

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

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

YEARS ENDED SEPTEMBER 30, 2007 AND 2006

Independent Auditors' Report

Board of Trustees
Guam Community College:

We have audited the accompanying financial statements of the Guam Community College (a component unit of the Government of Guam) and its discretely presented component unit as of and for the years ended September 30, 2007 and 2006. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

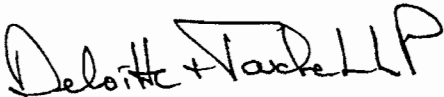
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Guam Community College and its discretely presented component unit as of September 30, 2007 and 2006, and the respective changes in its net assets and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Our audit of the financial statements was made for the purpose of expressing our opinion on the basic financial statements taken as a whole. The accompanying schedules on pages 27 – 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These accompanying schedules are the responsibility of the Guam Community College's management. The accompanying schedules on pages 28-32 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The accompanying schedule on page 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2008, on our consideration of the Guam Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

June 13, 2008

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

Management's Discussion and Analysis
Year Ended September 30, 2007

Introduction

The following discussion and analysis provides an overview of the financial activities of Guam Community College (the College). This is a requirement of the Government Accounting Standards Board (GASB) found in Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In November 1999, GASB issued Statement No. 35 "*Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*," which established new reporting standards for public colleges and universities. This discussion has been prepared by College Management. It is based on the three financial statements provided in the annual audit report. The presentation format used in these statements has also been updated by GASB. This is the fourth year this report format is being used. As a result, comparable financial data from the prior year is also being provided. The three statements presented are the:

Statement of Net Assets – This statement is similar to a balance sheet. Net assets represent the difference between the institution's total assets and the institution's liabilities. Net assets were previously called fund balance.

Statement of Revenues, Expenses, and Changes in Net Assets – This statement presents the financial results of operating the College for the whole fiscal year. In this presentation, appropriated funds are considered as non-operating revenue. Because of this change, these additions to revenue are placed after the results of operations. Previously, they were grouped at the beginning of the statement with other revenues.

Statement of Cash Flows – This statement provides information about the College's ability to generate the cash flows needed to meet the financial obligations of the College as well as the extent to which external financing is being used to fund College operations.

These three reports present data in a summarized form. The College is most often asked questions about how specific monies have been expended. Because the summarized format is not able to provide answers to these specific questions, the College also provides a set of financial statements in the fund accounting format used previously. These statements are found at the end of the report and the statements are structured so the dollar totals there link to the official statements.

Fiscal Year 2007 Overview

During fiscal year 2007, the College completed the renovation of the Culinary Arts Kitchen and Multi-purpose Auditorium. The Culinary Arts Kitchen increased kitchen facilities for student classes from 850 to 4,200 square feet. Funding for this building was obtained from FEMA, Tobacco Settlement, and the College's capital improvement funds. Additionally, the campus wide painting project was completed during the year and funded through the College capital improvement funds. For additional information concerning the College's capital assets, please refer to note 3 to the financial statements.

The College rolled out its new website through the web portal system, called MyGCC and the student module, through the College's Integrated Data Base System (IDBS). The student module provides on-line registration and self-advising for students; on-line access of student grades; class and course management for faculty. The MyGCC portal, provides intranet services through the Banner interface for students faculty, staff and administrators. MyGCC gives the College the opportunity to establish the foundation for a unified digital environment. The rollout of finance and human resources module occurred in October 2007 and January 2008, respectively.

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

Management's Discussion and Analysis
Year Ended September 30, 2007

The College received notification of award of Title III grant (Strengthening Institutions Programs 84.031) for \$2 million, which provides the College with \$400,000 per year for five years. This award provides additional financial assistance to support the college's IDBS. Additionally, the College received a \$148,106 grant from the Administration of Native Americans in Honolulu, to plan and develop projects for the Chamorro language preservation project.

The College operated with 212 full time personnel positions. This does not include adjunct faculty members hired to teach additional postsecondary courses. Because of the continuous submission of a growth budget to identify the need to expand its services and programs, the College received additional funding for the Licensed Practical Nursing (LPN) and Vocational Guidance programs. The LPN program will address the islands' continued need to develop and train students for the Allied Health fields. The additional funding also places Vocational Counselors in each of the four public high schools to provide information to students about the career and technical opportunities available to them from the College. Also, the College received funds from the Manpower Development Fund for its apprenticeship programs.

The College continued its increase in tuition rates for Fall 2007 and Fall 2006, by \$20 and \$10 per credit, respectively. This resulted in an increase of tuition and fees of 12% for FY 2007 and 3% for FY 2006. As authorized by the Board of Trustees, 50% of the proceeds from the revenue increases have been utilized to hire additional full time permanent faculty and 20% has been utilized to hire staff positions. A tuition increase of \$20 for each subsequent fall semester will continue until Fall semester 2011. Classroom improvements, technology lab upgrades and capital projects are funded through increases in technology and parking fees. Funds utilized in FY2007 for capital projects and technology fees were \$321,000 and \$196,000, respectively.

There was a slight decrease of 5% in the post secondary enrollment seats and a decrease of 3% in the number of students enrolled at the College in academic year 2007 versus 2006. This is mainly attributable to increases in tuition rates.

<u>Enrollment (Seat)</u>	<u>2007</u>	<u>2006</u>
Spring	5,069	5,407
Summer	559	754
Fall	<u>5,200</u>	<u>5,255</u>
Total	<u>10,828</u>	<u>11,416</u>

<u>Enrollment (Head)</u>		
Spring	1,743	1,822
Summer	361	466
Fall	<u>1,818</u>	<u>1,787</u>
Total	<u>3,922</u>	<u>4,075</u>

The College continues to provide career and technical education programs in four of the Guam high schools including GW, JFK, Southern and Simon Sanchez. There was a 9% increase in enrollment in these courses from 1,913 students to 2,098 students in SY 05-06 and SY06-07, respectively.

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

Management's Discussion and Analysis
Year Ended September 30, 2007

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

Summary Statement of Net Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Current assets	\$ 6,662	\$ 6,973	\$ 11,412
Investments (noncurrent)	1,740	1,740	1,740
Capital assets, net	<u>14,069</u>	<u>14,697</u>	<u>10,547</u>
Total	\$ <u>22,471</u>	\$ <u>23,410</u>	\$ <u>23,699</u>
Liabilities:			
Current liabilities	\$ 3,169	\$ 4,039	\$ 1,820
Non-current liabilities	<u>2,791</u>	<u>1,265</u>	<u>3,091</u>
Total	<u>5,960</u>	<u>5,304</u>	<u>4,911</u>
Net assets:			
Invested in capital assets	11,763	12,130	8,112
Restricted – expendable	-	-	21
Restricted – nonexpendable	1,914	1,845	1,858
Unrestricted	<u>2,834</u>	<u>4,131</u>	<u>8,797</u>
Total	<u>16,511</u>	<u>18,106</u>	<u>18,788</u>
Total liabilities and Total net assets	\$ <u>22,471</u>	\$ <u>23,410</u>	\$ <u>23,699</u>

At the end of fiscal year 2007, the net assets of the College decreased by \$1,595,000. The decrease is due to the \$1 million remittance to the US Department of Education for repayment of the campus housing facility loan, of which interest was \$686,835. The changes in current and non-current liabilities are due to the agreement with USDOE to term out the repayment of the loan over three years. Total assets and net assets remain consistent in fiscal year 2007 as compared to fiscal year 2006. For additional information concerning the College's long-term liabilities, please refer to notes 9 and 10 to the financial statements.

Due to the constraints of College and University accounting, approximately \$1,651,247 in encumbrances incurred in fiscal year 2007 have yet to be reflected as expenditures in the accompanying financial presentation, but will be liquidated with 2007 net assets.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenues	\$ 9,642	\$ 10,944	\$ 9,333
Operating expenses	<u>25,252</u>	<u>22,628</u>	<u>20,296</u>
Operating Loss	(15,610)	(11,684)	(10,963)
Non operating revenues	<u>14,015</u>	<u>11,002</u>	<u>12,866</u>
Change in net assets	(1,595)	(682)	1,903
Net assets at beginning of year	<u>18,106</u>	<u>18,788</u>	<u>16,885</u>
Net assets at end of year	\$ <u>16,511</u>	\$ <u>18,106</u>	\$ <u>18,788</u>

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

Management's Discussion and Analysis
Year Ended September 30, 2007

Statement of Cash Flows

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash provided by (used in):			
Operating activities	\$ (13,015)	\$ (11,444)	\$ (10,144)
Noncapital financing activities	12,695	11,008	12,096
Capital financing activities	<u>(1,345)</u>	<u>(4,783)</u>	<u>(4,699)</u>
Net (decrease) increase in cash and cash equivalents	(1,665)	(5,219)	(2,747)
Cash and cash equivalents at beginning of year	<u>2,392</u>	<u>7,611</u>	<u>10,358</u>
Cash and cash equivalents at end of year	\$ <u>727</u>	\$ <u>2,392</u>	\$ <u>7,611</u>

The decrease in fiscal year 2007 operating revenues was due to the FEMA flood mitigation grant of \$1 million received in fiscal year 2006. The College experienced delays in timely release of its appropriations during fiscal year 2007. This has caused some difficulty in the financial planning for the institution and the ability to maintain timely payments with all of its vendors. This has also caused a decrease in cash reserves that it has maintained over the years. However, in fiscal year 2007, the College was not able to receive \$892k of its appropriations from the Government of Guam as compared to the previous year \$2.6 million deferred amount. Increases in expenditures were due to contractual costs related to the rollout of the College's Integrated Data Base System (IDBS). The College remains committed to displaying fiscal responsibility in the management of its funds by operating within the levels of authorizations.

Management's Discussion and Analysis for the years ended September 30, 2006 and 2005, is set forth in the report on the College's audited financial statements, which is dated May 14, 2007, and that Discussion and Analysis explains the major factors impacting the 2006 and 2005 financial statements and can be viewed at the Office of the Public Auditor's website at www.guamopa.com.

Economic Outlook for FY 2008

Guam Community College recognizes the job opportunities that will be created because of Guam's military expansion. The College is preparing for the on-going training needs for the immediate economic impact resulting from the island's increased military activity. Consequently, the valuable skills and higher incomes this military buildup brings to Guam provides opportunities for GCC to expand its programs and services, not only to its civilian community, but the direct and indirect associations that result from this base realignment project. GCC will partner with federal and local government entities as well as private sector businesses to ensure that Guam's workforce is able to take advantage of opportunities that are available through GCC's expansive information technology, construction & trades – which will include GCC's Construction Trades Boot Camp, Allied Health, Education, and other academic programs – offered at the College.

The College continues to collaborate with the Federal Government, the Government of Guam, the private sector and the people of 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. GCC plans to implement a Construction Trades Boot Camp in the summer of 2008 that will provide students with basic hand and power tool recognition, use and care so that students are able to join Guam's growing workforce. The impact GCC's Boot Camp will have to our economy will help fill the void of available skilled workers in Guam and the neighboring islands of Micronesia. Additionally, the College has taken an active role in assisting the working group of the Interagency Group on Insular Areas' (IGIA) as they develop an integrated comprehensive master plan that will accommodate the island's military expansion.

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

Management's Discussion and Analysis
Year Ended September 30, 2007

In an effort to update and fully integrate the financial and student processes for the College through an integrated database system, the College launched the financial aid module which will be utilized in awarding of Pell, SEOG and FWS for SY2008-2009. This will provide increased efficiency and monitoring of student awards and allow information to be electronically processed through the finance module.

In FY2008, the College will bid and award the construction contract for the Allied Health Building. The building will provide the much needed classroom and office space of over 22,000 additional square feet for the Allied Health and Science programs. The purchase and installation of a back up generator needed for the Technology Center will be completed within the year. Other small capital improvement projects are planned such as roof repairs; installation of anti-skid sidewalk materials; modification of the campus ramps and doors for ADA Compliance; repair and renovation of restrooms and installation of water fountains on campus; and some installation of typhoon shutters to the administrative building. These projects address the repair and maintenance requirement needed to ensure student accessibility and safety, along with the security needed for our College assets.

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

Statements of Net Assets
September 30, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 440,717	\$ 2,125,860
Cash and cash equivalents - restricted	286,499	266,144
Due from Government of Guam	2,382,889	935,427
Tuition receivable, less allowance for doubtful accounts of \$1,220,562 and \$1,222,665 at September 30, 2007 and 2006, respectively	2,096,901	2,478,048
Accounts receivable - U.S. Government and others	740,767	397,410
Other receivables	577,685	664,209
Inventories	136,117	105,944
Total current assets	<u>6,661,575</u>	<u>6,973,042</u>
Noncurrent assets:		
Investments	1,740,000	1,740,000
Property, plant and equipment, net	14,069,570	14,696,808
Total noncurrent assets	<u>15,809,570</u>	<u>16,436,808</u>
	<u>\$ 22,471,145</u>	<u>\$ 23,409,850</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of long-term debt	\$ 458,637	\$ 2,212,460
Accounts payable and accrued liabilities	1,439,715	410,334
Deferred revenue	1,113,076	1,225,493
Current portion of accrued annual leave	157,393	190,082
Total current liabilities	<u>3,168,821</u>	<u>4,038,369</u>
Noncurrent liabilities:		
Accrued annual leave	299,688	288,885
DCRS sick leave liability	436,654	355,293
Long-term debt, net of current portion	1,768,049	354,560
Deposits held on behalf of others	286,499	266,144
Total noncurrent liabilities	<u>2,790,890</u>	<u>1,264,882</u>
Commitment and contingency		
Net assets:		
Invested in capital assets, net of related debt	11,763,357	12,129,788
Restricted:		
Nonexpendable	1,914,175	1,845,286
Unrestricted	2,833,902	4,131,525
Total net assets	<u>16,511,434</u>	<u>18,106,599</u>
	<u>\$ 22,471,145</u>	<u>\$ 23,409,850</u>

See accompanying notes to financial statements.

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

Statements of Financial Position
September 30, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 9,818	\$ 34,639
Investments	8,417,877	7,942,047
Accounts receivable	65	-
Plant and equipment, net	<u>360,161</u>	<u>420,186</u>
Total assets	<u>\$ 8,787,921</u>	<u>\$ 8,396,872</u>
NET ASSETS AND LIABILITIES		
Liabilities:		
Accounts payable	<u>\$ 6,672</u>	<u>\$ -</u>
Total liabilities	<u>6,672</u>	<u>-</u>
Commitments		
Net assets:		
Unrestricted	\$ 3,741,774	\$ 3,786,851
Temporarily restricted	4,659,865	4,170,384
Permanently restricted	<u>379,610</u>	<u>439,637</u>
	<u>8,781,249</u>	<u>8,396,872</u>
Total net assets	<u>\$ 8,787,921</u>	<u>\$ 8,396,872</u>

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 3,105,694	\$ 2,764,582
Less: Scholarship discounts and allowances	<u>(1,943,825)</u>	<u>(1,612,933)</u>
	1,161,869	1,151,649
Federal grants and contracts	6,372,562	5,784,799
Government of Guam grants and contracts	485,458	1,311,007
Contracted educational services	595,279	1,253,697
Auxiliary enterprises	610,270	604,369
Other revenues	416,503	1,168,742
Less uncollectible revenues	<u>(290)</u>	<u>(330,000)</u>
Total operating revenues	<u>9,641,651</u>	<u>10,944,263</u>
Operating expenses:		
Education and general:		
Instruction	8,266,302	7,598,361
Institutional support	5,613,324	3,319,193
Scholarships and fellowships	2,973,429	2,902,298
Operations and maintenance of plant	1,716,858	2,374,214
Student services	2,880,857	3,072,433
Academic support	1,296,771	1,376,854
Depreciation	938,341	800,153
Planning	957,201	612,973
Auxiliary enterprises	<u>608,686</u>	<u>571,665</u>
Total operating expenses	<u>25,251,769</u>	<u>22,628,144</u>
Operating loss	<u>(15,610,118)</u>	<u>(11,683,881)</u>
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	14,142,196	11,144,198
Interest expense	<u>(127,243)</u>	<u>(141,867)</u>
Net nonoperating revenues	<u>14,014,953</u>	<u>11,002,331</u>
Change in net assets	(1,595,165)	(681,550)
Net assets:		
Net assets at beginning of year	<u>18,106,599</u>	<u>18,788,149</u>
Net assets at end of year	<u>\$ 16,511,434</u>	<u>\$ 18,106,599</u>

See accompanying notes to financial statements.

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

Statements of Activities
Years Ended September 30, 2007 and 2006

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gains and other additions:								
Investment income	\$ 636,351	\$ 489,481	\$ -	\$ 1,125,832	\$ 417,550	\$ 277,428	\$ -	\$ 694,978
Interest income	1,463	-	-	1,463	374	-	-	374
Fundraising	5,077	-	-	5,077	18,482	-	-	18,482
Total gains and other additions	642,891	489,481	-	1,132,372	436,406	277,428	-	713,834
Expenses and other deductions:								
Depreciation	-	-	60,027	60,027	-	-	60,027	60,027
Professional services	4,678	-	-	4,678	4,063	-	-	4,063
Transfer to Guam Community College	667,616	-	-	667,616	-	-	-	-
Scholarship	3,000	-	-	3,000	3,000	-	-	3,000
Other deductions	11,274	-	-	11,274	2,195	-	-	2,195
General and administrative	1,400	-	-	1,400	427	-	-	427
Total expenses and other deductions	687,968	-	60,027	747,995	9,685	-	60,027	69,712
Excess of gains and other additions over expenses and other deductions	(45,077)	489,481	(60,027)	384,377	426,721	277,428	(60,027)	644,122
Net assets at beginning of year	3,786,851	4,170,384	439,637	8,396,872	3,360,130	3,892,956	499,664	7,752,750
Net assets at end of year	\$ 3,741,774	\$ 4,659,865	\$ 379,610	\$ 8,781,249	\$ 3,786,851	\$ 4,170,384	\$ 439,637	\$ 8,396,872

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, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Student tuition and fees	\$ 1,723,771	\$ 722,295
Federal grants/contracts	6,029,206	5,615,595
Government of Guam grants and contracts	571,985	1,801,650
Auxiliary services	33,602	640,461
Other receipts/payments	686,299	1,210,096
Payments for educational and general expenses	(19,086,793)	(18,532,760)
Scholarship/fellowships	(2,973,429)	(2,902,298)
Net cash used in operating activities	(13,015,359)	(11,444,961)
Cash flows from noncapital financing activities:		
Government of Guam appropriations	12,694,734	11,008,386
Net cash provided by noncapital financing activities	12,694,734	11,008,386
Cash flows from capital financing activities:		
Expended on plant facility and capital assets	(311,103)	(4,950,094)
Proceeds from debt	-	404,967
Payment of debt	(340,334)	(237,947)
Interest paid on long-term debt	(692,726)	-
Net cash used in capital financing activities	(1,344,163)	(4,783,074)
Net change in cash and cash equivalents	(1,664,788)	(5,219,649)
Cash and cash equivalents at beginning of year	2,392,004	7,611,653
Cash and cash equivalents at end of year	\$ 727,216	\$ 2,392,004
<u>Reconciliation of operating loss to net cash used in operating activities:</u>		
Operating loss	\$ (15,610,118)	\$ (11,683,881)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	938,341	800,153
Uncollectible revenues	290	330,000
Changes in assets and liabilities:		
Accounts receivable, net	124,024	(1,010,855)
Inventories	(30,173)	34,778
Other assets	-	796
Accounts payable	1,594,864	(230,071)
Accrued liabilities	(21,886)	(24,211)
DCRS sick leave liability	81,361	43,186
Deferred revenue	(112,417)	298,354
Deposits held on behalf of others	20,355	(3,210)
Net cash used in operating activities	\$ (13,015,359)	\$ (11,444,961)

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2007 and 2006

(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. The Law sets forth the purposes of the College as follows:

1. To establish technical, vocational and other related occupational training and education courses of instruction aimed at developing educated and skilled workers on Guam;
2. To coordinate vocational-technical 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 vocational-technical fields;
5. To award appropriate certificates, degrees and diplomas to qualified students; and
6. To serve as 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. Accordingly, the accompanying financial statements include the accounts of the Foundation.

(2) Summary of Significant Accounting and Reporting Policies

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Other GASB Statements are required to be implemented in conjunction with GASB Statements No. 34 and No. 35. Therefore, the College has also implemented, where applicable, Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

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

Notes to Financial Statements
September 30, 2007 and 2006

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

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.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Reporting Entity

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

The Foundation is a private organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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.

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.

Accounts Receivable

The allowance for doubtful accounts is stated at 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.

Inventory

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

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

Notes to Financial Statements
September 30, 2007 and 2006

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

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.

Physical plant and certain equipment were transferred to the College from the Government of Guam effective July 1, 1978, except for Police Academy assets, which were transferred on September 28, 1978. Title to the land is held by the Government of Guam. 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 over the estimated useful lives of the related assets. Vehicles, furniture and fixtures are depreciated over a period of 5 years. Building and structures are depreciated over a period of 30 years. Depreciation is computed on the straight line method.

Deferred Revenues

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

Compensated Absences

Earned employee vacation leave is accrued at year end for financial statement purposes. Included in the accounts payable and accrued liabilities at September 30, 2007 and 2006 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statement of Revenues, Expenses and Changes in Net Assets.

Grants-in-Aid

GovGuam law requires that the College waive the tuition and fees for credit classes for senior citizens. The College provides no waivers to faculty, staff or dependents. The total of senior citizen waivers provided is \$27,580 and less than \$10,000 for the years ended September 30, 2007 and 2006, respectively.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of notes payable; and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

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

Notes to Financial Statements
September 30, 2007 and 2006

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

Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

Restricted Net Assets – Expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted Net Assets - Nonexpendable - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Related cash accounts are also restricted. *Unrestricted Net Assets* – Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for student, faculty and staff.

The College's policy is to expend resources according to the terms and conditions of the grants or contracts under which the resources were received.

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) interest on investments.

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

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

Notes to Financial Statements
September 30, 2007 and 2006

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

Scholarship Discounts and Allowances

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

Capitalization of Interest

The College capitalizes interest on construction in progress based on the weighted average interest rate. During the years ended September 30, 2007 and 2006, \$0 and \$118,672, respectively, was capitalized.

Reclassifications

Certain balances in the 2006 financial statements have been reclassified to correspond with the 2007 presentation.

Foundation Investments

The Foundation adopted the requirements of Financial Accounting Standards Statements 116, 117 and 124 which require that the Foundation account for its investments at market value.

The Foundation has also adopted Statement of Financial Accounting Standards (SFAS) No. 115. Under SFAS 115, investments in securities are classified as either trading securities, securities held to maturity or securities available for sale. At September 30, 2007 and 2006, all investments are classified as trading securities. Securities are recorded at their fair values with fair value determined at quoted market prices. Unrealized gains and losses on trading securities at September 30, 2007 and 2006 are included in investment income.

The original cost and market values of investments at September 30, 2007 and 2006, are:

	<u>2007</u>		<u>2006</u>
	Cost	Market Value	Cost
	Market Value	Cost	Market Value
	\$ <u>5,348,663</u>	\$ <u>8,417,877</u>	\$ <u>5,348,663</u>
			\$ <u>7,942,047</u>

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

	<u>2007</u>	<u>2006</u>
Equities and related	\$ 6,744,567	\$ 6,002,614
Fixed income securities	1,177,436	1,468,182
Cash and equivalents	<u>495,874</u>	<u>471,251</u>
	\$ <u>8,417,877</u>	\$ <u>7,942,047</u>

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

Notes to Financial Statements
September 30, 2007 and 2006

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

Foundation Investments, Continued

The following represents the composition of investment income for the years ended September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Unrealized investment gains	\$ 875,818	\$ 496,264
Net interest income and dividends	<u>250,014</u>	<u>198,714</u>
	<u>\$ 1,125,832</u>	<u>\$ 694,978</u>

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

Deposits and Investments

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. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

- Category 1 Deposits that are federally insured or collateralized with securities held by the College or its agent in the College's name;
- Category 2 Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the College's name; or
- Category 3 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name and non-collateralized deposits.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those 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.

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

Notes to Financial Statements
September 30, 2007 and 2006

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

Deposits and Investments, Continued

As of September 30, 2007 and 2006, the carrying amount of the College's total cash and cash equivalents was \$727,216 and \$2,392,004, respectively, and the corresponding bank balances were \$1,624,118 and \$3,925,561, respectively. Of the bank balance amounts, \$1,324,118 and \$3,625,561, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2007 and 2006, bank deposits in the amount of \$300,000 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. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

- Category 1 Investments that are insured or registered, or securities held by the College or its agent in the College's name;
- Category 2 Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the College's name; or
- Category 3 Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the College's name.

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

As of September 30, 2007 and 2006, the College has one fixed income security known as the Tobacco Bond. The bond amount is \$1,740,000 with a rating of BBB- by Fitch, with interest at 5.45%, and Baa3 by Moody's Investor Services, with interest at 3.7%, respectively, maturing on May 15, 2041. The principal is restricted by law but use of interest earned from the investment is not restricted.

New Accounting Standards

During fiscal year 2007, the College implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The implementation of this Statement did not have a material effect on the financial statements of the College.

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

Notes to Financial Statements
September 30, 2007 and 2006

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

New Accounting Standards, Continued

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2006. The effect, if any, of the implementation of this Statement on the financial statements of the College has not been determined.

In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The Statement also includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The provisions of this Statement are effective for periods beginning after December 15, 2006. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the College.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the College.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures an Amendment of GASB Statements No. 25 and 27*. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The provisions of this Statement are effective for periods beginning after June 15, 2007. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the College.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this Statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this Statement will have a material effect on the financial statements of the College.

Tobacco Settlement

The College received \$3,241,203 from a tobacco settlement agreement entered into by the Government of Guam 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 and Commerce College, a component unit of the Government of Guam. During the years ended September 30, 2007 and 2006, the fund earned interest of \$68,890 and \$29,502, respectively. The College expended \$0 and \$21,596 for capital projects for the years ended September 30, 2007 and 2006, respectively.

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

Notes to Financial Statements
September 30, 2007 and 2006

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

Estimates

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

Risk Management

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

(3) Property, Plant and Equipment

Movements of property, plant and equipment for the years ended September 30, 2007 and 2006 are as follows:

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2007</u>
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	25,598,053	618,901	-	26,216,954
Equipment	5,200,893	430,714	82,810	5,548,797
Vehicles	<u>323,454</u>	<u>-</u>	<u>-</u>	<u>323,454</u>
	<u>33,025,400</u>	<u>1,049,615</u>	<u>82,810</u>	<u>33,992,205</u>
Accumulated depreciation:				
Building	16,477,153	374,169	-	16,851,322
Equipment	3,761,746	555,573	82,810	4,234,509
Vehicles	<u>278,598</u>	<u>8,599</u>	<u>-</u>	<u>287,197</u>
	<u>20,517,497</u>	<u>938,341</u>	<u>82,810</u>	<u>21,373,028</u>
Construction in progress	<u>2,188,905</u>	<u>184,824</u>	<u>923,336</u>	<u>1,450,393</u>
Net	\$ <u>14,696,808</u>	\$ <u>296,098</u>	\$ <u>923,336</u>	\$ <u>14,069,570</u>

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

Notes to Financial Statements
September 30, 2007 and 2006

(3) Property, Plant and Equipment, Continued

	Balance September 30, <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2006</u>
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	19,636,554	5,961,499	-	25,598,053
Equipment	5,074,369	126,524	-	5,200,893
Vehicles	<u>455,691</u>	<u>27,959</u>	<u>160,196</u>	<u>323,454</u>
	<u>27,069,614</u>	<u>6,115,982</u>	<u>160,196</u>	<u>33,025,400</u>
Accumulated depreciation:				
Building	16,228,060	249,093	-	16,477,153
Equipment	3,220,718	541,028	-	3,761,746
Vehicles	<u>428,762</u>	<u>10,032</u>	<u>160,196</u>	<u>278,598</u>
	<u>19,877,540</u>	<u>800,153</u>	<u>160,196</u>	<u>20,517,497</u>
Construction in progress	<u>3,354,793</u>	<u>2,188,905</u>	<u>3,354,793</u>	<u>2,188,905</u>
Net	\$ <u>10,546,867</u>	\$ <u>7,504,734</u>	\$ <u>3,354,793</u>	\$ <u>14,696,808</u>

(4) Due from Government Agencies

Due from Government of Guam agencies consists of receivables from the Government of Guam General Fund and the accounts receivable - U.S. Government consists of uncollected grants at September 30, 2007 and 2006. While some grants are available for use during the fiscal year, others are available on either a calendar-year basis or for a period of twenty-seven months.

At September 30, 2007 and 2006, the College has fiscal year appropriations due from the Government of Guam. The College has not received appropriations subsequent to September 30, 2007 to date. Therefore, revenue recognition has been deferred and will only occur upon receipt of the cash. The net receivable is as follows:

	<u>2007</u>	<u>2006</u>
Receivable from the Government of Guam	\$ 3,275,126	\$ 3,513,771
Amount deferred	<u>892,237</u>	<u>2,578,344</u>
Net receivable from the Government of Guam	\$ <u>2,382,889</u>	\$ <u>935,427</u>

(5) Employees' Retirement Plan

Employees of the College hired before September 30, 1995, are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999, those employees who were members of the Defined Benefit Plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System.

The Defined Benefit Plan and the DCRS are administered by the Government of Guam Retirement Fund, to which the College contributes based upon a fixed percentage of the payroll for those employees who are members of the Plan. Statutory contribution rates are established by the Guam Legislature.

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

Notes to Financial Statements
September 30, 2007 and 2006

(5) Employees' Retirement Plan, Continued

Defined Benefit Plan

As a result of actuarial valuations performed as of September 30, 2005, 2004 and 2003 (applicable to fiscal year 2007, 2006 and 2005, respectively), contribution rates to fully fund the Retirement Fund liability as required by Guam Law, for the years ended September 30, 2007, 2006 and 2005, respectively, have been determined as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Normal costs (% of DB Plan payroll)	18.21%	17.83%	18.30%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
Employer portion of normal cost (% of DB Plan payroll)	<u>8.71%</u>	<u>8.33%</u>	<u>8.80%</u>
Employer portion of normal cost (% of total payroll)	4.26%	4.64%	4.96%
Unfunded liability cost (% of total payroll)	<u>20.66%</u>	<u>21.36%</u>	<u>19.93%</u>
Government contribution as a % of total payroll	<u>24.92%</u>	<u>26.00%</u>	<u>24.89%</u>

The statutory contribution as a % of DB payroll is as follows:

Employer	<u>22.94%</u>	<u>21.81%</u>	<u>20.81%</u>
Employee	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>

The plan utilized the actuarial cost method termed "entry age normal". Significant actuarial assumptions for the 2005, 2004, and 2003 actuarial valuations were:

Interest rate and rate of return	7.0%
Payroll increases	3.5%
Salary increases	4.0%-8.5%

The unfunded liability is being amortized as a level percentage of total payroll through May 1, 2031.

The actuarial valuation performed as of September 30, 2005, 2004 and 2003, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation were performed for the College as a separate sponsor, the accrued unfunded liability at September 30, 2007 and 2006 may be material.

The actuarial valuations and contribution rates are based on estimates and assumptions. Changes in estimates and actuarial assumptions may result in revisions in actuarial valuations and contributions rates. The effects of such revisions are recognized in the period in which the revisions are determined.

However, as a result of Public Law 21-03, the College has no further responsibility to pay for its share of the unfunded retirement costs. This responsibility now rests with the General Fund of the Government of Guam. Rather, the College's responsibility is to pay the statutorily imposed retirement rate. As of September 30, 2007 and 2006, the General Fund has accrued approximately \$5,795,287 and \$5,380,251, respectively, for the College's cumulative unfunded retirement liability as a result of the adoption of GASB 27.

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

Notes to Financial Statements
September 30, 2007 and 2006

(5) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

Contributions to the DB for the year ended September 30, 2007 and 2006 are \$1,655,385 and \$1,700,442, respectively.

Defined Contribution Plan

Contributions into the DCRS 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 annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS for the years ended September 30, 2007 and 2006, are determined using the same rate as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Contributions to the DCRS for the year ended September 30, 2007 and 2006 are \$1,379,727 and \$1,091,948, respectively.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. Management accrued a sick leave liability of \$436,654 and \$355,293 at September 30, 2007 and 2006, respectively, for benefits to be payable under Public Law 26-86. The Public Law can be viewed at the Guam Legislature's website at www.guamlegislature.com.

For additional information on the Government of Guam Retirement Fund, inquiries may be addressed to the Director of the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910.

(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, \$1,651,247 and \$3,215,051 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2007 and 2006, respectively.

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

Notes to Financial Statements
September 30, 2007 and 2006

(7) Contingency

The Government of Guam 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, the Government of Guam 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 the Government of Guam 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.

(8) Transfer of Property

In February 2000, the College received title to 314 acres of land situated in the municipality of Mangilao from the Government of Guam with no restrictions. As of the report date, the College had not received an appraised value of the land and therefore, the land has not been recorded in the accompanying financial statements.

(9) Long-Term Debt

	<u>2007</u>	<u>2006</u>
Note payable to U.S. Department of Education, interest at 5.5%, repayable in semi-annual installments of principal and interest of \$342,620 through December 1, 2010.	\$ 1,871,515	\$ 2,194,680
Note payable to U.S. Department of Agriculture, interest at 4.375%, repayable in monthly installments of principal and interest of \$2,755 through April 16, 2024, collateralized by the income and principal related to the reserve account and the booster pump equipment.	<u>355,171</u>	<u>372,340</u>
	2,226,686	2,567,020
Less current portion	<u>458,637</u>	<u>2,212,460</u>
	<u>\$ 1,768,049</u>	<u>\$ 354,560</u>

The future maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 458,637	\$ 88,353	\$ 546,990
2009	633,590	84,710	718,300
2010	668,708	49,591	718,299
2011	187,135	17,235	204,370
2012	21,322	11,738	33,060
2013-2017	121,762	43,538	165,300
2018-2022	<u>135,532</u>	<u>13,973</u>	<u>149,505</u>
	<u>\$ 2,226,686</u>	<u>\$ 309,138</u>	<u>\$ 2,535,824</u>

During 2006, the U.S. DOE loan and its interest were classified as current because the campus housing facility was not used for its intended purpose. Subsequently, the College has refinanced the loan to mature in December 1, 2010.

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

Notes to Financial Statements
September 30, 2007 and 2006

(10) Noncurrent Liabilities

Noncurrent liability activity at September 30, 2007 and 2006, was as follows:

	Beginning Balance September 30, 2006	Additions	Reductions	Ending Balance September 30, 2007	Amount due within one year
Loans payable	\$ 2,567,020	\$ -	\$ 340,334	\$ 2,226,686	\$ 458,637
Deposit held on behalf of others	266,144	20,355	-	286,499	-
Accrued annual leave	478,967	218,167	240,053	457,081	157,393
DCRS sick leave liability	<u>355,293</u>	<u>81,361</u>	<u>-</u>	<u>436,654</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 3,667,424</u>	<u>\$ 319,883</u>	<u>\$ 580,387</u>	<u>\$ 3,406,920</u>	<u>\$ 616,030</u>
	Beginning Balance September 30, 2005	Additions	Reductions	Ending Balance September 30, 2006	Amount due within one year
Loans payable	\$ 2,400,000	\$ 404,967	\$ 237,947	\$ 2,567,020	\$ 2,212,460
Deposit held on behalf of others	269,354	-	3,210	266,144	-
Accrued annual leave	503,178	290,941	315,152	478,967	190,082
DCRS sick leave liability	<u>312,107</u>	<u>43,186</u>	<u>-</u>	<u>355,293</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 3,484,639</u>	<u>\$ 739,094</u>	<u>\$ 556,309</u>	<u>\$ 3,667,424</u>	<u>\$ 2,402,542</u>

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

Schedule 1
Schedule of Salaries and Wages (Cash Basis)
Years Ended September 30, 2007 and 2006

	2007	2006
Salaries and wages:		
Regular, differential and hazardous pay (inclusive of part-time employees)	\$ 10,654,296	\$ 10,221,702
Benefits	2,896,905	2,741,623
Total salaries, wages and benefits	\$ 13,551,201	\$ 12,963,325
Full-time employees at end of year	212	209
Federal Funds:		
Salaries	\$ 466,231	\$ 607,101
Benefits	131,452	144,338
Total salaries, wages and benefits	\$ 597,683	\$ 751,439
Full time federal employees at end of year (inclusive in above amount)	11	12

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Instruction:		
Salaries, wages and benefits	\$ 7,059,178	\$ 6,508,745
Travel	31,670	50,912
Contract services	256,100	258,034
Supplies	166,853	153,135
Minor equipment	352,877	106,974
Capital expenditures	26,316	167,449
Miscellaneous	373,308	353,112
	<u>\$ 8,266,302</u>	<u>\$ 7,598,361</u>
 Total employees at end of year	 <u>98</u>	 <u>92</u>
	<u>2007</u>	<u>2006</u>
Planning:		
Salaries, wages and benefits	\$ 461,418	\$ 369,854
Travel	23,932	5,904
Contract services	372,322	174,641
Supplies	22,611	8,441
Minor equipment	44,328	10,132
Capital expenditures	13,228	43,851
Miscellaneous	19,362	150
	<u>\$ 957,201</u>	<u>\$ 612,973</u>
 Total employees at end of year	 <u>9</u>	 <u>6</u>
	<u>2007</u>	<u>2006</u>
Academic Support:		
Salaries, wages and benefits	\$ 1,034,904	\$ 1,015,445
Travel	411	18,463
Contract services	16,741	83,310
Supplies	56,307	75,203
Minor equipment	142,533	31,700
Capital expenditures	8,875	62,168
Miscellaneous	37,000	90,565
	<u>\$ 1,296,771</u>	<u>\$ 1,376,854</u>
 Total employees at end of year	 <u>12</u>	 <u>14</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Student Services:		
Salaries, wages and benefits	\$ 2,398,727	\$ 2,446,777
Travel	25,021	51,331
Contract services	196,571	254,224
Supplies	55,199	55,066
Minor equipment	93,419	17,816
Capital expenditures	-	37,799
Miscellaneous and transfers	111,920	209,420
	<u>\$ 2,880,857</u>	<u>\$ 3,072,433</u>
 Total employees at end of year	 <u>42</u>	 <u>45</u>
	<u>2007</u>	<u>2006</u>
Institutional Support:		
Salaries, wages and benefits	\$ 2,137,009	\$ 2,129,381
Travel	45,741	144,181
Contract services	3,298,015	813,501
Supplies	44,715	66,800
Minor equipment	30,402	23,976
Capital expenditures	13	38,515
Miscellaneous	57,429	102,839
	<u>\$ 5,613,324</u>	<u>\$ 3,319,193</u>
 Total employees at end of year	 <u>39</u>	 <u>40</u>
	<u>2007</u>	<u>2006</u>
Operations and Maintenance of Plant:		
Salaries, wages and benefits	\$ 288,072	\$ 332,570
Contract services	273,959	418,397
Supplies	75,094	68,682
Minor equipment	42,447	194,601
Capital expenditures	69,593	542,419
Utilities	967,573	817,545
Miscellaneous	120	-
	<u>\$ 1,716,858</u>	<u>\$ 2,374,214</u>
 Total employees at end of year	 <u>9</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, 2007 and 2006

	2007	2006
Scholarships and Fellowships:		
Salaries, wages and benefits	\$ 130,051	\$ 119,914
Contract services	819	1,336
Supplies	802	418
Minor equipment	1,102	160
Miscellaneous	2,840,655	2,780,470
	\$ 2,973,429	\$ 2,902,298
 Total employees at end of year	 2	 2
	2007	2006
Auxiliary:		
Salaries, wages and benefits	\$ 41,842	\$ 40,639
Supplies	655	868
Minor equipment	550,298	509,924
Miscellaneous	15,891	20,234
	\$ 608,686	\$ 571,665
 Total employee at end of year	 1	 1

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, 2007
(With Comparative Balances as of September 30, 2006)

	Unrestricted			Restricted			Capital Projects	Tobacco Settlement	Campus Housing	Investment in Plant	Agency Fund	Elimination	Grand Total	
	Appropriated Fund	Non- appropriated Fund	Total	Federal Fund	Other Grant Fund	Total							2007	2006
ASSETS														
Cash	\$ -	\$ (194,960)	\$ (194,960)	\$ 9,983	\$ -	\$ 9,983	\$ 462,547	\$ -	\$ -	\$ -	\$ 286,499	\$ -	\$ 564,069	\$ 1,264,008
Investment	-	-	-	-	-	-	-	1,903,147	-	-	-	-	1,903,147	2,867,996
Due from Government of Guam	2,308,568	74,321	2,382,889	-	-	-	-	-	-	-	-	-	2,382,889	935,427
Due from other College funds	-	17,455,586	17,455,586	-	-	-	5,000	-	95,638	-	-	(17,556,224)	-	-
Accounts receivable - U.S. Government	-	-	-	740,767	-	740,767	-	-	-	-	-	-	740,767	397,410
Accounts receivable - tuition	-	3,102,046	3,102,046	20,057	195,360	215,417	-	-	-	-	-	-	3,317,463	3,700,713
Accounts receivable - other	-	287,843	287,843	-	289,049	289,049	793	-	-	-	-	-	577,685	664,209
Allowance for doubtful accounts	-	(1,214,990)	(1,214,990)	(5,572)	-	(5,572)	-	-	-	-	-	-	(1,220,562)	(1,222,665)
Inventory	-	136,117	136,117	-	-	-	-	-	-	-	-	-	136,117	105,944
Construction in progress	-	1,265,569	1,265,569	-	184,824	184,824	-	-	-	-	-	-	1,450,393	2,188,905
Land	-	-	-	-	-	-	-	-	-	1,903,000	-	-	1,903,000	1,903,000
Buildings	-	-	-	-	-	-	-	-	-	26,216,953	-	-	26,216,953	25,598,053
Equipment	-	-	-	-	-	-	-	-	-	5,548,797	-	-	5,548,797	5,200,893
Vehicles	-	-	-	-	-	-	-	-	-	323,454	-	-	323,454	323,454
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(21,373,027)	-	-	(21,373,027)	(20,517,497)
	<u>\$ 2,308,568</u>	<u>\$ 20,911,532</u>	<u>\$ 23,220,100</u>	<u>\$ 765,235</u>	<u>\$ 669,233</u>	<u>\$ 1,434,468</u>	<u>\$ 468,340</u>	<u>\$ 1,903,147</u>	<u>\$ 95,638</u>	<u>\$ 12,619,177</u>	<u>\$ 286,499</u>	<u>\$ (17,556,224)</u>	<u>\$ 22,471,145</u>	<u>\$ 23,409,850</u>
LIABILITIES AND FUND BALANCE														
Accounts payable	\$ -	\$ 1,360,189	\$ 1,360,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,526	\$ -	\$ -	\$ -	\$ 1,439,715	\$ 410,334
Loan payable	-	355,171	355,171	-	-	-	-	-	1,871,515	-	-	-	2,226,686	2,567,020
Due to other College funds	4,392,828	9,599,061	13,991,889	477,455	278,884	756,339	409,219	-	2,398,777	-	-	(17,556,224)	-	-
Due to depositor	-	-	-	-	-	-	-	-	-	-	286,499	-	286,499	266,144
Accrued liabilities	-	457,081	457,081	-	-	-	-	-	-	-	-	-	457,081	478,967
DCRS sick leave liability	-	436,654	436,654	-	-	-	-	-	-	-	-	-	436,654	355,293
Deferred revenue	-	1,113,076	1,113,076	-	-	-	-	-	-	-	-	-	1,113,076	1,225,493
Fund balance	(2,084,260)	7,590,300	5,506,040	287,780	390,349	678,129	59,121	1,903,147	(4,254,180)	12,619,177	-	-	16,511,434	18,106,599
	<u>\$ 2,308,568</u>	<u>\$ 20,911,532</u>	<u>\$ 23,220,100</u>	<u>\$ 765,235</u>	<u>\$ 669,233</u>	<u>\$ 1,434,468</u>	<u>\$ 468,340</u>	<u>\$ 1,903,147</u>	<u>\$ 95,638</u>	<u>\$ 12,619,177</u>	<u>\$ 286,499</u>	<u>\$ (17,556,224)</u>	<u>\$ 22,471,145</u>	<u>\$ 23,409,850</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, 2007
(With Comparative Balances for the year ended September 30, 2006)

	Unrestricted								Restricted			Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant	Elimination	Grand Total		
	Appropriated			Non-appropriated				Total Unrestricted	Federal Fund	Other Grant	Total						2007	2006	
	General	Trades	MDF	NAF Supp.	NAF Adj.	NAF	Non-appropriated												
Revenues:																			
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ 3,105,694	\$ -	\$ 3,105,694	\$ 3,105,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,105,694	\$ 2,764,582	
Government of Guam appropriations	13,814,717	-	327,479	14,142,196	-	-	-	14,142,196	-	-	-	-	-	-	-	-	14,142,196	11,144,198	
Federal grants and contracts	-	-	-	-	-	-	-	-	4,302,624	126,113	4,428,737	-	-	-	-	-	4,428,737	4,171,866	
Government of Guam grants and contracts/agency	-	-	-	-	-	-	-	-	-	485,458	485,458	-	-	-	-	-	485,458	1,311,007	
Sales and services of auxiliary enterprises	-	-	-	-	-	610,270	-	610,270	-	-	-	-	-	-	-	-	610,270	604,369	
Contracted educational services	-	-	-	-	-	595,279	-	595,279	-	-	-	-	-	-	-	-	595,279	1,253,697	
Other sources	-	-	-	-	-	313,593	-	313,593	-	-	-	2,001	68,890	-	-	-	384,484	560,985	
Total current revenues	13,814,717	-	327,479	14,142,196	-	3,715,964	908,872	4,624,836	18,767,032	4,302,624	611,571	4,914,195	2,001	68,890	-	-	23,752,118	21,810,704	
Expenditures and mandatory transfers:																			
Educational and general:																			
Instruction	6,033,298	-	298,258	6,331,556	-	1,152,361	274,672	1,427,033	7,758,589	448,085	59,628	507,713	-	-	-	-	8,266,302	7,598,361	
Planning	411,693	-	-	411,693	-	11,731	66,593	78,324	490,017	467,184	-	467,184	-	-	-	-	957,201	612,973	
Academic support	892,291	-	-	892,291	-	110,229	109,080	219,309	1,111,600	5,565	179,606	185,171	-	-	-	-	1,296,771	1,376,854	
Student services	2,081,088	-	-	2,081,088	-	-	367,460	367,460	2,448,548	424,595	7,714	432,309	-	-	-	-	2,880,857	3,072,433	
Institutional support	3,027,335	-	-	3,027,335	-	857,882	1,590,415	2,448,297	5,475,632	-	2,371	2,371	-	-	262,564	-	5,740,567	3,461,060	
Operation and maintenance of plant	1,438,537	-	-	1,438,537	-	(5,837)	125,647	119,810	1,558,347	-	126,113	126,113	21,369	11,029	-	-	1,716,858	2,374,214	
Scholarship and fellowship	132,774	-	-	132,774	-	-	-	-	132,774	2,840,655	-	2,840,655	-	-	-	-	2,973,429	2,902,298	
Bad debt	-	-	-	-	-	-	-	-	-	-	290	290	-	-	-	-	290	330,000	
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	938,341	-	938,341	800,153	
	14,017,016	-	298,258	14,315,274	-	2,126,366	2,533,867	4,660,233	18,975,507	4,186,084	375,722	4,561,806	21,369	11,029	262,564	938,341	24,770,616	22,528,346	
Auxiliary enterprises:																			
Expenditures	42,497	-	-	42,497	-	15,891	550,298	566,189	608,686	-	-	-	-	-	-	-	608,686	571,665	
Total expenditures	14,059,513	-	298,258	14,357,771	-	2,142,257	3,084,165	5,226,422	19,584,193	4,186,084	375,722	4,561,806	21,369	11,029	262,564	938,341	25,379,302	23,100,011	
Net (decrease) increase in fund balance:	(244,796)	-	29,221	(215,575)	-	1,573,707	(2,175,293)	(601,586)	(817,161)	116,540	235,849	352,389	(19,368)	57,861	(262,564)	(938,341)	(1,627,184)	(1,289,307)	
Beginning fund balance:	(1,927,700)	-	105,453	(1,822,247)	-	8,351,979	3,750,033	12,102,012	10,279,765	287,780	1,257,700	1,545,480	782,595	3,349,905	(1,373,420)	3,522,274	18,106,599	18,788,149	
Fund transfer	(46,438)	-	-	(46,438)	-	-	(3,910,126)	(3,910,126)	(3,956,564)	(116,540)	(1,103,200)	(1,219,740)	(704,106)	(1,504,619)	(2,618,196)	10,035,244	-	32,019	607,757
Ending fund balance	\$ (2,318,934)	\$ -	\$ 134,674	\$ (2,084,260)	\$ -	\$ 9,925,686	\$ (2,335,386)	\$ 7,590,300	\$ 5,506,040	\$ 287,780	\$ 390,349	\$ 678,129	\$ 59,121	\$ 1,903,147	\$ (4,254,180)	\$ 12,619,177	\$ 16,511,434	\$ 18,106,599	

See Accompanying Independent Auditors' Report.