



Guam Community College FY 2012 Financial Highlights

March 7, 2013

The Guam Community College (GCC) closed Fiscal Year (FY) 2012 with a \$2.3 million (M) increase in net assets, which is a significant decrease of 73% or \$6.2M from its FY 2011's \$8.6M increase in net assets. This was mainly due to decreases in American Recovery and Reinvestment Act (ARRA) grants and other federal grants, and increases in operating expenses, notably in Scholarships and Fellowships and Institutional Support.

Independent auditors Deloitte & Touche, LLP gave GCC an unqualified "clean" opinion on its FY 2012 financial statements and its compliance and internal controls. There was no material weakness or significant deficiency identified. GCC also continued to maintain low-risk status for the 12th consecutive fiscal year, and is again commended for maintaining this status. GCC is the only Government of Guam (GovGuam) agency to hold the low-risk status.

Decrease in Revenues

Revenues were \$39M in FY 2012, a decrease of \$1.8M or 4% from the \$40.8M in FY 2011. This was mainly due to the \$3.7M or 54% decrease in Contributions from U.S. Government, which went from \$6.8M in FY 2011 to \$3.2M in FY 2012 arising from the completion of ARRA grants. There was also a \$1.1M or 7% decrease in GovGuam appropriations, which went from \$15.7M in FY 2011 to \$14.6M. While capital contributions and GovGuam appropriations decreased, Federal grants and contracts increased by \$3.6M or 28%, going from \$13M to \$16.6M. Net Student Tuition and Fees also decreased by 5% or \$109 thousand (K), going from \$2.3M to \$2.2M, which was due to increases in the number of students and classes during the academic year 2011-2012 and increase in the amount of Pell Grants awarded to students. The last tuition increase was in Fall 2011, when it was raised from \$110 to \$130 per credit hour. Net Student Tuition and fees make up only 6% of total revenues. Federal grants and contracts make up 43%, and GovGuam appropriations make up 37% of total revenues for GCC.

Increase in Expenses

The increase in revenues was not enough to offset the increase in expenses, which increased by \$4.5M or 14% from \$32.2M in FY 2011 to \$36.7M in FY 2012. This increase was mainly attributed to the \$2.3M or 38% increase in Scholarships and Fellowships, which went from \$6.1M in FY 2011 to \$8.4M in FY 2012 and increases in Institutional support. Institutional Support increased by \$1.1M or 33%, going from \$3.4M in FY 2011 to \$4.5M in FY 2012. Instruction also increased by \$675K or 7%, going from \$10.3M to \$10.9M.

Manpower Development Fund

Due to the delay in the construction industry and the military buildup, the actual collections from the Manpower Development Fund (MDF) were 41% or \$695K less than appropriations. The MDF is used to support the apprenticeship programs which served 386 and 377 apprentices over 80 and 57 employers in Fall 2012 and 2011, respectively.

Merit Bonus

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

GCC Foundation

The GCC Foundation is a legally separate, private corporation that meets the criteria for reporting as a component unit of the College. The foundation, audited by Deloitte and Touche, LLP, recorded an increase in net assets of \$1M, up 222% from the prior year's \$823K loss. Total investments were \$7.6M compared to \$6.7M, an increase of \$1M, which is mainly from net investment gain. The average return on investments for 2012 is 16% and cumulative total of return on investments was \$1.1M.

Capital Projects

GCC's capital assets totaled \$32.7M as of September 30, 2012. Increases in capital assets were due to the completion of the Student Center with costs totaling \$4.4M and ARRA projects during FY 2012. Costs incurred for the construction of the GCC Foundation Building, architecture and engineering expenses for Building 200, and the DNA Toxicology facility and classrooms were included in Construction In Progress. In July 2012, GCC received approval for the \$3.5M Community Facilities Direct loan to renovate and harden the GCC Foundation Building, which was completed in October 2012.

Report on Compliance

Independent auditors rendered an unqualified "clean" opinion on the report on compliance and internal control, with no material weakness or significant deficiency identified. The auditors issued one management letter comment recommending that GCC timely update its personnel action forms to reflect the correct pay rates.

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