to closely track the economic situation of the Government of Guam (GovGuam), as it receives in total 50% of its operational funding locally and 74% of the local appropriation is used for personnel costs. The College's FY17 appropriation for all funds increased by 5% or by \$991,874 and with the passage of PL 33-185, GCC continued to be exempted from BBMR allotment release control, but not exempt from the Department of Administrations cash reserve release control. The Manpower Development Funds collections continue to be monitored closely as although appropriations have increased by 24% or \$214,718 as compared to FY16 due to the decline of H2B visa approvals, the collection of these funds remains unpredictable. 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 special payouts 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 its base budget to meet the future island demands on education, and the increased requirements for personnel costs.

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As of February 25, 2017, the College has received \$2.4M or 13% of its FY17 appropriations from the General Fund and Manpower Development Funds. The College continues to follow up on appropriations releases on a weekly basis. GCC has a track record of being fiscally responsible and has implemented conservation measures to ensure that the operations of the College are maintained. The General Fund appropriation is budgeted to fund salaries and benefits for full-time classified employees, utility costs, contractual expenditures, and minimal supply costs. 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 federal, national, international, 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, hotel and hospital expansions, and growing community needs. In the First Hawaiian Bank 2015 Economic Forecast for Guam, Dr. Maria Claret Ruane, states the Guam economy had stable growth for the fourth straight year and that growth is expected to sustain momentum in 2016. Growth in visitor arrivals from the Korean and Chinese markets, increase in real estate sales, and approved military construction budgets contribute to the stable growth in 2015 and into 2016. Expected growth in spending will continue in 2017 due to low inflation and low unemployment.

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 the military buildup brings to Guam provides opportunities for GCC to expand its programs and services, not only to its civilian community, but the direct and indirect associations that result from this base realignment project. GCC will partner with federal and local government entities as well as private sector businesses to ensure that Guam's workforce is able to take advantage of opportunities that are available through GCC's expansive information technology, allied health, construction & trades courses- which will include GCC's Construction Trades Boot Camp, Allied Health, Education, and other academic programs - offered at the College.

The Building 100 renovation project was awarded in September 2016 and anticipated completion expected by December 7, 2017. Building 100 will house several programs (Criminal Justice, Emergency Management, and Fire Science) and will be outfitted with classrooms, faculty offices and supporting spaces. This 2-story building will have a total floor area of 16,800 square feet. While the first floor (8,400 square feet) has classrooms, offices, and a conference room, the second floor (8,400 square feet) has classrooms, an office and three work rooms. The total cost of Building 100 was awarded at \$4.516 Million. Building 100 will be connected to Building E and will be renamed upon completion.

The Forensic DNA Lab extension went out to bid in October 2016 and the bid opening was held in December 2016. However, in January 2017, the sole bidder was rejected due to non-conformance with bid specifications. This bid is currently under protest.

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

Management's Discussion and Analysis  
Years Ended September 30, 2016 and 2015

In December 2016, negotiations for the 2017-2023 Guam Community College Faculty Union Local 6476 AFT/AFL-CIO & the Board of Trustees were completed between both parties. The Faculty Union voted to ratify the contract on February 24, 2017 and at the March 11, 2017 Board of Trustees meeting, the board unanimously voted to approve the contract. The negotiated contract will be effective in Fall 2017 and will replace the current contract.

The College is preparing for its March 2018 accreditation visit. Standards committees have been meeting on a weekly basis to prepare the Institutional Self Evaluation Report (ISER) expected to be finalized in October/November 2017.

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. This project is currently placed on hold.

The College continues to collaborate with the U.S. Federal Government, the Government of Guam, the 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 2017 and carryover of projects from FY2016 include, a new generator set for buildings 6000, 5000, and 4000, repair of building structural cracks and corroded doors, painting of buildings and parking stalls, repair of solar photovoltaic parking/walkway lights, replacement of campus fencing, installation of power-line conditioners, retrofit open yard for Facility Maintenance relocation and storage, new generator set for Buildings 3000 and A, retrofit walkway between buildings for ADA compliance, repair of domestic water systems, AC repair and replacements, and acquisition of classroom collateral, and ADA compliance issues. These projects address the repair and maintenance requirements needed to ensure student accessibility and safety, along with the security needed for our College's assets.

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

Statements of Net Position  
September 30, 2016 and 2015

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<b>Current assets:</b>			
Cash and cash equivalents		\$ 8,294,776	\$ 5,006,165
Cash and cash equivalents - restricted		235,632	235,632
Time certificate of deposit		2,034,779	2,020,652
Due from Government of Guam, less allowance for doubtful accounts of \$101,864 and \$1,225,748 at September 30, 2016 and 2015, respectively		5,425,532	8,531,249
Tuition receivable, less allowance for doubtful accounts of \$1,530,159 and \$1,381,473 at September 30, 2016 and 2015, respectively		2,994,869	3,927,983
Accounts receivable - U.S. Government		1,849,285	1,181,966
Accounts receivable - other		1,065,562	-
Inventories		551,066	630,616
Total current assets		<u>22,451,501</u>	<u>21,534,263</u>
<b>Noncurrent assets:</b>			
Investments		1,932,464	1,916,564
Property, plant and equipment:			
Buildings and structures		54,711,706	54,492,503
Furniture, fixtures and equipment		11,433,799	11,132,045
Vehicles		560,438	594,269
		<u>66,705,943</u>	<u>66,218,817</u>
Less accumulated depreciation		(35,077,278)	(32,715,009)
		<u>31,628,665</u>	<u>33,503,808</u>
Land		1,903,000	1,903,000
Construction in progress		1,478,569	1,232,238
		<u>35,010,234</u>	<u>36,639,046</u>
Total noncurrent assets		<u>36,942,698</u>	<u>38,555,610</u>
Total assets		<u>59,394,199</u>	<u>60,089,873</u>
<b>Deferred outflow of resources:</b>			
Deferred outflows from pension		4,469,317	3,841,144
Total assets and deferred outflows of resources		<u>\$ 63,863,516</u>	<u>\$ 63,931,017</u>
<u>LIABILITIES AND NET POSITION</u>			
<b>Current liabilities:</b>			
Current portion of long-term debt		\$ 121,336	\$ 75,891
Accounts payable and accrued liabilities		1,381,636	2,127,052
Construction contracts payable		-	47,847
Unearned revenue		1,959,417	2,028,286
Deposits held on behalf of others		281,181	281,181
Current portion of accrued annual leave		204,747	249,255
		<u>3,948,317</u>	<u>4,809,512</u>
Total current liabilities		<u>3,948,317</u>	<u>4,809,512</u>
<b>Noncurrent liabilities:</b>			
Accrued annual leave, net of current portion		307,120	249,253
DCRS sick leave liability		1,566,120	1,412,791
Long-term debt, net of current portion		4,294,053	5,433,406
Net pension liability		33,269,348	29,423,616
		<u>43,384,958</u>	<u>41,328,578</u>
Total liabilities		<u>43,384,958</u>	<u>41,328,578</u>
<b>Deferred inflows of resources:</b>			
Deferred inflows from pension		-	2,988,213
<b>Commitment and contingencies</b>			
<b>Net position:</b>			
Net investment in capital assets		30,594,845	31,081,902
Restricted expendable		1,399,174	1,312,509
Unrestricted		(11,515,461)	(12,780,185)
		<u>20,478,558</u>	<u>19,614,226</u>
Total net position		<u>20,478,558</u>	<u>19,614,226</u>
Total liabilities, deferred inflows of resources and net position		<u>\$ 63,863,516</u>	<u>\$ 63,931,017</u>

See accompanying notes to financial statements.



**GUAM COMMUNITY COLLEGE FOUNDATION**

Statements of Financial Position  
September 30, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 85,115	\$ 54,446
Investments	10,319,595	9,542,462
Due from GCC	281,035	260,675
Accounts receivable	2,070	2,070
Plant and equipment, net	<u>18,008</u>	<u>18,008</u>
Total assets	<u>\$ 10,705,823</u>	<u>\$ 9,877,661</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable	<u>\$ 988,249</u>	<u>\$ 845,041</u>
Total liabilities	<u>988,249</u>	<u>845,041</u>
Commitments		
Net assets:		
Unrestricted	9,655,937	8,970,983
Temporarily restricted	18,008	18,008
Permanently restricted	<u>43,629</u>	<u>43,629</u>
	<u>9,717,574</u>	<u>9,032,620</u>
Total net assets and liabilities	<u>\$ 10,705,823</u>	<u>\$ 9,877,661</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, 2016 and 2015

	2016	2015
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 7,283,247	\$ 7,551,608
Less: Scholarship discounts and allowances	(4,286,536)	(4,817,285)
	2,996,711	2,734,323
Federal grants and contracts	13,897,471	12,743,750
Government of Guam grants and contracts	-	855,804
Auxiliary enterprises	1,626,445	2,554,434
Other revenues	839,729	887,511
Total operating revenues	19,360,356	19,775,822
Bad debts	(153,407)	(1,278,174)
Net operating revenues	19,206,949	18,497,648
Operating expenses:		
Education and general:		
Instruction	11,561,433	9,229,101
Scholarships and fellowships	6,466,895	6,941,613
Institutional support	5,083,343	4,579,244
Academic support	3,179,801	3,219,798
Student services	2,836,852	2,886,416
Depreciation	2,590,158	2,625,160
Operations and maintenance of plant	1,854,966	2,104,506
Planning	961,953	1,029,414
Retiree healthcare costs	917,775	865,448
Auxiliary enterprises	1,106,843	773,133
Total operating expenses	36,560,019	34,253,833
Operating loss	(17,353,070)	(15,756,185)
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations, net	18,098,437	20,270,179
Interest (expense)/income	(176,188)	(195,244)
Net nonoperating revenues	17,922,249	20,074,935
Capital contributions:		
Contributions from U.S. Government	295,153	2,561,681
Change in net position	864,332	6,880,431
Net position:		
Net position at beginning of year	19,614,226	12,733,795
Net position at end of year	\$ 20,478,558	\$ 19,614,226

See accompanying notes to financial statements.

**GUAM COMMUNITY COLLEGE FOUNDATION**

Statements of Activities  
Years Ended September 30, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other additions:								
Net investment gains (loss)	\$ 777,133	\$ -	\$ -	\$ 777,133	\$ (335,975)	\$ -	\$ -	\$ (335,975)
Interest income	23	-	-	23	55	-	-	55
Fundraising	52,329	-	-	52,329	29,976	-	-	29,976
Other additions	8,742	-	-	8,742	402,827	-	-	402,827
Total gains and other additions	<u>838,227</u>	<u>-</u>	<u>-</u>	<u>838,227</u>	<u>96,883</u>	<u>-</u>	<u>-</u>	<u>96,883</u>
Expenditures and other deductions:								
Transfer to Guam Community College	136,699	-	-	136,699	396,475	-	-	396,475
Fundraising expenses	9,789	-	-	9,789	11,974	-	-	11,974
Professional services	6,602	-	-	6,602	2,700	-	-	2,700
Other deductions	183	-	-	183	212,865	-	-	212,865
Total expenditures and other deductions	<u>153,273</u>	<u>-</u>	<u>-</u>	<u>153,273</u>	<u>624,014</u>	<u>-</u>	<u>-</u>	<u>624,014</u>
Change in net position	<u>684,954</u>	<u>-</u>	<u>-</u>	<u>684,954</u>	<u>(527,131)</u>	<u>-</u>	<u>-</u>	<u>(527,131)</u>
Net assets at beginning of year	<u>8,970,983</u>	<u>18,008</u>	<u>43,629</u>	<u>9,032,620</u>	<u>9,498,114</u>	<u>18,008</u>	<u>43,629</u>	<u>9,559,751</u>
Net assets at end of year	<u>\$ 9,655,937</u>	<u>\$ 18,008</u>	<u>\$ 43,629</u>	<u>\$ 9,717,574</u>	<u>\$ 8,970,983</u>	<u>\$ 18,008</u>	<u>\$ 43,629</u>	<u>\$ 9,032,620</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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Student tuition and fees	\$ 2,927,842	\$ 3,001,543
Federal grants and contracts	13,230,152	12,849,293
Government of Guam grants and contracts	(215,376)	(422,369)
Auxiliary enterprises	887,511	1,223,833
Other receipts/payments	506,019	887,511
Payments to employees	(18,581,349)	(16,068,708)
Payments to suppliers	(8,856,584)	(10,924,643)
Payments for scholarships and fellowships	(5,083,074)	(6,940,595)
Net cash used in operating activities	(15,184,859)	(16,394,135)
Cash flows from investing activities:		
Increase in investments	(15,900)	(168,059)
Increase in time certificates of deposit	(14,127)	(11,094)
Net cash used in investing activities	(30,027)	(179,153)
Cash flows from noncapital financing activities:		
Government of Guam appropriations	20,439,786	15,979,095
Cash flows from capital and related financing activities:		
Purchases of capital assets	(961,346)	(168,519)
Capital contributions received	295,153	-
Principal paid on long-term debt	(1,093,908)	(76,747)
Interest paid on long-term debt	(176,188)	(195,244)
Net cash used in capital and related financing activities	(1,936,289)	(440,510)
Net change in cash and cash equivalents	3,288,611	(1,034,703)
Cash and cash equivalents at beginning of year	5,241,797	6,276,500
Cash and cash equivalents at end of year	\$ 8,530,408	\$ 5,241,797
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$ (17,353,070)	\$ (15,756,185)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,590,158	2,625,160
On-behalf payments for retiree healthcare costs	917,775	865,448
Bad debts	(153,407)	(1,278,174)
Non-cash pension costs	229,346	(2,863,268)
Changes in assets and liabilities:		
Tuition receivable	933,114	133,866
Accounts receivable - U.S. Government	(667,319)	105,544
Other receivables	(1,065,562)	-
Inventories	79,550	41,869
Accounts payable and accrued liabilities	(793,263)	(448,925)
Accrued annual leave	13,359	10,040
DCRS sick leave liability	153,329	89,561
Unearned revenue	(68,869)	80,929
Net cash used in operating activities	\$ (15,184,859)	\$ (16,394,135)

See accompanying notes to financial statements.

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

Notes to Financial Statements  
September 30, 2016 and 2015

(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, 2016 and 2015

(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.

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

Notes to Financial Statements  
September 30, 2016 and 2015

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

Accounts Receivable

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

Inventory

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

Investments and Investment Income

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

Property, Plant and Equipment

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

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

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

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.

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

Notes to Financial Statements  
September 30, 2016 and 2015

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

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until the applicable future period.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until the applicable future period.

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 leave benefits. As of September 30, 2016 and 2015, an accumulated vacation leave liability of \$511,867 and \$498,508, 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.

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 \$59,800 and \$49,856 for the years ended September 30, 2016 and 2015, 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.



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

Notes to Financial Statements  
September 30, 2016 and 2015

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

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.

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, 2015 and 2014, are:

The original cost and market values of investments at September 30, 2015 and 2014, are:

<u>2016</u>		<u>2015</u>	
<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
<u>\$4,894,734</u>	<u>\$10,319,595</u>	<u>\$ 4,894,701</u>	<u>\$ 9,542,462</u>

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

Notes to Financial Statements  
September 30, 2016 and 2015

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

Foundation Investments, Continued

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

	<u>2016</u>	<u>2015</u>
Equities and related	\$ 5,430,820	\$ 6,317,934
Mutual funds	3,226,701	596,502
Government securities	923,482	2,065,323
Cash and equivalents	<u>738,592</u>	<u>562,703</u>
	<u>\$ 10,319,595</u>	<u>\$ 9,542,462</u>

The following represents the composition of the net investment gains for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Unrealized investment (losses) gains	\$ 706,796	\$ (432,674)
Net realized investment (losses) gains	31,346	(184,326)
Interest income and dividends	<u>38,991</u>	<u>281,025</u>
	<u>\$ 777,133</u>	<u>\$ (335,975)</u>

Deposits and Investments

For the College, 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.

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Notes to Financial Statements  
September 30, 2016 and 2015

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

Deposits and Investments

A. Deposits, Continued

As of September 30, 2016 and 2015, the carrying amount of the College's total cash and cash equivalents, inclusive of time certificates of deposit, was \$10,565,187 and \$7,262,449, respectively, and the corresponding bank balances were \$13,857,445 and \$7,788,312, respectively. The bank balances are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2016 and 2015, bank deposits in the amount of \$746,231 and \$716,231, 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, 2016 and 2015, the College invested in a Federated Short-Intermediate Duration Municipal Trust Service Shares mutual fund of \$1,932,464 and \$1,916,564, respectively.

The College categorized its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The College investments are in mutual funds as of September 30, 2016 and 2015 whose fair values are Level 1 based on quoted prices in active markets for identical assets.

New Accounting Standards

During fiscal year ended September 30, 2016 the College implemented the following pronouncements:

- GASB Statement No. 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment.

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Notes to Financial Statements  
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(2) Summary of Significant Accounting and Reporting Policies, Continued

New Accounting Standards, Continued

- GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses for certain external investment pools and their participants the accounting and financial reporting implications that result from changes in the regulatory provisions referenced by previous accounting and financial reporting standards. Those provisions were based on the Investment Company Act of 1940, Rule 2a7. Rule 2a7 contains the Securities and Exchange Commission's regulations that apply to money market funds and were significantly amended in 2014.

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

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management has not evaluated the impact that the implementation of this statement will have on the financial statements of the College.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management has not evaluated the impact that the implementation of this statement will have on the financial statements of the College.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the impact that the implementation of this statement will have on the financial statements of the College.

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Notes to Financial Statements  
September 30, 2016 and 2015

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

New Accounting Standards, Continued

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements of the College.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions in Statement No. 78 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions in Statement No. 80 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions in Statement No. 82 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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. The College has no related expenditures for capital projects for the years ended September 30, 2016 and 2015, 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.

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Notes to Financial Statements  
September 30, 2016 and 2015

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

Risk Management

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

(3) Property, Plant and Equipment

Movements of property, plant and equipment for the years ended September 30, 2016 and 2015 was as follows:

	Estimated Useful Life (in years)	Balance October 1, 2015	Additions	Retirement/ Transfers	Balance September 30, 2016
Depreciable:					
Buildings and structures	10-30	\$ 54,492,503	\$ 219,203	\$ -	\$ 54,711,706
Furniture, fixtures and equipment	5-6	11,132,045	495,811	(194,057)	11,433,799
Vehicles	5	<u>594,269</u>	<u>-</u>	<u>(33,831)</u>	<u>560,438</u>
		<u>66,218,817</u>	<u>715,014</u>	<u>(227,888)</u>	<u>66,705,943</u>
Accumulated depreciation:					
Buildings and structures		(23,739,975)	(1,415,271)	-	(25,155,246)
Furniture, fixtures and equipment		(8,755,238)	(1,106,940)	194,057	(9,668,121)
Vehicles		<u>(219,796)</u>	<u>(67,946)</u>	<u>33,831</u>	<u>(253,911)</u>
		<u>(32,715,009)</u>	<u>(2,590,157)</u>	<u>227,888</u>	<u>(35,077,278)</u>
Non-depreciable:					
Land		1,903,000	-	-	1,903,000
Construction in progress		<u>1,232,238</u>	<u>235,331</u>	<u>-</u>	<u>1,478,569</u>
		<u>\$ 36,639,046</u>	<u>\$ 1,628,813</u>	<u>\$ -</u>	<u>\$ 35,010,234</u>

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September 30, 2016 and 2015

(3) Property, Plant and Equipment, Continued

	Estimated Useful Life (in years)	Balance October 1, 2014	Additions	Retirement/ Transfers	Balance September 30, 2015
Depreciable:					
Buildings and structures	10-30	\$ 48,806,516	\$ 5,685,987	\$ -	\$ 54,492,503
Furniture, fixtures and equipment	5-6	10,097,965	1,104,246	(70,166)	11,132,045
Vehicles	5	<u>303,953</u>	<u>302,410</u>	<u>(12,094)</u>	<u>594,269</u>
		<u>59,208,434</u>	<u>7,092,643</u>	<u>(82,260)</u>	<u>66,218,817</u>
Accumulated depreciation:					
Buildings and structures		(22,375,796)	(1,364,179)	-	(23,739,975)
Furniture, fixtures and equipment		(7,622,338)	(1,203,066)	70,166	(8,755,238}
Vehicles		<u>(173,975)</u>	<u>(57,915)</u>	<u>12,094</u>	<u>(219,796)</u>
		<u>(30,172,109)</u>	<u>(2,625,160)</u>	<u>82,260</u>	<u>(32,715,009)</u>
Non-depreciable:					
Land		1,903,000	-	-	1,903,000
Construction in progress		<u>5,868,239</u>	<u>793,258</u>	<u>(5,429,259)</u>	<u>1,232,238</u>
		<u>\$ 36,807,564</u>	<u>\$ 5,260,741</u>	<u>\$ (5,429,259)</u>	<u>\$ 36,639,046</u>

(4) Employees' Retirement Plan

Defined Benefit Plan

*Plan Description:*

The College participates in the GovGuam Defined Benefit (DB) Plan, a single-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.

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Notes to Financial Statements  
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(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

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](http://www.ggrf.com).

*Plan Membership:* As of September 30, 2015, the date of the most recent valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,197
Terminated employees entitled to benefits but not yet receiving them	4,701
Current members	<u>2,460</u>
	<u>14,358</u>

*Benefits Provided:* The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater. Cost-of-living adjustments and other supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature.

Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 25 years of service at any age.

Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 30 years of service at any age.

Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.



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Notes to Financial Statements  
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(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

*Contributions and Funding Policy:* Contribution requirements of participating employers and active members are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2013 actuarial valuation was used for determining the year ended September 30, 2015 statutory contributions. Member contributions are required at 9.55% of base pay (9.5% in 2014).

As a result of actuarial valuations performed as of September 30, 2014, 2013, and 2012, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2016, 2015 and 2014, respectively, have been determined as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Normal costs (% of DB Plan payroll)	15.86%	15.92%	16.61%
Employee contributions (DB Plan employees)	<u>9.54%</u>	<u>9.55%</u>	<u>9.50%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.32%</u>	<u>6.37%</u>	<u>7.11%</u>
Employer portion of normal costs (% of total payroll)	1.94%	2.05%	2.39%
Unfunded liability cost (% of total payroll)	<u>22.42%</u>	<u>24.09%</u>	<u>24.01%</u>
Government contribution as a % of total payroll	<u>24.36%</u>	<u>26.14%</u>	<u>26.40%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>28.16%</u>	<u>29.85%</u>	<u>30.03%</u>
Employee	<u>9.54%</u>	<u>9.55%</u>	<u>9.50%</u>

The College's contributions to the DB Plan for the years ended September 30, 2016, 2015 and 2014 were \$1,341,605, \$1,432,545, and \$1,544,902, respectively, which were equal to the required contributions for the respective years then ended.

A. General Information About the Pension Plan:

*Actuarial Assumptions:* Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2014
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed

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(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Remaining Amortization Period:	16.58 years
Asset Valuation Method:	3-year smoothed market value
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Expected Rate of Return:	7.00%
Discount Rate:	7.00%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

*Discount Rate:* The total pension liability is calculated using a discount rate of 7.0% that is a blend of the expected investment rate of return and a high quality bond index rate. There was no change in the discount rate since the previous year. The expected investment rate of return applies for as long as the plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date.

*Discount Rate Sensitivity Analysis:* The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	\$ <u>40,424,415</u>	\$ <u>33,269,348</u>	\$ <u>27,114,597</u>

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Notes to Financial Statements  
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(4) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

*Pension Liability:* At September 30, 2016 and 2015, the College reported a liability of \$33,269,348 and \$29,423,616, respectively, for its proportionate share of the net pension liability. The College's proportion of the net pension liability was based on projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2016 and 2015, the College's proportion was 2.43% and 2.36%, respectively.

*Pension Expense:* For the years ended September 30, 2016 and 2015, the College recognized pension expense of \$3,292,823 and \$2,476,409, respectively.

*Deferred Outflows and Inflows of Resources:* At September 30, 2016 and 2015, the College reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 417,238	\$ -	\$ 218,294	\$ -
Net difference between projected and actual earnings on pension plan investments	375,956	-	-	2,239,471
Contributions subsequent to the measurement date	3,420,159	-	3,622,850	-
Changes in proportion and difference between GCC contributions and proportionate share of contributions	<u>255,964</u>	<u>-</u>	<u>-</u>	<u>748,742</u>
	<u>\$ 4,469,317</u>	<u>\$ -</u>	<u>\$ 3,841,144</u>	<u>\$ 2,988,213</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2016 will be recognized in pension expense as follows:

Year Ended  
September 30

2017	\$ 475,464
2018	\$ (197,735)
2019	\$ 275,136
2020	\$ 496,293

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(4) Employees' Retirement Plan, Continued

Defined Contribution Plan (DCRS)

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 options available under the DCRS.

Statutory employer contributions into the DCRS plan for the years ended September 30, 2016 and 2015, 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, are 100% vested in their own contributions, plus earnings thereon. Upon completion of five years of government service, DCRS are 100% vested in employer contributions plus any earnings thereon.

The College's contributions to the DC Plan for the years ended September 30, 2016, 2015 and 2014 were \$2,973,394, \$3,071,381 and \$2,812,980, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$2,078,554, \$2,190,305 and \$2,010,010 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2016, 2015 and 2014, respectively.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The College has accrued an estimated liability of \$1,566,120 and \$1,412,791 at September 30, 2016 and 2015, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and the 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. 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.

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Notes to Financial Statements  
September 30, 2016 and 2015

(4) Employees' Retirement Plan, Continued

Other Post-Employment Benefits, Continued

For the years ended September 30, 2016, 2015 and 2014, the College recognized certain on-behalf payments as transfers from GovGuam, totaling \$917,775, \$865,448 and \$586,951, respectively, representing certain healthcare benefits that GovGuam's general fund paid directly on behalf of College retirees.

(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, 2016 and 2015. 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.

During the year ended September 30, 2016, the College believed that it would collect the total amount appropriated from the General Fund. In March 2017, management learned that \$3,298,673 of appropriations would not necessarily be funded and as a result reduced its aggregate Government of Guam appropriations as follows:

Appropriations per law	\$ 23,497,110
Less amount that may not be collected	(3,398,673)
Less amount collected in FY 2017 against FY 2016 continuing appropriation	<u>(2,000,000)</u>
Net appropriations	\$ <u>18,098,437</u>

The \$2,000,000 was received against the 2016 appropriations but given the time frame in which it was received, the amount is recognized in the College's appropriation revenue in fiscal year 2017.

(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, \$6,267,643 and \$1,436,811 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2016 and 2015, respectively. Of the \$6,267,643 as of September 30, 2016, \$4,516,000 relates to contract commitments.

(7) Related Party Transactions

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

Included within the College's other revenues are \$153,275 and \$552,078 in contributions from the Foundation during the years ended September 30, 2016 and 2015, 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.

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Notes to Financial Statements  
September 30, 2016 and 2015

(9) Long-Term Debt

	<u>2016</u>	<u>2015</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.	\$ 1,115,454	\$ 2,179,027
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>3,299,935</u>	<u>3,330,270</u>
	4,415,389	5,509,297
Less current portion	<u>121,336</u>	<u>75,891</u>
	<u>\$ 4,294,053</u>	<u>\$ 5,433,406</u>

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

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 121,336	\$ 148,760	\$ 270,096
2018	125,973	144,123	270,096
2019	130,791	139,305	270,096
2020	135,797	134,299	270,096
2021	140,998	129,098	270,096
2022-2026	790,419	560,061	1,350,480
2027-2031	621,178	413,890	1,035,068
2032-2036	429,634	338,966	768,600
2037-2041	502,192	266,409	768,601
2042-2046	587,002	181,598	768,600
2047-2051	686,136	82,464	768,600
2052-2053	<u>143,933</u>	<u>34,635</u>	<u>178,568</u>
	<u>\$ 4,415,389</u>	<u>\$ 2,573,608</u>	<u>\$ 6,988,997</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, 2016 is \$6,988,997. Principal and interest paid for fiscal year 2016 and net operating revenues were \$1,270,096 and \$417,943, respectively.

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

Notes to Financial Statements  
September 30, 2016 and 2015

**(10) Noncurrent Liabilities**

Noncurrent liability activities for the years ended September 30, 2016 and 2015, were as follows:

	Beginning Balance October <u>1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance September <u>30, 2016</u>	Amount due within <u>one year</u>
Loans payable	\$ 5,509,297	\$ -	\$ (1,093,908)	\$ 4,415,389	\$ 121,366
Accrued annual leave	498,508	13,359	-	511,867	204,747
DCRS sick leave liability	1,412,791	153,329	-	1,566,120	-
Net pension liability	<u>29,423,616</u>	<u>3,845,732</u>	<u>-</u>	<u>33,269,348</u>	<u>-</u>
	<u>\$ 36,844,212</u>	<u>\$ 4,012,420</u>	<u>\$ (1,093,908)</u>	<u>\$ 39,762,724</u>	<u>\$ 326,113</u>

	Beginning Balance October <u>1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance September <u>30, 2015</u>	Amount due within <u>one year</u>
Loans payable	\$ 5,586,044	\$ -	\$ (76,747)	\$ 5,509,297	\$ 75,891
Accrued annual leave	488,469	10,039	-	498,508	249,255
DCRS sick leave liability	1,323,230	89,561	-	1,412,791	-
Net pension liability	<u>33,015,503</u>	<u>-</u>	<u>(3,591,887)</u>	<u>29,423,616</u>	<u>-</u>
	<u>\$ 40,413,246</u>	<u>\$ 99,600</u>	<u>\$ (3,668,634)</u>	<u>\$ 36,844,212</u>	<u>\$ 325,146</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.

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

Notes to Financial Statements  
September 30, 2016 and 2015

(11) Contingencies, Continued

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.

(12) Subsequent Event

In October 2016, Bill 2-33 was passed, enacting two new government retirement plans; the DB Lite Plan and the Guam Retirement Security Plan. Beginning 2018, the Security Plan and Defined Contribution Plan are to become the primary retirement systems for all new hires.



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

Required Supplemental Information (Unaudited)  
Schedule of Proportional Share of the Net Pension Liability  
Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total net pension liability	\$ 1,370,173,934	\$ 1,246,306,754	\$ 1,303,304,636
GCC's proportionate share of the net pension liability	\$ 33,269,348	\$ 29,423,616	\$ 33,015,503
GCC's proportion of the net pension liability	2.43%	2.36%	2.53%
GCC's covered-employee payroll**	\$ 12,444,888	\$ 11,940,790	\$ 11,635,323
GCC's proportionate share of the net pension liability as percentage of its covered employee payroll	267.33%	246.41%	283.75%
Plan fiduciary net position as a percentage of the total pension liability	53.50%	56.60%	53.94%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

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

Required Supplemental Information (Unaudited)  
Schedule of Pension Contributions  
Last 10 Fiscal Years\*

	2016	2015	2014
Actuarially determined contribution	\$ 3,274,262	\$ 3,184,334	\$ 3,134,005
Contribution in relation to the actuarially determined contribution	<u>3,420,159</u>	<u>3,554,912</u>	<u>3,541,069</u>
Contribution deficiency (excess)	<u>\$ (145,897)</u>	<u>\$ (370,578)</u>	<u>\$ (407,064)</u>
GCC's covered-employee payroll **	<u>\$ 12,444,888</u>	<u>\$ 11,940,790</u>	<u>\$ 11,635,323</u>
Contribution as a percentage of covered-employee payroll	27.48%	29.77%	30.43%

\* This data is presented for those years for which information is available.

\*\* Covered-employee payroll data from the actuarial valuation date with one-year lag.

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries and wages:		
Regular, differential and hazardous pay (inclusive of part-time employees)	\$ 14,219,166	\$ 11,928,920
Benefits	<u>4,758,217</u>	<u>3,680,176</u>
Total salaries, wages and benefits	<u>\$ 18,977,383</u>	<u>\$ 15,609,096</u>
Full-time employees at end of year	<u>248</u>	<u>244</u>
Federal Funds:		
Salaries	\$ 1,181,337	\$ 1,137,050
Benefits	<u>323,128</u>	<u>336,535</u>
Total salaries, wages and benefits	<u>\$ 1,504,465</u>	<u>\$ 1,473,585</u>
Full time federal employees at end of year (inclusive in above amount)	<u>14</u>	<u>21</u>

See accompanying independent auditors' report.

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

Schedule of Expenditures by Function and Object Code  
Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Instruction:		
Salaries, wages and benefits	\$ 9,432,301	\$ 6,620,505
Travel	38,408	61,631
Contract services	321,515	372,231
Supplies	288,980	318,109
Minor equipment	245,691	337,183
Capital expenditures	114,033	88,383
Miscellaneous	<u>1,120,505</u>	<u>1,431,059</u>
	<u>\$ 11,561,433</u>	<u>\$ 9,229,101</u>
 Total employees at end of year	 <u>116</u>	 <u>115</u>
	<u>2016</u>	<u>2015</u>
Planning:		
Salaries, wages and benefits	\$ 750,033	\$ 788,126
Travel	26,045	17,891
Contract services	163,401	168,977
Supplies	8,313	21,924
Minor equipment	11,357	26,702
Miscellaneous	<u>2,804</u>	<u>5,794</u>
	<u>\$ 961,953</u>	<u>\$ 1,029,414</u>
 Total employees at end of year	 <u>10</u>	 <u>11</u>
	<u>2016</u>	<u>2015</u>
Academic Support:		
Salaries, wages and benefits	\$ 1,840,632	\$ 1,739,560
Travel	65,369	47,763
Contract services	651,313	612,248
Supplies	82,929	98,964
Minor equipment	65,743	43,422
Miscellaneous and transfers	<u>473,815</u>	<u>677,841</u>
	<u>\$ 3,179,801</u>	<u>\$ 3,219,798</u>
 Total employees at end of year	 <u>22</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Student Services:		
Salaries, wages and benefits	\$ 2,655,787	\$ 2,700,778
Travel	991	7,932
Contract services	83,455	67,000
Supplies	20,987	33,447
Minor equipment	19,705	14,947
Miscellaneous and transfers	<u>55,927</u>	<u>62,312</u>
	<u>\$ 2,836,852</u>	<u>\$ 2,886,416</u>
 Total employees at end of year	 <u>42</u>	 <u>40</u>
	 <u>2016</u>	 <u>2015</u>
Institutional Support and Interest:		
Salaries, wages and benefits	\$ 3,351,735	\$ 3,026,201
Travel	221,815	170,927
Contract services	1,190,293	1,141,261
Supplies	25,438	51,804
Minor equipment	21,969	45,346
Interest and miscellaneous	<u>272,093</u>	<u>143,705</u>
	<u>\$ 5,083,343</u>	<u>\$ 4,579,244</u>
 Total employees at end of year	 <u>46</u>	 <u>42</u>
	 <u>2016</u>	 <u>2015</u>
Operations and Maintenance of Plant:		
Salaries, wages and benefits	\$ 370,222	\$ 384,073
Contract services	265,123	331,993
Supplies	68,922	95,250
Minor equipment	93,562	55,928
Capital expenditures	46,470	8,800
Utilities	<u>1,010,667</u>	<u>1,228,462</u>
	<u>\$ 1,854,966</u>	<u>\$ 2,104,506</u>
 Total employees at end of year	 <u>7</u>	 <u>9</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Scholarships and Fellowships:		
Salaries, wages and benefits	\$ 264,263	\$ 254,627
Travel	6,672	2,672
Contract services	269	1,018
Supplies	419	906
Minor equipment	-	500
Miscellaneous	<u>6,195,272</u>	<u>6,681,890</u>
	<u>\$ 6,466,895</u>	<u>\$ 6,941,613</u>
 Total employees at end of year	 <u>3</u>	 <u>3</u>
	 <u>2016</u>	 <u>2015</u>
Auxiliary:		
Salaries, wages and benefits	\$ 312,410	\$ 95,226
Contract services	-	3,432
Supplies	2,243	977
Minor equipment	777,738	670,998
Capital expenditures	<u>14,452</u>	<u>2,500</u>
	<u>\$ 1,106,843</u>	<u>\$ 773,133</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, 2016  
(With Comparative Balances as of September 30, 2015)

	Unrestricted			Restricted			Capital Projects	Tobacco Settlement	Investment in Plant	Agency Fund	Elimination	Grand Total	
	Appropriated Fund	Non- appropriated Fund	Total	Federal Fund	Other Grants Fund	Total						2016	2015
<b>ASSETS</b>													
Cash	\$ -	\$ 8,294,776	\$ 8,294,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,632	\$ -	\$ 8,530,408	\$ 5,241,797
TCD	-	2,034,779	2,034,779	-	-	-	-	-	-	-	-	2,034,779	2,020,652
Investments	-	-	-	-	-	-	-	1,932,464	-	-	-	1,932,464	1,916,564
Due from Government of Guam	4,698,303	819,075	5,517,378	-	10,018	10,018	-	-	-	-	-	5,527,396	9,756,997
Due from other College funds	3,656,512	36,349,672	40,006,184	18,800,025	644,672	19,444,697	-	140,000	341,035	45,549	(59,977,465)	-	-
Accounts receivable - U.S. Government	-	83,447	83,447	1,381,205	384,633	1,765,838	-	-	-	-	-	1,849,285	1,181,966
Accounts receivable - tuition	-	4,524,978	4,524,978	-	-	-	-	-	-	-	-	4,524,978	4,499,287
Accounts receivable - others	-	1,065,562	1,065,562	-	-	-	-	-	-	-	-	1,065,562	810,169
Allowance for doubtful accounts	(101,864)	(1,530,109)	(1,631,973)	-	-	-	-	-	-	-	-	(1,631,973)	(2,607,221)
Inventories	-	551,066	551,066	-	-	-	-	-	-	-	-	551,066	630,616
Construction in progress	-	-	-	-	-	-	-	-	1,478,569	-	-	1,478,569	1,232,238
Land	-	-	-	-	-	-	-	-	1,903,000	-	-	1,903,000	1,903,000
Buildings	-	-	-	-	-	-	-	-	54,711,706	-	-	54,711,706	54,492,503
Equipment	-	-	-	-	-	-	-	-	11,433,799	-	-	11,433,799	11,132,045
Vehicles	-	-	-	-	-	-	-	-	560,438	-	-	560,438	594,269
Accumulated depreciation	-	-	-	-	-	-	-	-	(35,077,278)	-	-	(35,077,278)	(32,715,009)
Deferred outflows from pension	-	4,469,317	4,469,317	-	-	-	-	-	-	-	-	4,469,317	3,841,144
	<u>\$ 8,252,951</u>	<u>\$ 56,662,563</u>	<u>\$ 64,915,514</u>	<u>\$ 20,181,230</u>	<u>\$ 1,039,323</u>	<u>\$ 21,220,553</u>	<u>\$ -</u>	<u>\$ 2,072,464</u>	<u>\$ 35,351,269</u>	<u>\$ 281,181</u>	<u>\$ (59,977,465)</u>	<u>\$ 63,863,516</u>	<u>\$ 63,931,017</u>
<b>LIABILITIES AND FUND BALANCE</b>													
Accounts payable	\$ 219,811	\$ 291,511	\$ 511,322	\$ -	\$ 601	\$ 601	\$ 53,411	\$ -	\$ -	\$ -	\$ -	\$ 565,334	\$ 1,643,228
Loans payable	-	4,415,389	4,415,389	-	-	-	-	-	-	-	-	4,415,389	5,509,297
Due to other College funds	7,452,481	21,724,423	29,176,904	19,820,778	-	19,820,778	10,979,783	-	-	-	(59,977,465)	-	-
Due to depositor	-	-	-	-	-	-	-	-	-	281,181	-	281,181	281,181
Accrued liabilities	-	1,328,169	1,328,169	-	-	-	-	-	-	-	-	1,328,169	1,030,179
DCRS sick leave liability	-	1,566,120	1,566,120	-	-	-	-	-	-	-	-	1,566,120	1,412,791
Net pension liability	-	33,269,348	33,269,348	-	-	-	-	-	-	-	-	33,269,348	29,423,616
Unearned revenue	-	1,959,417	1,959,417	-	-	-	-	-	-	-	-	1,959,417	2,028,286
Deferred inflows from pension	-	-	-	-	-	-	-	-	-	-	-	-	2,988,213
Fund balance	580,659	(7,891,814)	(7,311,155)	360,452	1,038,722	1,399,174	(11,033,194)	2,072,464	35,351,269	-	-	20,478,558	19,614,226
	<u>\$ 8,252,951</u>	<u>\$ 56,662,563</u>	<u>\$ 64,915,514</u>	<u>\$ 20,181,230</u>	<u>\$ 1,039,323</u>	<u>\$ 21,220,553</u>	<u>\$ -</u>	<u>\$ 2,072,464</u>	<u>\$ 35,351,269</u>	<u>\$ 281,181</u>	<u>\$ (59,977,465)</u>	<u>\$ 63,863,516</u>	<u>\$ 63,931,017</u>

See Accompanying Independent Auditors' Report.

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

Unrestricted and Restricted Fund Supplemental Schedule  
Statement of Changes in Fund Balances  
Year Ended September 30, 2016  
(With Comparative Balances for the year ended September 30, 2015)

	Unrestricted						Restricted			Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant	Grand Total	
	Appropriated			Non-appropriated			Federal Fund	Other Grant	Total					2016	2015
	General	TAF	MDF	Total Appropriated	NAF	Total Unrestricted									
<b>Revenues:</b>															
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ 7,283,247	\$ 7,283,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,283,247	\$ 7,551,608
Government of Guam appropriations	16,752,762	-	1,345,675	18,098,437	-	18,098,437	-	-	-	-	-	-	-	18,098,437	20,270,179
Federal grants and contracts	-	-	-	-	-	-	8,687,467	923,468	9,610,935	-	-	-	-	9,610,935	10,270,466
Government of Guam grants and contracts/agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	855,804
Sales and services of auxiliary enterprises	-	-	-	-	1,626,445	1,626,445	-	-	-	-	-	-	-	1,626,445	2,554,434
Other sources	-	-	-	-	823,829	823,829	-	-	-	-	15,900	-	-	839,729	887,511
Interest income	-	-	-	-	14,452	14,452	-	-	-	-	-	-	-	14,452	-
<b>Total current revenues</b>	<b>16,752,762</b>	<b>-</b>	<b>1,345,675</b>	<b>18,098,437</b>	<b>9,747,973</b>	<b>27,846,410</b>	<b>8,687,467</b>	<b>923,468</b>	<b>9,610,935</b>	<b>-</b>	<b>15,900</b>	<b>-</b>	<b>-</b>	<b>37,473,245</b>	<b>42,390,002</b>
<b>Expenditures and mandatory transfers:</b>															
<b>Educational and general:</b>															
Instruction	6,482,101	-	1,180,893	7,662,994	3,138,221	10,801,215	585,479	174,739	760,218	-	-	-	-	11,561,433	9,229,101
Planning	527,956	-	-	527,956	159,509	687,465	240,518	-	240,518	33,970	-	-	-	961,953	1,029,414
Academic support	947,441	-	-	947,441	318,277	1,265,718	1,308,200	605,883	1,914,083	-	-	-	-	3,179,801	3,219,798
Student services	2,337,340	-	-	2,337,340	217,541	2,554,881	281,971	-	281,971	-	-	-	-	2,836,852	2,886,416
Institutional support	4,163,701	-	-	4,163,701	799,493	4,963,194	-	120,149	120,149	-	-	-	-	5,083,343	4,579,244
Operation and maintenance of plant	1,756,301	-	-	1,756,301	37,185	1,793,486	-	-	-	61,480	-	-	-	1,854,966	2,104,506
Scholarship and fellowship	188,235	-	-	188,235	7,360	195,595	6,271,300	-	6,271,300	-	-	-	-	6,466,895	6,941,613
Retiree healthcare costs	917,775	-	-	917,775	-	917,775	-	-	-	-	-	-	-	917,775	865,448
Interest Expense	-	-	-	-	190,640	190,640	-	-	-	-	-	-	-	190,640	195,244
Bad debts expense	-	-	-	-	153,407	153,407	-	-	-	-	-	-	-	153,407	1,278,174
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	2,590,158	2,590,158	2,625,160
	17,320,850	-	1,180,893	18,501,743	5,021,633	23,523,376	8,687,468	900,771	9,588,239	95,450	-	-	2,590,158	35,797,223	34,954,118
<b>Auxiliary enterprises:</b>															
Expenditures	53,168	-	-	53,168	1,053,675	1,106,843	-	-	-	-	-	-	-	1,106,843	773,133
<b>Total expenditures</b>	<b>17,374,018</b>	<b>-</b>	<b>1,180,893</b>	<b>18,554,911</b>	<b>6,075,308</b>	<b>24,630,219</b>	<b>8,687,468</b>	<b>900,771</b>	<b>9,588,239</b>	<b>95,450</b>	<b>-</b>	<b>-</b>	<b>2,590,158</b>	<b>36,904,066</b>	<b>35,727,251</b>
Net (decrease) increase in fund balance	(621,256)	-	164,782	(456,474)	3,672,665	3,216,191	(1)	22,697	22,696	(95,450)	15,900	-	(2,590,158)	569,179	6,662,751
Beginning fund balance	(3,337,599)	(58,425)	4,364,698	968,674	(11,378,127)	(10,409,453)	273,789	1,038,720	1,312,509	(10,364,294)	2,056,564	-	37,018,900	19,614,226	12,733,795
Fund transfer	-	-	68,459	68,459	(186,352)	(117,893)	86,664	(22,695)	63,969	(573,450)	-	-	922,527	295,153	217,680
<b>Ending fund balance</b>	<b>\$ (3,958,855)</b>	<b>\$ (58,425)</b>	<b>\$ 4,597,939</b>	<b>\$ 580,659</b>	<b>\$ (7,891,814)</b>	<b>\$ (7,311,155)</b>	<b>\$ 360,452</b>	<b>\$ 1,038,722</b>	<b>\$ 1,399,174</b>	<b>\$ (11,033,194)</b>	<b>\$ 2,072,464</b>	<b>\$ -</b>	<b>\$ 35,351,269</b>	<b>\$ 20,478,558</b>	<b>\$ 19,614,226</b>

See Accompanying Independent Auditors' Report.