

GUAM COMMUNITY COLLEGE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2005 AND 2004

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, 2005 and 2004. 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.

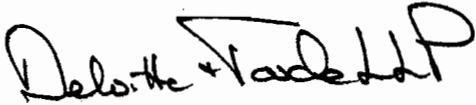
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2005 and 2004, 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 5 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 supplemental schedules on pages 24 – 29 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Guam Community College's management. Such information in those schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2006, 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, appearing to read "Delo, He + Tade LLP". The signature is written in a cursive, somewhat stylized font.

June 2, 2006

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2005

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*. This discussion has been prepared by College management. It is based on the three accompanying financial statements. 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 (Statement of Activities for Guam Community College Foundation) – 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 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 are structured so the dollar totals there link to the basic financial statements.

Fiscal Year 2005 Overview

During fiscal year 2005, the College continued to focus on improvements to the Mangilao campus. Many of these improvements are funded with various funding sources, including Non-Appropriated, Tobacco, and FEMA funds. The projects started in previous fiscal years are nearing completion. At that time, the College will have an operational water supply and fire suppression for the Student Services and Administration building and the surrounding buildings. It will also include a technology education center and a multipurpose auditorium. Additionally, a campus master plan is being prepared to outline the needed improvements and additional buildings to support our services and programs.

In FY 2005, the College operated with 193 full time personnel positions in the College. In order to expand its services and programs, the College continues to submit a growth budget to the Legislature.

The College has increased its revenue base by increasing the number of contracted educational services. These courses are initiated by many of the departments within the organization to develop the programs that they have. Close consideration is made to offer courses that are based on customer requests for additional specialized training.

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis
Year Ended September 30, 2005

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

Summary Statement of Net Assets

	<u>2005</u>	<u>2004</u>
Assets:		
Current assets	\$11,412	\$13,095
Accounts receivable - U.S. Government	0	600
Investments (noncurrent)	1,740	1,740
Capital assets, net	<u>10,547</u>	<u>7,203</u>
Total	<u>\$23,699</u>	<u>\$22,638</u>
Liabilities:		
Current liabilities	\$ 1,820	\$ 2,055
Noncurrent liabilities	3,091	3,698
Net assets:		
Invested in capital assets	8,112	4,202
Restricted - expendable	21	1,055
Restricted - nonexpendable	1,858	1,754
Unrestricted	<u>8,797</u>	<u>9,874</u>
Total liabilities and net assets	<u>\$23,699</u>	<u>\$22,638</u>

For fiscal year 2005, the net assets of the College increased by \$1.9 million. This is compared to the increase in FY 2004 of \$824,000. It is important to note that the College continues to anticipate the repayment of the loan from the federal government to construct a dormitory. Because the building is no longer used for its original intended purpose, the College instituted contingency measures to set aside the required funding to repay this note. The College expects to repay in excess of \$2.6 million over the ensuing months to settle this obligation. Approximately \$3.5 million of encumbrances incurred in fiscal year 2005 have yet to be reflected as expenditures in the accompanying financial presentation, but will be liquidated with the 2005 net assets. In addition, the College has identified the need to upgrade its current facilities.

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

	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 9,491	\$ 9,396
Operating expenses	<u>20,454</u>	<u>21,074</u>
Operating loss	(10,963)	(11,678)
Nonoperating revenues	<u>12,866</u>	<u>12,502</u>
Increase in net assets	1,903	824
Net assets at beginning of year	<u>16,885</u>	<u>16,061</u>
Net assets at end of year	<u>\$18,788</u>	<u>\$16,885</u>

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis
Year Ended September 30, 2005

Statement of Cash Flows

	<u>2005</u>	<u>2004</u>
Cash provided by (used in):		
Operating activities	\$(10,144)	\$(10,621)
Noncapital financing activities	12,096	14,353
Capital financing activities	<u>(4,699)</u>	<u>(1,699)</u>
Net (decrease) increase in cash and cash equivalents	(2,747)	2,033
Cash and cash equivalents at beginning of year	<u>10,358</u>	<u>8,325</u>
Cash and cash equivalents at end of year	<u>\$ 7,611</u>	<u>\$ 10,358</u>

The College is committed to displaying fiscal responsibility in the management of its funds. It makes efforts to operate within the levels of authorization and consistently makes timely payments to all of its vendors.

GUAM COMMUNITY COLLEGE

Statements of Net Assets
September 30, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Current assets:		
Cash and cash equivalents	\$ 7,342,299	\$ 9,020,464
Cash and cash equivalents - restricted	269,354	1,338,524
Due from Government of Guam	799,615	154,321
Tuition receivable, less allowance for doubtful accounts of \$976,626 and \$889,240 at September 30, 2005 and 2004, respectively	1,475,754	1,247,923
Accounts receivable - U.S. Government	228,206	312,882
Other receivables	1,154,852	891,849
Inventories	140,722	128,738
Other current assets	796	796
Total current assets	11,411,598	13,095,497
Noncurrent assets:		
Accounts receivable - U.S. Government	-	600,000
Investments	1,740,000	1,740,000
Property, plant and equipment, net	10,546,867	7,202,643
Total noncurrent assets	12,286,867	9,542,643
	\$ 23,698,465	\$ 22,638,140
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of long-term debt	\$ 210,579	\$ 129,055
Accounts payable and accrued liabilities	498,538	539,851
Deferred revenue	927,139	1,177,833
Current portion of accrued annual leave	183,319	207,951
Total current liabilities	1,819,575	2,054,690
Noncurrent liabilities:		
Accrued annual leave	319,859	327,917
DCRS sick leave liability	312,107	229,732
Long-term debt, net of current portion	2,189,421	2,870,945
Deposits held on behalf of others	269,354	269,338
Total noncurrent liabilities	3,090,741	3,697,932
Commitment and contingency		
Net assets:		
Invested in capital assets, net of related debt	8,111,834	4,202,643
Restricted:		
Expendable	21,008	1,055,609
Nonexpendable	1,858,399	1,753,577
Unrestricted	8,796,908	9,873,689
Total net assets	18,788,149	16,885,518
	\$ 23,698,465	\$ 22,638,140

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 25,468	\$ 14,864
Investments	7,247,069	6,581,918
Plant and equipment, net	<u>480,213</u>	<u>540,240</u>
Total assets	<u>\$ 7,752,750</u>	<u>\$ 7,137,022</u>
NET ASSETS		
Commitments		
Net assets:		
Unrestricted	\$ 3,360,130	\$ 2,987,171
Temporarily restricted	3,892,956	3,590,160
Permanently restricted	<u>499,664</u>	<u>559,691</u>
Total net assets	<u>\$ 7,752,750</u>	<u>\$ 7,137,022</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2005 and 2004

	2005	2004
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 2,678,080	\$ 2,829,912
Less: Scholarship discounts and allowances	<u>(1,202,799)</u>	<u>(1,275,010)</u>
	1,475,281	1,554,902
Federal grants and contracts	5,121,974	5,575,461
Government of Guam grants and contracts	434,675	454,190
Contracted educational services	1,211,545	768,924
Auxiliary enterprises	713,483	584,283
Other revenues	<u>534,052</u>	<u>458,460</u>
Total operating revenues	<u>9,491,010</u>	<u>9,396,220</u>
Operating expenses:		
Education and general:		
Instruction	7,468,774	6,862,959
Institutional support	3,097,461	3,693,841
Scholarships and fellowships	2,819,813	2,946,045
Operations and maintenance of plant	1,467,622	1,507,556
Student services	2,236,165	2,025,551
Academic support	1,784,301	1,737,265
Bad debts	158,297	735,759
Depreciation	754,615	649,205
Special projects	234,903	329,390
Auxiliary enterprises	<u>432,711</u>	<u>586,400</u>
Total operating expenses	<u>20,454,662</u>	<u>21,073,971</u>
Operating loss	<u>(10,963,652)</u>	<u>(11,677,751)</u>
Nonoperating revenues:		
Government of Guam appropriations:		
Operations	<u>12,866,283</u>	<u>12,501,530</u>
Net nonoperating revenues	<u>12,866,283</u>	<u>12,501,530</u>
Increase in net assets	1,902,631	823,779
Net assets:		
Net assets at beginning of year	<u>16,885,518</u>	<u>16,061,739</u>
Net assets at end of year	<u>\$ 18,788,149</u>	<u>\$ 16,885,518</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Activities
Years Ended September 30, 2005 and 2004

	2005		2004		Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted	Total
	Unrestricted	Temporarily Restricted	Temporarily Restricted	Permanently Restricted							
Gains and other additions:											
Investment income	\$ 462,355	\$ 302,796	\$ -	\$ -	\$ 765,151	\$ 393,311	\$ 366	\$ 255,210	\$ -	\$ -	\$ 648,521
Interest income	366	-	-	-	366	64	-	-	-	-	64
Other additions	4,676	-	-	-	4,676	297	-	-	-	-	297
Total gain and other additions	467,397	302,796	-	-	770,193	393,672	-	255,210	-	-	648,882
Expenditures and other deductions:											
Depreciation	-	-	60,027	-	60,027	-	-	-	60,027	-	60,027
Professional services	4,063	-	-	-	4,063	14,973	-	-	-	-	14,973
Transfer to Guam Community College	85,062	-	-	-	85,062	14,138	-	-	-	-	14,138
Scholarship	3,000	-	-	-	3,000	3,000	-	-	-	-	3,000
Other deductions	365	-	-	-	365	2,654	-	-	-	-	2,654
General and administrative	1,948	-	-	-	1,948	1,950	-	-	-	-	1,950
Total expenditures and other deductions	94,438	-	60,027	-	154,465	36,715	-	-	60,027	-	96,742
Excess of gains and additions over expenditures and other deductions	372,959	302,796	(60,027)	(60,027)	615,728	356,957	(60,027)	255,210	(60,027)	-	552,140
Net assets at beginning of year	2,987,171	3,590,160	559,691	559,691	7,137,022	2,630,214	619,718	3,334,950	619,718	6,584,882	6,584,882
Net assets at end of year	\$ 3,360,130	\$ 3,892,956	\$ 499,664	\$ 499,664	\$ 7,752,750	\$ 2,987,171	\$ 559,691	\$ 3,590,160	\$ 559,691	\$ 7,137,022	\$ 7,137,022

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE
 Statements of Cash Flows
 Years Ended September 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Student tuition and fees	\$ 951,486	\$ 1,096,414
Federal grants/contracts	5,806,650	5,673,724
Government of Guam grants and contracts	171,672	81,010
Auxiliary services	280,772	(2,117)
Other receipts/payments	1,745,597	1,227,384
Payments to educational and general expenses	(16,280,838)	(15,751,387)
Scholarship/fellowships	(2,819,813)	(2,946,044)
	<u>(10,144,474)</u>	<u>(10,621,016)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	12,095,978	14,353,486
	<u>12,095,978</u>	<u>14,353,486</u>
Cash flows from capital financing activities:		
Expended on plant facility and capital assets	(1,331,834)	(1,125,610)
Proceeds from capital debt	30,033	5,000
Payment of capital debt	(630,033)	-
Construction in progress	(2,767,005)	(578,364)
	<u>(4,698,839)</u>	<u>(1,698,974)</u>
Net (decrease) increase in cash and cash equivalents	(2,747,335)	2,033,496
Cash and cash equivalents at beginning of year	10,358,988	8,325,492
Cash and cash equivalents at end of year	<u>\$ 7,611,653</u>	<u>\$ 10,358,988</u>
<u>Reconciliation of operating loss to net cash used in operating activities:</u>		
Operating loss	\$ (10,963,652)	\$ (11,677,751)
Depreciation	754,615	649,205
Bad debts	158,297	735,759
Accounts receivable, net	160,556	(663,441)
Inventories	(11,984)	(26,566)
Other assets	-	141,063
Accounts payable	(41,313)	391,525
Accrued liabilities	(32,690)	(184,062)
DCRS sick leave liability	82,375	27,661
Deferred revenue	(250,694)	(43,397)
Deposits held on behalf of others	16	28,988
	<u>\$ (10,144,474)</u>	<u>\$ (10,621,016)</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

(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

Notes to Financial Statements
September 30, 2005 and 2004

(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.

Trade 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

Notes to Financial Statements
September 30, 2005 and 2004

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

Investments

Investments consist of bank certificates of deposit with original maturities of more than three months. Time certificates of deposit with initial maturities of less than three months are included in cash and cash equivalents. Investments are stated at amortized cost including accrued interest.

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 due is accrued at year end for financial statement purposes. Included in the accounts payable and accrued liabilities at September 30, 2005 and 2004 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 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 less than \$10,000 for the years ended September 30, 2005 and 2004.

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.

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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

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

Net Assets, Continued

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

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

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net 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 capitalized interest on construction in progress based on the weighted average interest rate. During the years ended September 30, 2005 and 2004, \$84,196 and \$0, respectively, was capitalized.

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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

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

Foundation Investments, Continued

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, 2005 and 2004, 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, 2005 and 2004 are included in investment income.

The original cost and market values of investments at September 30, 2005 and 2004, are:

	<u>2005</u>	<u>2004</u>
	Cost	Market Value
	\$ <u>5,348,663</u>	\$ <u>7,247,069</u>
	\$ <u>5,348,663</u>	\$ <u>6,581,918</u>

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

	<u>2005</u>	<u>2004</u>
Equities and related	\$ 5,385,960	\$ 4,764,087
Fixed income securities	1,410,264	1,377,881
Cash and equivalents	<u>450,845</u>	<u>439,950</u>
	<u>\$ 7,247,069</u>	<u>\$ 6,581,918</u>

The following represents the composition of investment income for the years ended September 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Realized investment gains	\$ 100,000	-
Unrealized investment gains	506,260	\$ 514,797
Net interest income and dividends	<u>158,891</u>	<u>133,724</u>
	<u>\$ 765,151</u>	<u>\$ 648,521</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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

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

Deposits and Investments, Continued

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.

As of September 30, 2005 and 2004, the carrying amount of the College's total cash and cash equivalents was \$7,611,653 and \$10,358,988, respectively, and the corresponding bank balances were \$8,728,392 and \$11,764,756, respectively. Of the bank balance amounts, \$8,428,392 and \$11,464,756, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2005 and 2004, bank deposits in the amount of \$300,000 were FDIC insured. Accordingly, these deposits are exposed to custodial credit risk. The College does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

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

Deposits and Investments, Continued

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, 2005, the College has one fixed income security known as the Tobacco Bond. The bond amount is \$1,740,000 with a rating of Baa3 by Moody's Investor Services, with interest at 3.7%, 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

In fiscal year 2005, the College implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3), which 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 risk, GASB Statement No. 40 requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The provisions of the Statement are effective for periods beginning after December 15, 2004. The College does not believe that the implementation of this Statement will have a material effect on its financial statements.

In April 2004, GASB issued 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 provisions of this Statement are effective for periods beginning after December 15, 2007. The College does not believe that the implementation of this Statement will have a material effect on its financial statements.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*, an amendment to NCGA Statement 1. GASB Statement No. 44 improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. The College does not believe the implementation of this Statement will have a material effect on its financial statements.

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 benefits 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, 2008. The College does not believe the implementation of this Statement will have a material effect on its financial statements.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

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

New Accounting Standards, Continued

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 47 establishes guidance for state and local governmental employers on accounting and financial reporting for termination benefits. These benefits include incentives for voluntary terminations (e.g., early retirement window programs) and severance payments with respect to involuntary terminations. The provisions of this Statement are effective for periods beginning after June 15, 2005. The College does not believe that the implementation of this Statement will have a material effect on the financial statements.

Tobacco Settlement

The College received \$3,241,203 from a tobacco settlement agreement entered into by 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 Authority, a component unit of the Government of Guam. During the years ended September 30, 2005 and 2004, the fund earned interest of \$29,132 and \$27,927, respectively. The College expended \$975,146 and \$549,454 for capital projects for the years ended September 30, 2005 and 2004, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

(3) 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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2005 and 2004

(3) Property, Plant and Equipment, Continued

The College capitalizes assets with costs greater than \$5,000 and \$500 at September 30, 2005 and 2004, respectively. 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.

Movements of property, plant and equipment for the years ended September 30, 2005 and 2004 are as follows:

	Balance September 30, 2004	Additions	Retirements	Balance September 30, 2005
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	19,014,000	622,554	-	19,636,554
Equipment	4,390,130	696,785	12,546	5,074,369
Vehicles	<u>491,787</u>	<u>12,495</u>	<u>48,591</u>	<u>455,691</u>
	<u>25,798,917</u>	<u>1,331,834</u>	<u>61,137</u>	<u>27,069,614</u>
Accumulated depreciation:				
Building	16,112,750	115,310	-	16,228,060
Equipment	2,593,095	630,745	3,122	3,220,718
Vehicles	<u>468,793</u>	<u>8,560</u>	<u>48,591</u>	<u>428,762</u>
	<u>19,174,638</u>	<u>754,615</u>	<u>51,713</u>	<u>19,877,540</u>
Construction in progress	<u>578,364</u>	<u>3,382,592</u>	<u>606,163</u>	<u>3,354,793</u>
Net	<u>\$ 7,202,643</u>	<u>\$ 3,959,811</u>	<u>\$ 615,587</u>	<u>\$ 10,546,867</u>
	Balance September 30, 2003	Additions	Retirements	Balance September 30, 2004
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	19,014,000	-	-	19,014,000
Equipment	3,269,520	1,120,610	-	4,390,130
Vehicles	<u>491,787</u>	<u>-</u>	<u>-</u>	<u>491,787</u>
	<u>24,678,307</u>	<u>1,120,610</u>	<u>-</u>	<u>25,798,917</u>
Accumulated depreciation:				
Building	16,007,750	105,000	-	16,112,750
Equipment	2,058,995	534,100	-	2,593,095
Vehicles	<u>458,687</u>	<u>10,106</u>	<u>-</u>	<u>468,793</u>
	<u>18,525,432</u>	<u>649,206</u>	<u>-</u>	<u>19,174,638</u>
Construction in progress	<u>-</u>	<u>578,364</u>	<u>-</u>	<u>578,364</u>
Net	<u>\$ 6,152,875</u>	<u>\$ 1,049,768</u>	<u>\$ -</u>	<u>\$ 7,202,643</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, 2005 and 2004. 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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

(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 employees' payroll.

As a result of actuarial valuations performed as of September 30, 2003, 2002 and 2001 (applicable to fiscal year 2005, 2004 and 2003, respectively), contribution rates for the years ended September 30, 2005, 2004 and 2003, respectively, have been determined as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Normal costs (% of DB Plan payroll)	18.30%	17.66%	16.42%
Unfunded liability costs (% of total payroll)	<u>19.93%</u>	<u>16.23%</u>	<u>22.94%</u>
	38.23%	33.89%	39.36%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
	28.73%	24.39%	29.86%
Agency specific adjustments	<u>- %</u>	<u>- %</u>	<u>2.68%</u>
Government contribution as a % of DB Plan payroll	<u>28.73%</u>	<u>24.39%</u>	<u>32.54%</u>
Government contribution as a % of total payroll	<u>24.89%</u>	<u>20.81%</u>	<u>29.25%</u>

Statutory contribution rates for employer and employee contributions were 20.81% and 9.5%, respectively, of qualifying payroll for both of the years ended September 30, 2005 and 2004.

The plan utilized the actuarial cost method termed "entry age normal". Significant actuarial assumptions are as follows:

	<u>2003</u>	<u>2002</u>
	<u>Actuarial Valuation</u>	<u>Actuarial Valuation</u>
Interest rate and rate of return	7.0%	7.5%
Payroll increases	3.5%	4.5%
Salary increases	4.0% - 8.5%	4.0% - 8.5%

The actuarial valuation performed as of September 30, 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.

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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

(5) Employees' Retirement Plan, Continued

Statutory employer contributions into the DCRS for the years ended September 30, 2005 and 2004, 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 DCRS for the year ended September 30, 2005 and 2004 are \$948,965 and \$602,390, respectively.

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, 2005 and 2004, the General Fund has accrued approximately \$4,060,942 and \$2,438,361, respectively, for the College's cumulative unfunded retirement liability as a result of the adoption of GASB 27.

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 \$312,107 and \$229,732 at September 30, 2005 and 2004, respectively.

(6) Encumbrances

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, \$3,504,037 and \$4,149,412 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2005 and 2004, respectively.

(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.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

(9) Long-Term Debt

	<u>2005</u>	<u>2004</u>
Note payable to U.S. Department of Education, interest at 5.5%, repayable in semi-annual installments of principal and interest of \$102,660 through March 31, 2023.	\$ 2,400,000	\$ 3,000,000
Less current portion	<u>(210,579)</u>	<u>(129,055)</u>
	<u>\$ 2,189,421</u>	<u>\$ 2,870,945</u>

The loan is secured by a note pledging gross revenues from project operations and other internally generated revenues, non-appropriated funds, student tuition and fees, and other contract proceeds. The intended purpose of the loan was for the construction of a campus housing facility. Due to the aftermath of Typhoon Pongsona, the facility has been converted to the College's principal administration building. The College has a \$0 and \$600,000 receivable from the U.S. Department of Education as of September 30, 2005 and 2004, respectively, which is recorded as a noncurrent asset in the statement of net assets. The College offset the \$600,000 receivable from the original loan during fiscal year 2005 against the note payable balance. The facility is awaiting the approval of the Guam Waterworks Authority to obtain a certificate of occupancy. The College is taking steps to obtain the certificate and expects that such will be resolved in calendar year 2006.

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>
2006	\$ 210,579	\$ 123,796	\$ 334,375
2007	86,069	119,251	205,320
2008	90,868	114,452	205,320
2009	95,935	109,385	205,320
2010	101,284	104,036	205,320
2011-2015	597,693	428,908	1,026,601
2016-2020	783,965	242,636	1,026,601
2021-2023	<u>433,607</u>	<u>33,973</u>	<u>467,580</u>
	<u>\$ 2,400,000</u>	<u>\$ 1,276,437</u>	<u>\$ 3,676,437</u>

The College obtained a loan from U.S. Department of Agriculture to finance construction of a water pump project which is to be completed by 2006. The loan interest is at 4.375%, with monthly installments of principal and interest of \$2,755 through April 16, 2024. The loan is collateralized by the income and principal related to the reserve account and the booster pump equipment. The cumulative drawdown amounted to \$35,033 as of September 30, 2005. The loan is funded by the Foundation. At September 30, 2005 and 2004, \$46,835 and \$0, respectively, has been received. The funds received are classified as restricted expendable net assets.

Debt service to maturity is not disclosable for the amount drawn to September 30, 2005. However, the debt service to maturity for the entire debt, once drawdown, will be as follows:

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2005 and 2004

(9) Long-Term Debt, Continued

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 14,989	\$ 18,071	\$ 33,060
2007	15,659	17,401	33,060
2008	16,358	16,702	33,060
2009	17,088	15,972	33,060
2010	17,851	15,209	33,060
2011-2015	101,941	63,359	165,300
2016-2020	126,817	38,483	165,300
2021-2024	<u>109,152</u>	<u>8,952</u>	<u>118,104</u>
	<u>\$ 419,855</u>	<u>\$ 194,149</u>	<u>\$ 614,004</u>

(10) Noncurrent Liabilities

Noncurrent liability activity at September 30, 2005 and 2004, was as follows:

	<u>Beginning Balance September 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2005</u>	<u>Amount due within one year</u>
Loan payable	\$ 3,000,000	\$ 30,033	\$ 630,033	\$ 2,400,000	\$ 210,579
Deposit held on behalf of others	269,338	16	-	269,354	-
Accrued annual leave	535,868	-	32,690	503,178	183,319
DCRS sick leave liability	<u>229,732</u>	<u>82,375</u>	<u>-</u>	<u>312,107</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 4,034,938</u>	<u>\$ 112,424</u>	<u>\$ 662,723</u>	<u>\$ 3,484,639</u>	<u>\$ 393,898</u>
	<u>Beginning Balance September 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2004</u>	<u>Amount due within one year</u>
Loan payable	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 129,055
Deposit held on behalf of others	240,350	28,988	-	269,338	-
Accrued annual leave	719,930	155,764	339,826	535,868	207,951
DCRS sick leave liability	<u>202,071</u>	<u>27,661</u>	<u>-</u>	<u>229,732</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 4,162,351</u>	<u>\$ 212,413</u>	<u>\$ 339,826</u>	<u>\$ 4,034,938</u>	<u>\$ 337,006</u>

(11) Subsequent Event

The College has not been using the facility referenced in note 9 for its intended purpose. Therefore, the College has authorized the early repayment of the note and expects that such will be fully repaid in subsequent months.

GUAM COMMUNITY COLLEGE

Schedule 1
Schedule of Salaries and Wages (Cash Basis)
Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Salaries and wages:		
Regular, differential and hazardous pay (inclusive of part-time employees)	\$ 9,646,484	\$ 8,984,245
Benefits	<u>2,753,531</u>	<u>2,343,070</u>
Total salaries, wages and benefits	<u>\$ 12,400,015</u>	<u>\$ 11,327,315</u>
Full-time employees at end of year	193	193

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code
Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Instruction:		
Salaries, wages and benefits	\$ 6,415,051	\$ 6,070,901
Travel	39,080	34,960
Contract services	260,908	166,012
Supplies	212,889	180,834
Minor equipment	200,135	163,203
Capital expenditures	75,241	-
Miscellaneous	265,470	247,049
	<u>\$ 7,468,774</u>	<u>\$ 6,862,959</u>
	<u>2005</u>	<u>2004</u>
Special Projects:		
Salaries, wages and benefits	\$ 185,851	\$ 192,242
Travel	9,735	2,730
Contract services	36,905	118,953
Supplies	737	12,125
Minor equipment	675	3,340
Capital expenditures	1,000	-
	<u>\$ 234,903</u>	<u>\$ 329,390</u>
	<u>2005</u>	<u>2004</u>
Academic Support:		
Salaries, wages and benefits	\$ 1,521,114	\$ 1,380,791
Travel	26,014	7,992
Contract services	115,286	116,931
Supplies	43,546	88,787
Minor equipment	50,285	101,902
Capital expenditures	27,579	-
Miscellaneous	477	40,862
	<u>\$ 1,784,301</u>	<u>\$ 1,737,265</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2005 and 2004

	2005	2004
Student Services:		
Salaries, wages and benefits	\$ 1,809,896	\$ 1,507,460
Travel	51,482	48,090
Contract services	188,945	111,604
Supplies	18,109	61,194
Minor equipment	13,366	30,996
Capital expenditures	2,152	-
Miscellaneous and transfers	152,215	266,207
	<u>\$ 2,236,165</u>	<u>\$ 2,025,551</u>
	2005	2004
Institutional Support:		
Salaries, wages and benefits	\$ 1,979,019	\$ 1,691,892
Travel	105,913	168,696
Contract services	778,622	1,248,750
Supplies	53,874	120,148
Minor equipment	7,883	31,905
Capital expenditures	105,634	41,162
Miscellaneous	66,516	391,288
	<u>\$ 3,097,461</u>	<u>\$ 3,693,841</u>
	2005	2004
Operation and Maintenance of Plant:		
Salaries, wages and benefits	\$ 325,471	\$ 333,016
Contract services	677,498	1,098,803
Supplies	142,649	63,227
Minor equipment	30,215	12,510
Capital expenditures	62,987	-
Miscellaneous	228,802	-
	<u>\$ 1,467,622</u>	<u>\$ 1,507,556</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2005 and 2004

	2005	2004
Scholarships and Fellowships:		
Salaries, wages and benefits	\$ 119,822	\$ 110,843
Contract services	781	765
Supplies	955	1,681
Minor equipment	-	1,533
Miscellaneous	2,698,255	2,831,223
	\$ 2,819,813	\$ 2,946,045
	2005	2004
Auxiliary:		
Salaries, wages and benefits	\$ 43,791	\$ 40,170
Supplies	1,115	10,995
Minor equipment	387,255	535,235
Capital expenditures	550	-
	\$ 432,711	\$ 586,400

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Unrestricted and Restricted Fund Supplemental Schedule

Balance Sheet

September 30, 2005

(With Comparative Balances as of September 30, 2004)

	Unrestricted		Restricted		Total	Capital Projects	Tobacco Settlement	Campus Housing	Investment in Plant	Agency Fund	Elimination	Grand Total	
	Appropriated Fund	Non-appropriated Fund	Federal Fund	Other Grant Fund								2005	2004
ASSETS													
Cash	\$ -	\$ 3,270,522	\$ 46,108	\$ -	\$ 46,108	\$ 46,520	\$ -	\$ -	\$ -	\$ 269,354	\$ -	\$ 3,632,504	\$ 5,482,976
Short term investment	-	3,027,827	-	-	3,027,827	811,914	1,879,408	-	-	-	-	5,719,149	6,616,012
Due from Government of Guam	799,615	-	9,265	-	799,615	-	-	-	-	-	-	799,615	154,321
Due from other College funds	122,173	9,418,232	9,265	-	9,418,232	5,000	-	95,638	-	-	(9,528,135)	228,206	912,882
Accounts receivable - U.S. Government	-	2,276,750	228,206	-	2,276,750	-	-	-	-	-	-	2,452,380	2,137,163
Accounts receivable - tuition	-	693,830	14,773	160,857	693,830	-	-	-	-	-	-	1,154,852	891,848
Accounts receivable - other	-	(811,064)	(5,572)	(1,708)	(969,346)	-	-	-	-	-	-	(976,626)	(889,240)
Allowance for doubtful accounts	-	-	-	-	-	796	-	-	-	-	-	796	796
Prepaid expense	-	140,722	-	-	140,722	-	-	-	-	-	-	140,722	128,738
Inventory	-	1,180,880	-	160,119	1,180,880	882,800	1,130,994	-	-	-	-	3,354,793	578,364
Construction in progress	-	-	-	-	-	-	-	1,903,000	-	-	-	1,903,000	1,903,000
Land	-	-	-	-	-	130,724	421,991	3,000,000	16,014,000	-	-	19,636,554	19,014,000
Buildings	-	69,839	-	-	69,839	-	-	5,074,369	-	-	-	5,074,369	4,390,130
Equipment	-	-	-	-	-	-	-	455,691	-	-	-	455,691	491,787
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	(818)	-	-	(818)	(1,339)	(8,153)	(275,000)	(19,592,230)	-	-	(19,877,540)	(19,174,637)
	\$ 763,506	\$ 19,144,547	\$ 292,780	\$ 780,290	\$ 19,908,053	\$ 1,876,415	\$ 3,424,240	\$ 2,820,638	\$ 3,854,830	\$ 269,354	\$ (9,528,135)	\$ 23,698,465	\$ 22,638,140

LIABILITIES AND FUND BALANCE

Accounts payable	\$ -	\$ 11,633	\$ -	\$ -	\$ 11,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,538	\$ 539,851
Loan payable	-	-	-	-	-	-	-	-	-	-	-	2,400,000	3,000,000
Due to other College funds	80,000	6,770,774	5,000	505,732	6,850,774	1,120,760	-	1,045,869	-	269,354	(9,528,135)	269,354	269,338
Due to depositor	-	-	-	-	-	-	-	-	-	-	-	503,178	535,868
Accrued liabilities	-	503,178	-	-	503,178	-	-	-	-	-	-	312,107	229,732
DCRS sick leave liability	-	312,107	-	-	312,107	-	-	-	-	-	-	927,139	1,177,833
Deferred revenue	-	927,139	-	-	927,139	-	-	-	-	-	-	18,788,149	16,885,518
Fund balance	683,506	10,619,716	287,780	274,558	11,303,222	755,655	3,424,240	(1,112,136)	3,854,830	-	-	23,698,465	22,638,140
	\$ 763,506	\$ 19,144,547	\$ 292,780	\$ 780,290	\$ 19,908,053	\$ 1,876,415	\$ 3,424,240	\$ 2,820,638	\$ 3,854,830	\$ 269,354	\$ (9,528,135)	\$ 23,698,465	\$ 22,638,140

See Accompanying Independent Auditors' Report.

GUAM COMMUNITY COLLEGE

**Unrestricted and Restricted Fund Supplemental Schedule
Statement of Changes in Fund Balances
Year Ended September 30, 2005
(With Comparative Balances for the year ended September 30, 2004)**

	Unrestricted				Restricted				Grand Total							
	Appropriated		Non-appropriated		Unrestricted		Other Grant		Total	Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant	Elimination	2005	2004
	Trades	MDF	Total Appropriated	N.A.F. Supp.	N.A.F. Adj.	N.A.F.	Total Non-appropriated	Total Unrestricted								
Revenues:																
Tuition and fees		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Government of Guam appropriations		39,614	12,866,283													
Federal grants and contracts		-	-	-	-	-	-	3,919,175	3,919,175	3,919,175	-	-	-	-	-	-
Government of Guam grants and contracts/agency		-	-	-	-	-	-	434,675	434,675	434,675	-	-	-	-	-	-
Sales and services of auxiliary enterprises		-	-	-	-	-	-	635,888	635,888	635,888	-	-	-	-	-	-
Special projects		-	-	-	-	-	-	1,211,545	1,211,545	1,211,545	-	-	-	-	-	-
Other sources		-	-	-	-	-	-	271,039	271,039	271,039	-	-	-	-	-	-
Total current revenues		39,614	12,866,283		2,678,080	2,118,472	4,796,552	3,919,175	438,694	4,357,869	73,753	-	709,279	(709,279)	22,279,698	21,897,750
Expenditures and mandatory transfers:																
Educational and general:																
Instruction	5,543,559	39,614	5,583,173		919,230	667,337	1,586,567	382,423	80,456	462,879	-	-	-	(163,845)	7,468,774	6,862,959
Special project	133,131	-	133,131	-	-	-	-	109,224	109,224	109,224	-	-	-	(7,452)	234,903	329,390
Academic support	1,206,712	-	1,206,712	-	56,483	348,024	404,507	93,133	229,244	322,377	-	-	-	(149,295)	1,784,301	1,737,265
Student services	1,624,560	-	1,624,560	-	732	15,308	16,040	633,034	-	633,034	-	-	-	(37,469)	2,236,165	2,025,551
Institutional support	2,828,672	-	2,828,672	-	59,126	370,539	429,765	3,258,437	-	3,258,437	-	-	9,424	(30,189)	3,097,461	3,693,841
Operation and maintenance of plant	1,249,643	-	1,249,643	-	-	234,081	234,081	1,483,724	-	1,483,724	-	-	-	(19,566)	1,467,622	1,507,556
Scholarship and fellowship	123,021	-	123,021	-	158,297	-	158,297	818	-	818	-	-	-	(1,463)	2,819,813	2,946,045
Bad debt	-	-	-	-	818	-	818	-	-	-	-	-	-	-	158,297	735,759
Depreciation expense	-	-	-	-	-	-	-	-	-	-	8,153	109,000	644,305	-	754,615	649,205
Total	12,709,298	39,614	12,748,912	-	1,194,686	1,635,389	2,830,075	15,578,987	309,700	4,225,769	8,153	259,789	653,729	(709,279)	20,021,951	20,487,571
Auxiliary enterprises:																
Expenditures	45,526	-	45,526	-	(162,254)	549,439	387,185	432,711	-	432,711	-	-	-	-	432,711	586,400
Total expenditures	12,754,824	39,614	12,794,438	-	1,032,432	2,184,828	3,217,260	16,011,698	309,700	4,225,769	8,153	259,789	653,729	(709,279)	20,454,662	21,073,971
Net (decrease) increase in fund balance	71,845	-	71,845	(66,356)	1,645,648	8,993,589	9,605,250	180,438	128,994	132,100	65,600	(259,789)	55,550	-	1,825,036	823,779
Beginning fund balance, restated	691,661	(80,000)	611,661	3,167,970	5,825,619	3,167,970	8,993,589	9,605,250	284,674	430,238	3,238,640	(832,347)	3,799,280	-	16,885,518	16,061,739
Fund transfer	-	-	-	-	-	-	-	46,835	46,835	-	-	-	-	-	77,595	-
Adjustments to fund balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending fund balance	763,506	(80,000)	683,506	3,168,449	7,471,267	3,168,449	10,619,716	11,303,222	287,780	562,338	3,424,240	(1,112,136)	3,854,830	-	18,788,149	16,885,518

See Accompanying Independent Auditors' Report.