

GUAM COMMUNITY COLLEGE

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

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

YEAR ENDED SEPTEMBER 30, 2013

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

Board of Trustees
Guam Community College:

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

Internal Control Over Financial Reporting

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

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

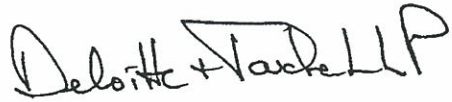
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

Handwritten signature of Deloitte + Tatchell LLP in black ink.

March 6, 2014

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

Board of Trustees
Guam Community College:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

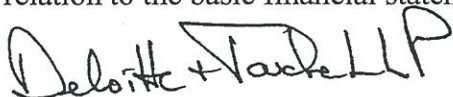
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

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

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



March 6, 2014

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

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

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

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

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

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GUAM COMMUNITY COLLEGE
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Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

1. Scope of Audit

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

Programs Subject to Single Audit

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

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

2. Basis of Accounting

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

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

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

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

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

4. American Recovery and Reinvestment Act of 2009

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

**GUAM COMMUNITY COLLEGE
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Notes to Schedule of Expenditures of Federal Awards, Continued
Year Ended September 30, 2013

4. American Recovery and Reinvestment Act of 2009, Continued

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

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

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

- | | |
|---|---------------|
| Internal control over major programs: | |
| 5. Material weakness(es) identified? | No |
| 6. Significant deficiency(ies) identified? | None reported |
| 7. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 8. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | No |
| 9. Identification of major programs: | |

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|---------------------|---|
| 10.766 | Communities Facilities Loans and Grants |
| 84.007 - 84.063 | Student Financial Assistance Cluster |
| 84.042A | TRIO – Student Support Services |

- | | |
|--|-----------|
| 10. Dollar threshold used to distinguish between Type A and Type B programs: | \$352,841 |
| 11. Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Cost

No matters were reported.

**GUAM COMMUNITY COLLEGE
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Summary Schedule of Prior Audit Findings
Year Ended September 30, 2013

There are no unresolved prior audit findings and questioned costs.