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

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017 (AS RESTATED)

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

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Years Ended September 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Regents
University of Guam:

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Guam (the University) and its discretely presented component unit, collectively a component unit of the Government of Guam, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as set forth in Section III of the forgoing table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

The University of Guam Endowment Foundation (the Foundation), the discretely presented component unit, was unable to evaluate the carrying value of its donated land recorded at $4,638,352 and $5,207,735 as of December 31, 2017 and 2016, respectively.

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Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the University as of September 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Further, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the discretely presented component unit's financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements in 2018, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of adopting this standard, the University has elected to restate its 2017 financial statements to reflect the adoption of this standard. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13 as well as the Schedules of Proportional Share of the Net Pension Liability on pages 53 through 55, the Schedule of Pension Contributions on page 56, the Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios on page 57, the Schedule of Proportionate Share of the Total OPEB Liability on page 58, and the Schedule of OPEB Contributions on page 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedules of salaries, wages and benefits and the schedules of expenses by object category on pages 60 through 63, the schedules of total revenue information on page 65 and the schedules and notes to schedules of fund restriction matrix on pages 66 and 67 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of salaries, wages and benefits, the schedules of expenses by object category, the schedules of total revenue information, and the schedules of fund restriction matrix are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative schedules of salaries, wages and benefits, of expenses by object category, and of total revenue information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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The schedule of employee information on page 64 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Deloitte & Touche LLP

May 2, 2019

INTRODUCTION

Management's discussion and analysis (MD&A) provides an overview and better understanding of the University's financial position and the results of activities for the fiscal year ended September 30, 2018. Management has prepared this overview as required supplemental information to the financial statements and the footnotes that follow. This MD&A should be read in conjunction with the financial statements and accompanying footnotes.

The University. Public Law 13-194, The Higher Education Act of 1976, established the University as a non-membership, non-profit, public corporation under a Board of Regents appointed by the Governor with the advice and consent of the Guam Legislature. We are a public, open-admissions, four-year, land-grant institution on Guam in the Marianas Islands and have been continuously accredited by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC). Our 3,679 students (Fanuchanan '18 (Fall)) are multicultural, multilingual and 45% Pacific Islander, 45% Asian, 10% other. We offer 14 master's and 26 bachelor's degree programs. Continuing education, professional development and English language training are available. Our 967 employees, include 181 full-time faculty, 41 administrators and 329 full time staff and 416 part-time staff and faculty adjuncts.

The Leadership. A nine-member Board of Regents governs the University. Christopher K. Felix is the Board Chairperson; Jillette Leon Guerrero is Vice Chairperson; Elvin Y. Chiang is Treasurer and audit committee chair; Thomas W. Krise, Ph.D., is the University's 11th President; Anita Borja Enriquez, DBA, is Senior Vice President for Academic and Student Affairs; Randall V. Wiegand is Vice President for Administration and Finance; Zeny Asuncion Nace is Comptroller. There is an elected Faculty Senate.

Our University community is focused on our mission of *Ina, Diskubre, Setbe (to Enlighten, to Discover, to Serve)* and on our core commitments: i) academic quality; ii) student success, enrollment growth, retention, and institutional visibility; iii) community engagement; and iv) institutional effectiveness and efficiency. Under the leadership of President Krise, the University is embarking on a new five year strategic plan based on five big issues: Student Experience, Revenue Diversification, Process Improvement, Outreach Engagement Communication, and Facilities. An overview of the new strategic plan will be presented to the Board of Regents in April 2019 with the finalization of the plan taking place later in the year.

THE FINANCIAL STATEMENTS

The report includes three financial statements: i) the Statement of Net Position; ii) the Statement of Revenues, Expenses and Changes in Net Position; and iii) the Statement of Cash Flows. They are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for colleges and universities. The fiscal year ends September 30.

The University is reported as a component unit of the Government of Guam. We also report the financial statements of our component unit, the UOG Endowment Foundation, Inc. The Foundation is a legally separate, tax-exempt, private corporation, whose fiscal year ends December 31. While the University does not control the Foundation, the resources and income of the Foundation can only be used for the University's benefit.

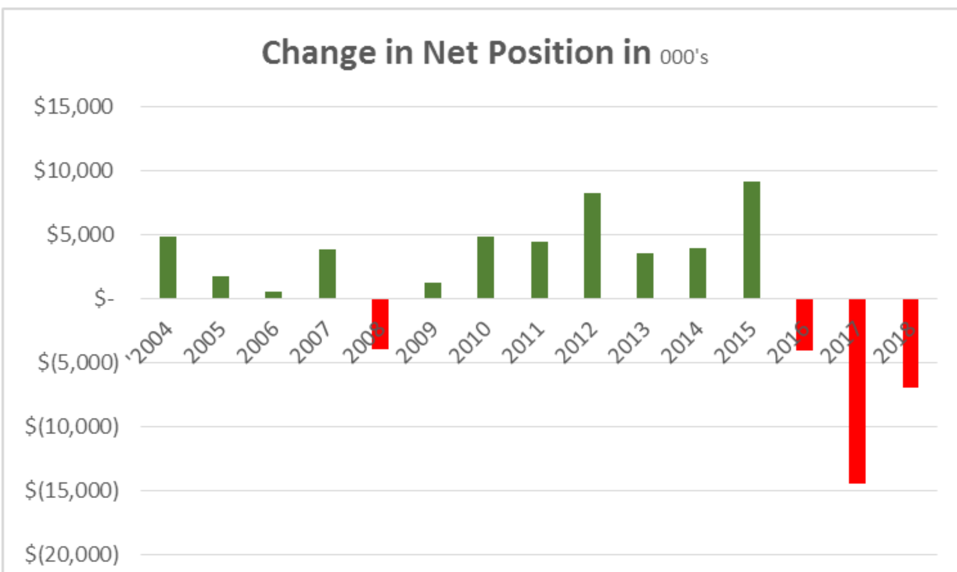
FY2018 FINANCIAL HIGHLIGHTS AND STRATEGIC INSTITUTIONAL OUTCOMES

During Fiscal Year 2018 the University implemented GASB 75 which had a significant impact on the University's financial statements. For the year ended September 30, 2017, the University's net position decreased from a loss of $3.4 million to a loss of $14.4 million. As a result of the change, the University incurred a loss of $6.4 million for the year ending September 30, 2018. Other factors contributing to the losses are as follows:

- The Government of Guam reduced the University's appropriation mid-year in response to the passage of the Tax Cuts and Jobs Act of 2017. Because Guam's tax code mirrors that of the U.S. Federal Government, the impact of the Act reduced projected revenues for the government. The original appropriation of $30,740,431 was reduced to $27,877,201 by the mid-year action.

- The general operations appropriation for the two year period ending September 30, 2018 was $61.481 million. The total appropriation after the mid-year reduction was $58.618 million. The actual amount of cash received for the two year period was $50.422 million – a nearly $8.2 million reduction for the past two years.

- The University benefitted from a nearly $1.7 million investment gain due to unrealized investment changes. The gain results from marking the investment portfolio to market and does not impact the cash position of the University.



Important financial data include:

- The presentation of expenses changed as a result of the implementation of GASB No. 75. The result was an approximately $10 million increase in expenses.
- There has been a financial loss for three consecutive years due to inconsistency of amounts collected.

- Enrollment for the Fanuchanan semester (Fall) 2018 was 3,679. The University generates 62% of revenues; GovGuam provides 38%.

- Federal grants and contracts grew by nearly $1 million during the year.

- Expenses have remained relatively flat as a result of budget constraints.

Significant institutional outcomes that affect financial statements and resources include:

- Enrollment for the Fanuchanan (Fall) semester was 3,679 students. The 44,594 credit hour production is the fifth highest in recent history.
- 598 undergraduate and graduate degrees were conferred in Academic Year '17-18. Alumni now number 17,833. They are the professional backbone and leadership of our island and region.
- GOREX – the Guam Open Research and Education Exchange was initiated during the period. This provides up to 100 Gbps networking speed through the University of Hawaii. This also positions the University in a stronger position to be recognized as a Research and Education hub for the Pacific Rim region.
- Academic quality, student success and institutional sustainability are evidenced by primary accreditation for eight (8) years from the Western Association of Schools and Colleges Senior College and University Commission (WSCUC) and by secondary accreditation for the professional schools. During 2016, the University received a favorable review from WSCUC (formerly WASC).
- In 2013 the University embarked on a Good-to-Great initiative. A process of program prioritization and resource allocation is well underway to realize our potential to be a great university with great programs. We are focused on our mission, our purpose and our dynamic role in the social, economic and political development of our region. In 2016, the University has completed many of the initiatives and is focusing on the remaining projects.
- In 2015 the University was awarded a $6 million grant from the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR) which includes the development of a database of marine life whose habitat is near and around the island. The grant period runs from October 1, 2015 to September 30, 2020. This grant has opened up new doors of opportunity for the University and has lifted us into a new league of research capabilities.

Statement Of Net Position

The statement of net position is similar to a balance sheet. It presents information on assets, liabilities and the resources remaining after liabilities are satisfied. The statement is an indicator of overall financial condition, and whether financial health has improved or deteriorated during the fiscal year.

Summary Statements of Net Position (in $000's)

	2018	2017 As Restated	2016 As Restated
Noncapital assets	$ 69,480	$ 68,269	$ 68,768
Capital assets	66,242	67,437	68,491
Deferred outflows of resources	18,850	24,200	16,469
Total assets and deferred outflows of resources	$ 154,572	$ 159,906	$ 153,728
Current liabilities	$ 16,074	$ 14,379	$ 14,780
Noncurrent liabilities	225,133	239,098	219,017
Deferred inflows of resources	14,425	1,062	185
Total liabilities and deferred inflows of resources	255,632	254,539	233,982

Net investment in capital assets	55,175	56,123	56,943
Restricted, nonexpendable	9,262	6,374	5,127
Restricted, expendable	24,783	24,635	4,827
Unrestricted	(190,280)	(181,765)	(147,151)
Total net position	(101,060)	(94,633)	(80,254)
Total liabilities, deferred inflow of resources and net position	$ 154,572	$ 159,906	$ 153,728

For the last two years the overall financial position of the University has been stable to slightly negative. The cash pressures from reduced allotments from the Government of Guam have put pressure on expenditures. The area with the most significant changes have been in the deferred outflow and inflow accounts as a result of the implementation of GASB No. 68, GASB No. 73, and GASB No. 75. Because the University has been under spending constraints for the last two years, there have not been any significant assets added. The change in capital assets is mostly explained by the depreciation of University assets.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The statement of revenues, expenses and changes in net position provides details of operating and non-operating revenues and expenditures, similar to an income statement.

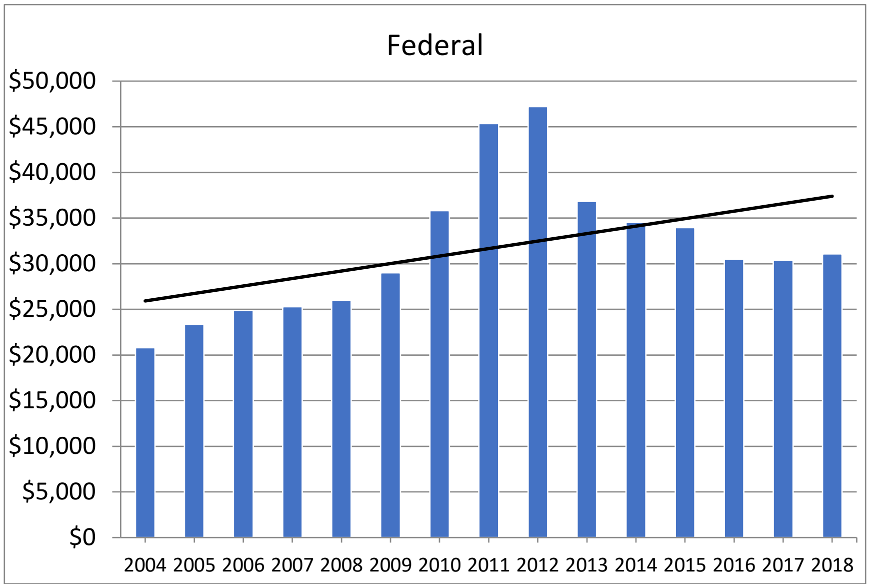
SUMMARY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (IN $000'S)

	2018	2017 As Restated	2016 As Restated
Operating Revenues, Net	$ 57,035	$ 54,009	$ 54,210
Operating Expenses	99,617	101,063	94,948
Operating Revenues Net of Operating Expenses[1]	(42,582)	(47,054)	(40,738)
Non-Operating and Other Revenues and Expenses	36,155	32,674	33,902
Decrease in Net Position	(6,427)	(14,380)	(6,836)
Net Position – Beginning of Year	(94,633)	(80,254)	(73,418)
Net Position – End of Year	$ (101,060)	$ (94,633)	$ (80,254)

Net operating revenues grew as a result of increased revenues from the Professional and International Programs unit, an increase in federal grant revenue and some contract revenue earning in some of the schools. Most expenses decreased as a result of the cash pressure the University has been under. Non-operating revenues were mixed: The University had investment increases over the last two years which were offset by reduced appropriations collected and the increased revenue required for retiree healthcare costs. There were no grant funded capital projects during the period. The statements reflect the impacts of the increased liabilities as a result of the implementation of GASB No. 75.

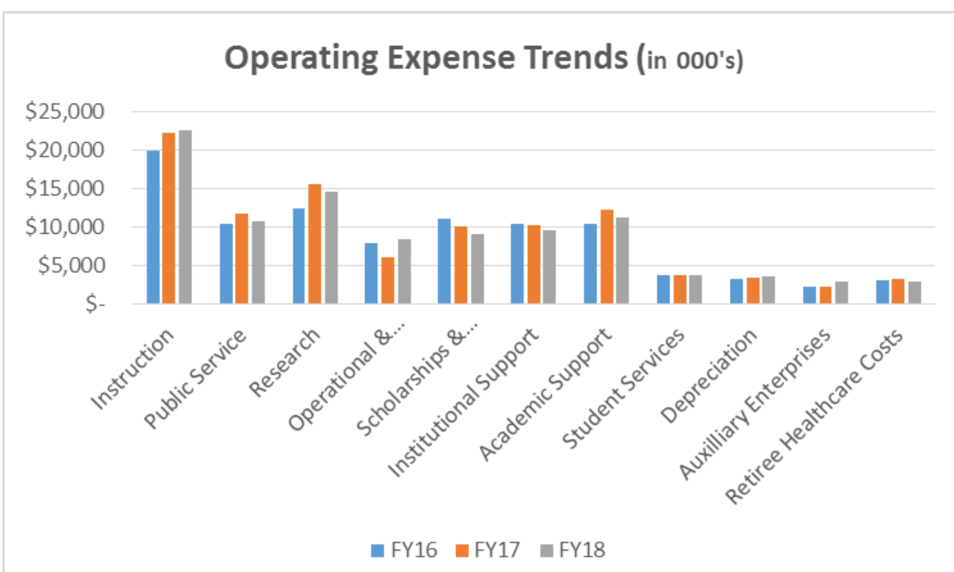
[1] *Operating Revenues Net of Operating Expense* is negative, because local government appropriations are reported as non-operating revenues rather than operating revenues under GASB 35 reporting requirements

The following graph reflects grant activity for the last decade:



Federal grant revenues increased for the first time since the final ARRA projects were completed. It is the ARRA funds that account for the sharp increase in grant revenue from 2010 to 2015. Increasing revenues from federal grants has been a major focus of the University in recent years and has resulted in a $6 million five-year (EPSCoR) grant. UOG is pursuing an increase in this grant from the National Science Foundation (NSF) when the initial term runs out in 2020. This NSF grant has opened doors to other funding opportunities for the University.

FY17 and FY18 operating expenses increased as a result of the implementation of GASB No. 75. The University spent $47.8 million directly on its core mission. Of that, 47% went to instruction, 22% to public service and 31% to research.



STATEMENT OF CASH FLOWS

This statement provides information about the ability to generate the cash flows needed to meet financial obligations and the extent to which external financing is being used to fund operations.

STATEMENTS OF CASH FLOWS (IN $000'S)

	2018	2017 As Restated	2016 As Restated
Cash provided by (used in):			
Operating activities	$ (29,932)	$ (28,236)	$ (31,912)
Non-capital financing activities	30,879	34,879	29,971
Capital and financing activities	(3,331)	(343)	(2,569)
Investing activities	986	(2,386)	2,182
Net Change in Cash and Cash Equivalents	(1,398)	3,914	(2,328)
Cash and Equivalents – Beginning of Year	9,648	5,734	8,062
Cash and Equivalents – End of Year	$ 8,250	$ 9,648	$ 5,734

Cash flow reflects the pressure as a result of reduced, uncertain, and inconsistent allotment payments.

The cash position at fiscal year-end is normally higher than the cash position during the year. This is because fall semester tuition payments are received in August and September of each fall semester whereas the related costs are spread out through the semester. Tuition revenues are subsequently allocated for academic expenses during the remainder of the academic year, which overlaps the fiscal year. Financial planning requires that there be an adequate amount of cash on hand at the start of the new fiscal year to pay for prior year encumbrances, insurance premiums, infrastructure and operating needs which are weighted toward the beginning of the academic year. Board policy requires cash reserves for financial stability and long-term viability. A reserve fund and sub-accounts were established and funded starting in FY09 and had been continuously funded since then until fall 2016 when the funds were depleted due to non-payment of appropriations.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets: At the end of FY18, the University had $121.2 million invested in depreciable capital assets. This represents an increase in net capital assets (including additions and deletions) of $2.1 million or 1.8% over the previous year. The University completed a project to harden two classrooms with 75% funding received from the Federal Emergency Management Agency. The University did not complete any other significant projects as a result of the cash shortfall. The University had accrued $59.9 million in accumulated depreciation against the assets. Net capital assets were $66.2 million, a decrease from the prior year's $67.4 million. For additional information concerning capital assets refer to note 5 to the financial statements.

Long-Term Debt: The University has a note payable that is outstanding with the United States Department of Agriculture (USDA). The note payable was created in October 2001 through Public Law 26-48 for an amount not to exceed $13.5 million for the purposes of constructing certain facilities on campus. On December 6, 2016, the University entered into a lease/lease back arrangement with the UOG Endowment Foundation. The University leased property to the Foundation in order to construct a Student Success Center and an Engineering Annex. The University signed agreements to lease the buildings back from the Foundation. The leases are expected to expire in 2056. Related to the leases, the Foundation entered into promissory notes with the United Stated Department of Agriculture on December 5, 2016 in the amount of $21.7 million. UOG is attempting to enter into workout agreements with USDA to push back the initialization of payments to USDA. Interest accrues on the debt as amounts are drawn down on the note. As of March 15, 2019, there have been no amounts drawn down on the note. As of September 30, 2018 and 2017, the University had a long-term debt of $11.1 million and $11.3 million, respectively. The University made the final payments on its bond obligations in November 2018. See Note 6 to the financial statements for additional information.

ECONOMIC AND OTHER FACTORS EXPECTED TO AFFECT THE UNIVERSITY [2]

2018: Modest Growth Trend Continues

In 2018 the U.S. economy continued to expand albeit at a lower rate than widely forecast. For the year, the economy grew 2.3%. Slowing world economies and the fear of trade wars appear to be hampering growth. The U.S. Federal Reserve (the FED) increased its discount rate by 100 basis points in three moves during 2018 – the most increases in a year since 2006. This and the implementation of a quantitative tightening program represent an indication of a baseline level of confidence in the economy. After an initial forecast of two rate increases for 2019, the FED has also said future rate changes will be data dependent. Interest rates have continued their upward trend. The S&P 500 encountered a pullback during a volatile year and ended the year down 6.2%. The unemployment rate dropped to 4.4% in March 2018 which is near the low of recent history. The U-6 unemployment figure dropped from 8.2% to 7.3% from January 2018 to January 2019 – an indicator that the economy is nearing full employment. Inflation remains very low at a rate of less than 2%.

The Guam economy continued its slow growth track. Visitor arrivals set another new record in 2018 and the month of December 2018 set a record for monthly visitor arrivals of 146,104. This is the third year in a row a new record was set. Arrivals from Korea are holding steady and arrivals from Japan are rebounding as U.S. – North Korea relations have been warming up. The Guam Visitor's Bureau is continuing to pursue visitors from mainland China as there have now been more than two million visas issued to Chinese citizens.

Civilian and military construction has begun to increase. H-2 worker availability has been improving allowing for more construction. These trends are expected to continue.

With thanks for their input, perspectives and forecasts to; i) Gary Hiles, Chief Economist, Guam Department of Labor, "Economic Outlook FY 2017"

Some major civilian projects are as follows:

Tsubaki Hotel – a 26-story, 340 room five-star hotel being constructed by Ken Corp. adjacent to the Nikko Hotel. Estimated cost is $180 million. Completion is expected in 2019.

Low-income housing. Summer Town Estates with 66 low-income units is expected to be completed in early 2019. Villa Del Mar LLC – a 50-unit project off Kanada-Toto Loop in Mongmong has broken ground and will likely be completed in 2019. The cost of these two projects is $50 million.

Summer Towers – a $100 million four-tower development with 260 luxury condominium units next to Guam Memorial Hospital. The first tower is completed. The remaining towers are expected to be completed in 2019.

Tumon Bay Mall – a 200,000 square foot, two-level mall. Phase I construction is completed. Phase II interior construction has been delayed due to lack of construction workers.

Olive Garden opened during 2018.

Yigo McDonald's had a grand opening of a new location in 2018.

Jolibee opened at the Micronesia Mall in 2019.

<u>University of Guam: Implementing Good-to-Great</u>

The UOG Capital Campaign has continued its hiatus as many donors have been wearied by the ongoing campaign. The UOG Endowment Foundation is seeking smaller scale, targeted opportunities to interact with potential donors. President Krise has brought some fresh ideas for improving the capabilities of the Foundation.

President Krise has fully engaged the institution in a program to develop a five year strategic plan. The plan will lay out how the University will meet the challenges of improving student experience, increasing innovation in and out of the classroom, diversifying revenue sources, improving outreach and engagement communication, and improving campus facilities.

It is clear the government will not be able to continue to fund 50% of the cost of education. UOG is developing a plan to enable the University to meet the higher education demands of the region. A bill has recently been sent to the Guam Legislature appealing for the removal of restrictions hindering the University's ability to move nimbly and take advantage of opportunities for partnering with outside parties in order to develop new revenue streams.

Below are initiatives that have been completed in recent years:

- Faculty, staff and administrators have assessed all academic and administrative programs based on their relationship to the core mission, financial performance, market demand and quality. The programs have been evaluated and ranked based on data and reports submitted. Executive management and the President are implementing decisions on program priorities, sustainability and resource allocations. The President's plan was well received by the Board of Regents during their review in May 2014.

- The Governor and Guam Legislature provided $30.7 million in allotments for FY17. The University implemented 5% tuition increases in Fall 2015 and 2016. Higher education on Guam remains a good value with the University's tuition at ~60% of the public university average.
- PL31-237 enabled University control of locally funded student financial aid. The Board of Regents approved awards to policy areas of access, affordability, performance, retention and degree completion.
- PL32-114 established the Research Corporation of the University of Guam (RCUOG), which is now being implemented. RCUOG is modeled after similar corporations at colleges and universities in the U.S. It will allow UOG to be more nimble in its pursuit and execution of federal grants and contracts and developing businesses from intellectual property and patents.
- PL 33-92 provided the authorizations necessary to move forward with the construction of the new Student Success Center and the Engineering Annex.
- The University has been awarded a five-year $6 million grant from the U.S. National Science Foundation Experimental Program to Stimulate Competitive Research grant (EPSCoR) to develop research capacity. The University also was awarded a cancer grant from the National Institute of Health in partnership with the University of Hawaii.
- The University received its second consecutive 8-year accreditation renewal for the first time in the school's history.
- GOREX – The Guam Open Research Exchange was initiated in January 2018. UOG is connected to the University of Hawaii (UH) through a 100 Gigabyte line. UH is connected through Internet2 to hundreds of other research universities in the mainland. This also opens the door for UOG to take advantage of its location and serve as a regional hub for Internet2 connectivity.
- Students take advantage of opportunities such as courses at California's Scripps Institute and Japan's Meio University through agreements that partner the University with the world's premiere ocean and earth science institute and with several regional universities.
- UOG Vision 2025 lays out the 21st century Physical Master Plan to accommodate 5,000 Tritons on-campus and another 5,000 pursuing their education on-line. It is the plan that will be funded through the University's Capital Campaign, which has generated ~$13 million. The Governor and Speaker of the Legislature are the campaign's honorary chairs and are working with the President and UOG Endowment Foundation.
- U.S. Department of Agriculture has approved financing a Student Success Center and Engineering Annex. The $21.7 million of USDA low-cost financing through the Rural Development Community Facilities Program will enable a one-stop student services center and set the stage for a School of Engineering. Funding will be from the Territorial Education Facilities Fund or similar sources. We are moving forward on finalizing the USDA loan and constructing these facilities in partnership with the UOG Endowment Foundation. Groundbreaking is targeted for summer 2016.

- U.S. Department of the Interior funded construction is changing the look of several major buildings. New space for Nursing at the Health Sciences Building has been added. Roof repair has been completed and interior renovations are completed at the newly named Calvo Fieldhouse. The University is seeking to bolster its financial reserves to help ensure the facilities are maintained.
- UOG has a target of being capable of handling 5,000 students and 5,000 online students by 2025.

In summary, the Good to Great strategic plan of the University of Guam is nearing completion. The University is embarking on a new five year strategic planning process call Para Hulo (Ever Upward). The top priority for the University is the pursuit of additional revenue sources to diversify our revenue streams and reduce dependency on the government of Guam. We will be responsive to the challenges our island societies face to develop an innovative and sustainable University that protects our environment and provides the high quality training and education needed to enable our students to drive economic growth on the island for many years to come.

For further news and up-to-date information concerning the University of Guam, please visit the website at www.uog.edu for our annual report, financial statements, WASC reports and other publications.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Net Position - University Only
September 30, 2018 and 2017

	2018	2017 As restated
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 8,250,391	$ 9,647,880
Short-term investments	11,289,916	13,222,197
Due from Government of Guam	1,102,349	231,760
Tuition receivable, net of an allowance for doubtful accounts of $3,882,164 in 2018 and $3,694,967 in 2017	7,803,872	7,506,300
Due from the US Federal government	4,202,298	3,806,702
Due from University of Guam Endowment Foundation, Inc.	525,000	325,000
Other receivables, net of an allowance for doubtful accounts of $1,066,333 in 2018 and $600,159 in 2017	1,627,873	1,431,737
Inventories	674,936	782,002
Other current assets	290,823	438,440
Total current assets	35,767,458	37,392,018
Noncurrent assets:		
Restricted cash and cash equivalents	2,247,252	2,089,301
Restricted investments	5,877,554	5,198,982
Investments	11,290,549	10,274,478
Endowment investments	14,297,678	13,314,339
Capital assets:		
Depreciable capital assets, net of accumulated depreciation	61,314,906	62,683,762
Nondepreciable capital assets	4,927,532	4,753,256
Total noncurrent assets	99,955,471	98,314,118
Deferred outflows of resources:		
Deferred outflows from OPEB	11,072,936	13,613,303
Deferred outflows from pension	7,776,753	10,586,756
Total deferred outflows of resources	18,849,689	24,200,059
	$ 154,572,618	$ 159,906,195
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Current portion of long-term debt	$ 264,171	$ 241,226
Accounts payable and accrued liabilities	5,469,808	4,988,393
Unearned revenues	9,464,117	8,307,407
Current portion of accrued annual leave	875,483	842,121
Total current liabilities	16,073,579	14,379,147
Noncurrent liabilities:		
Long-term debt, net of current portion	10,803,390	11,072,359
Deposits held on behalf of others	171,712	74,453
Accrued annual leave, net of current portion	1,011,574	1,045,482
DCRS sick leave liability	2,941,422	3,517,295
Net OPEB liability	125,480,519	130,132,437
Net pension liability	84,724,402	93,255,503
Total noncurrent liabilities	225,133,019	239,097,529
Deferred inflows of resources:		
Deferred inflows from OPEB	10,884,237	227,732
Deferred inflows from pension	3,541,353	834,982
Total deferred inflows of resources	14,425,590	1,062,714
Total liabilities and deferred inflows of resources	255,632,188	254,539,390
Commitments and contingencies		
Net position:		
Net investment in capital assets	55,174,877	56,123,433
Restricted, nonexpendable	9,262,498	6,373,542
Restricted, expendable	24,782,671	24,635,359
Unrestricted	(190,279,616)	(181,765,529)
Total net position	(101,059,570)	(94,633,195)
	$ 154,572,618	$ 159,906,195

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statements of Financial Position
December 31, 2017 and 2016

ASSETS	2017	2016
Cash and cash equivalents	$ 1,247,244	$ 1,072,197
Pledges and other receivables, net of an allowance for doubtful accounts of $114,748 and $134,839 at December 31, 2017 and 2016, respectively	1,967,679	2,130,748
Investment in Bank of Guam stock	1,733,482	1,258,447
Investments in securities at fair value	11,130,153	9,364,199
Land held for investment	4,638,352	5,207,735
Equipment, net	8,714	15,245
	$ 20,725,624	$ 19,048,571

LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 179,123	$ 254,654
Total liabilities	179,123	254,654
Net assets:		
Unrestricted	7,591,870	6,384,336
Temporarily restricted	12,454,631	11,909,581
Permanently restricted	500,000	500,000
Total net assets	20,546,501	18,793,917
	$ 20,725,624	$ 19,048,571

See accompanying notes to financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Revenues, Expenses and Changes in Net Position - University Only
Years Ended September 30, 2018 and 2017

	2018	2017 As restated
Operating revenues:		
Student tuition and fees	$ 24,727,549	$ 24,653,185
Less scholarship discounts and allowances	(11,147,587)	(11,567,149)
	13,579,962	13,086,036
Federal grants and contracts	31,077,851	30,378,823
Government of Guam grants and contracts	1,342,998	1,172,958
Private grants and contracts	1,039,469	1,153,310
Sales and services of education department	542,865	542,289
Auxiliary enterprises	1,732,692	1,782,675
Other revenues	8,734,507	6,342,764
Total operating revenues	58,050,344	54,458,855
Bad debts provision	(1,015,086)	(449,519)
Net operating revenues	57,035,258	54,009,336
Operating expenses:		
Instruction	22,487,205	22,279,981
Public service	10,710,287	11,715,173
Research	14,646,465	15,541,391
Operational and maintenance, plant	8,441,706	6,180,810
Scholarships and fellowships	9,153,335	10,035,229
Institutional support	9,515,942	10,219,433
Academic support	11,316,928	12,274,015
Student services	3,745,744	3,727,755
Depreciation	3,617,402	3,492,472
Auxiliary enterprises	3,004,132	2,351,331
Retiree healthcare costs and other pension benefits	2,978,001	3,245,607
Total operating expenses	99,617,147	101,063,197
Operating loss	(42,581,889)	(47,053,861)
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	26,684,719	23,134,489
Student financial aid program	3,204,052	2,999,465
Guam Cancer Trust Fund	2,786,270	2,781,109
Capital expenditure loan repayment	500,000	500,000
Retiree healthcare costs and other pension benefits	2,978,001	3,245,607
Lease repayment	602,349	-
Contributions from Endowment Foundation	200,000	200,000
Net investment income	1,736,947	2,355,658
Interest on capital assets - debt related	(504,036)	(514,841)
Debt service - DOA bond	(2,027,788)	(2,027,283)
Transfer to Agency Fund	(5,000)	-
Total nonoperating revenues, net	36,155,514	32,674,204
Change in net position	(6,426,375)	(14,379,657)
Net position at beginning of year	(94,633,195)	(80,253,538)
Net position at end of year	$ (101,059,570)	$ (94,633,195)

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other income:				
Net investment income	$ 1,265,164	$ 287,482	$ -	$ 1,552,646
Contributions	43,888	587,010	-	630,898
In-kind contributions	5,000	-	-	5,000
Fundraising activities	28,685	76,986	-	105,671
Others	34,310	-	-	34,310
Net assets released from restrictions:				
Satisfaction of program restrictions	406,428	(406,428)	-	-
Total revenues	1,783,475	545,050	-	2,328,525
Expenses and losses:				
Program services:				
Scholarships	23,500	-	-	23,500
Total program services	23,500	-	-	23,500
Support services:				
Management and general	547,441	-	-	547,441
In-kind expenses	5,000	-	-	5,000
Total support services	552,441	-	-	552,441
Total expenses	575,941	-	-	575,941
Change in net assets	1,207,534	545,050	-	1,752,584
Net assets at beginning of year	6,384,336	11,909,581	500,000	18,793,917
Net assets at end of year	$ 7,591,870	$ 12,454,631	$ 500,000	$ 20,546,501

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other income:				
Net investment income	$ 511,668	$ 348,522	$ -	$ 860,190
Contributions	200,586	208,473	-	409,059
In-kind contributions	75,208	-	-	75,208
Fundraising activities	159,084	187,606	-	346,690
Others	205,500	-	-	205,500
Net assets released from restrictions:				
Satisfaction of program restrictions	350,652	(350,652)	-	-
Total revenues	1,502,698	393,949	-	1,896,647
Expenses and losses:				
Program services:				
Donations for debt service - UOG	200,000	-	-	200,000
Total program services	200,000	-	-	200,000
Support services:				
Management and general	407,838	-	2,253	410,091
In-kind expenses	75,208	-	-	75,208
Fundraising activities	128,423	-	-	128,423
Impariment of land held for sale	15,500	-	-	15,500
Total support services	626,969	-	2,253	629,222
Total expenses	826,969	-	2,253	829,222
Change in net assets	675,729	393,949	(2,253)	1,067,425
Net assets at beginning of year	5,708,607	11,515,632	502,253	17,726,492
Net assets at end of year	$ 6,384,336	$ 11,909,581	$ 500,000	$ 18,793,917

See accompanying notes to financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Cash Flows - University Only
Years Ended September 30, 2018 and 2017

		2018		2017
Cash flows from operating activities:				
Student tuition and fees, net	$	13,424,014	$	11,497,301
Grants, contracts and appropriations		33,064,722		32,343,728
Sales and services of education department		542,865		542,289
Auxiliary services		1,732,692		1,782,675
Other receipts		8,783,247		6,471,110
Payments to employees		(50,976,431)		(48,329,288)
Payments to suppliers		(27,349,691)		(22,508,673)
Payments to students for financial aid		(9,153,334)		(10,035,229)
Net cash used for operating activities		(29,931,916)		(28,236,087)
Cash flows from non-capital related financing activities:				
Government of Guam appropriations collected		30,879,014		34,878,554
Cash flows from capital and related financing activities:				
Contributions from Endowment Foundation		-		25,000
Changes in restricted cash		(157,951)		2,820,570
Interest paid on capital debt		(504,036)		(514,841)
Principal paid on capital debt		(246,024)		(235,219)
Purchases of capital assets		(2,422,822)		(2,438,126)
Net cash used for capital and related financing activities		(3,330,833)		(342,616)
Cash flows from investing activities:				
Investment income		653,286		579,673
(Purchases) sale of investments		332,960		(2,965,313)
Net cash provided by (used for) investing activities		986,246		(2,385,640)
Net change in cash and cash equivalents		(1,397,489)		3,914,211
Cash and cash equivalents, beginning of year		9,647,880		5,733,669
Cash and cash equivalents, end of year	$	8,250,391	$	9,647,880

Supplemental information on noncash activities:

During the years ended September 30, 2018 and 2017, the University recorded appropriations of $2,978,001 and $3,245,607, respectively, for retiree healthcare costs and other pension benefits paid by the Government of Guam on behalf of the University.

See accompanying notes to financial statements.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Statements of Cash Flows - University Only, Continued
Years Ended September 30, 2018 and 2017

	2018	2017
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (42,581,889)	$ (47,053,861)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	3,617,402	3,492,472
Bad debts expense	1,015,086	449,519
Retiree healthcare costs	2,978,001	3,245,607
Noncash pension cost	5,530,227	13,295,371
Changes in assets and liabilities:		
Receivables, net	(1,904,389)	(1,357,571)
Inventories	107,066	503
Other current assets	147,617	(74,220)
Accounts payable, accrued liabilities and deposits held for others	578,673	(67,897)
Accrued annual leave	(546)	37,164
DCRS sick leave liability	(575,873)	192,027
Unearned revenues	1,156,709	(395,201)
Net cash used for operating activities	$ (29,931,916)	$ (28,236,087)

See accompanying notes to financial statements.

1. Organization and Basis of Presentation

Organization

Administrative autonomy was granted to the University of Guam (the University) with the enactment of Public Law No. 13-194, "The Higher Education Act of 1976," which became effective on November 3, 1976. The Act, with subsequent amendments, established the University as a non-membership, not-for-profit corporation of the Government of Guam, under the control and operation of a nine-member Board of Regents appointed by the Governor with the advice and consent of the Legislature. The University is a component unit of the Government of Guam (GovGuam).

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 No. 34 and 35, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

Basis of Accounting

For financial statement purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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-university transactions have been eliminated. The University reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Reporting Entity

The University of Guam Endowment Foundation, Inc. (the Foundation) is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation provides financial support for the objectives, purposes and programs of the University. Although the University does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) that the Foundation holds and invests are restricted to the activities of the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its Statements of Financial Position and Statements of Activities are separately presented in the University's financial statements. In addition, the Foundation's significant notes are summarized in Note 2.AA below.

The Foundation is a private organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Accounting Standards Codification Topic ASC 958 ("ASC 958"). 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 University's financial reporting entity for these differences.

1. Organization and Basis of Presentation, Continued

Reporting Entity, Continued

The Foundation's fiscal year end is December 31. Copies of the Foundation's report can be obtained by contacting the Foundation or visit its website at www.uogendowment.org.

2. Summary of Significant Accounting Policies

A. 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 three monthms or less.

B. Restricted Cash and Cash Equivalents. Cash and cash equivalents that are restricted to make debt service payments and purchases or enhance learning resources materials and technology are classified as noncurrent assets in the Statement of Net Position.

C. Use of Restricted/Unrestricted Net Position. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the University's policy is to apply restricted net position first.

D. Short-term Investments. Short-term investments include time certificates of deposit with original maturities of more than three months, but less than one year.

E. Investments. Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

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

G. Due from Government of Guam. Due from Government of Guam consists of the remaining balance of legislative annual appropriations and student financial aid funding that have not been received at September 30, 2018 and 2017.

H. Accounts Receivable - U.S. Federal Government. Accounts receivable from the U.S. Government consist of amounts due from the federal government in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

I. Other Receivables. Other receivables consist primarily of auxiliary enterprise services provided to students, faculty, staff, other departments within the University, and to the public. Other receivables also include amounts due from the local government or private sources in relation to the performance of grants and contracts.

2. Summary of Significant Accounting Policies, Continued

J. Inventory. Inventory is stated at the lower of cost, determined using the first-in, first-out method, or market.

K. Capital Assets. Depreciation is calculated using the straight-line method over estimated useful lives of 5 - 50 years for buildings and improvements and 5 - 15 years for equipment and land improvements. The University's capitalization policy requires acquisitions greater than $5,000 to be capitalized and depreciated over their estimated useful lives. The assets are carried at cost, except for land and buildings transferred to the University, which were recorded at management's estimate of fair market value at the date of acquisition.

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

M. Deferred Outflows of Resources. In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The University has determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension and OPEB liability and pension contributions made subsequent to the measurement date qualify for reporting in this category.

N. Deferred Inflows of Resources. In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. The University has determined the differences between projected and actual earnings on pension plan investments and changes in proportion and differences between the University pension contributions and proportionate share of contributions qualify for reporting in this category.

O. Compensated Absences. Vesting annual leave is accrued and reported as an expense and a liability in the period earned. No liability is accrued for non-vesting sick leave benefits. Annual leave expected to be paid out within the next fiscal year is accrued and is included in current liabilities. The maximum accumulation of annual leave convertible to pay upon termination of employment is limited to 320 hours. Pursuant to Public Law 27-106, employees who have accumulated annual leave in excess of three hundred twenty (320) hours as of February 28, 2003, may carry over their excess and shall use the excess amount of leave prior to retirement or termination from service. Any unused leave over 320 hours shall be lost upon retirement. Public Law 26-86 allows members of the Defined Contribution Retirement System (DCRS) to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. A liability is accrued for estimated sick leave to be paid out to DCRS members upon retirement.

2. Summary of Significant Accounting Policies, Continued

P. Pensions and Other Postemployment Benefits (OPEB). Pensions are required to be recognized and disclosed using the accrual basis of accounting. The University recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents the University's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. The total pension liability also includes the University's proportionate share of the liability for ad hoc cost-of-living adjustments (COLA) and supplemental annuity (SA) payments that are anticipated to be made to defined benefit plan members and for anticipated future COLA to DCRS members. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

OPEB is required to be recognized and disclosed using the accrual basis of accounting. The University recognizes a net OPEB liability for the defined benefit OPEB plan in which it participates, which represents the University's proportional share of total OPEB liability - actuarially calculated - of an agent multiple employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. An OPEB trust has not been established thus the OPEB plan does not presently report OPEB plan fiduciary net position. Instead, the OPEB plan is financed on a substantially "pay-as-you-go" basis.

Changes in the net OPEB liability during the period are recorded as OPEB expense, or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change, in the period incurred. Those changes in net OPEB liability that are recorded as deferred inflows of resources or deferred outflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the qualified OPEB plan and recorded as a component of OPEB expense beginning with the period in which they are incurred.

Q. Grants-in-Aid. Tuition and fees revenue includes grants-in-aid charged to scholarship and fellowship expense for senior citizens, faculty, staff and their dependents. The total of these grants for 2018 and 2017 was $221,360 and $264,622, respectively.

R. Noncurrent Liabilities. Noncurrent liabilities include (1) long-term debt with contractual maturities greater than one year, and (2) estimated amounts for accrued compensated absences, sick leave, pension, OPEB and other liabilities that will not be paid within the next fiscal year.

S. Net Position. The University's net position is classified as follows:

Net Investment in Capital Assets - This represents the University'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.

2. Summary of Significant Accounting Policies, Continued

S. Net Position, Continued

Restricted - Expendable - Restricted expendable net position includes resources that the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted - Nonexpendable - Nonexpendable restricted net position consisting of endowment and similar type funds in which donors or other outside sources have stipulated, as a 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.

Unrestricted Net Position - Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments and auxiliary enterprises, and indirect revenue on federal grants. These resources are used for transactions relating to the educational and general operations of the University, 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 students, faculty and staff.

T. Classification of Revenues. The University has classified its revenues as either operating or nonoperating according to the following criteria:

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 institutional student loans.

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 local government appropriations and investment income.

U. Scholarship Discounts and Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, 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 University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

V. Financial Assistance Revenue. Government of Guam appropriations designated for student financial assistance programs are made annually for the period from October 1 to September 30. As certain restrictions are placed on these funds, revenue is realized only to the extent that such funds are expended for current purposes.

2. Summary of Significant Accounting Policies, Continued

W. 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, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the statement of net position and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

X. Risk Management. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Y. Economic Dependency. The University is dependent on ongoing appropriations from the Government of Guam.

Z. Certain balances in the 2017 presentation have been reclassified to conform with the 2018 presentation.

AA. UOG Endowment Foundation Pledges Receivable, Investments and Land Held for Sale

UOG Endowment Foundation Pledges Receivable:

Pledges receivable consist of donations pledged to the Foundation, but not yet received as of December 31, 2017 and 2016. These pledges are payable in installments over periods ranging from one to seven years. Amortization of discount will be included in contribution revenue. Management of the Foundation is of the opinion that the net outstanding balance is collectible in subsequent fiscal years and has reserved for all other long-term receivables.

Included in pledges and other receivables are the following unconditional promises to give:

	2017	2016
SBPA (School of Business and Public Administration) Building	$ 128,108	$ 175,407
60th Anniversary Capital Campaign	1,847,503	1,969,734
Total pledges receivable	1,975,611	2,145,141
Other	106,816	120,446
	2,082,427	2,265,587
Less: allowance for doubtful accounts	(114,748)	(134,839)
	$ 1,967,679	$ 2,130,748

Pledges receivable at December 31, 2017 are scheduled to be paid as follows:

Less than one year	$ 331,239
One to five years	812,000
More than five years	2,125,000
	3,268,239
Less unamortized discount	(1,292,628)
	$ 1,975,611

2. Summary of Significant Accounting Policies, Continued

AA. UOG Endowment Foundation Pledges Receivable, Investments and Land Held for Sale, Continued

UOG Endowment Foundation Investments:

The investment portfolio shall be diversified incorporating fixed income and equity holdings. The purpose of diversification is to provide reasonable assurance that no single security (investment) or class of securities (investments) will have a disproportionate or significant impact in the portfolio. The Foundation has selected investment managers who are given authority to buy and sell securities. No investment shall be made in investments that are less than investment grade which is defined as rated BBB or better. Fixed income investments primarily consist of US Treasury Notes, US Government Bonds and Corporate Bonds.

Investments are carried at fair market values based on quoted market prices. Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. The composition of investments in securities as of December 31, 2017 and 2016, is as follows:

	2017	2016
Cash	$ 190,755	$ 577,790
Equities	8,417,398	5,857,939
Fixed income	2,260,493	2,778,154
Mutual funds	261,507	150,316
	$ 11,130,153	$ 9,364,199

The composition of net gains on investments in securities as of December 31, 2017 and 2016, is as follows:

	2017	2016
Net unrealized gains	$ 344,213	$ 703,637
Net realized gains (losses)	971,528	(816)
Interest income	269,146	235,874
Dividends	55,373	9,846
Fees and other expenses, net	(87,614)	(88,351)
	$ 1,552,646	$ 860,190

Investments at December 31, 2017 and 2016, respectively, include 65,431 and 24,614 shares of common stock in Bank of Guam (BOG). It also includes 1,000 shares of preferred stock in Bank of Guam (BOG) at December 31, 2017 and 2016. Dividends received from these shares are planned to be used for scholarship purposes and/or purchase of additional Bank of Guam stock as it is available for sale. The BOG shares contain no restrictions and are classified as unrestricted net assets.

UOG Endowment Foundation Land Held for Sale:

In 2014, the Foundation received a donation of land comprising approximately 1.24 million square meters, which was recorded at appraised value of $5,616,469 at the time of receipt. On December 31, 2017 and 2016, the Foundation recorded an impairment loss of $0 and $15,500, respectively, for parcels of land that were revalued based on the current market selling price and appraisals, but was unable to obtain updated appraisals of other land parcels. The land is held for sale.

2. Summary of Significant Accounting Policies, Continued

AB. New Accounting Standards. During the year ended September 30, 2018, the University implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of the University's fiscal year 2017 financial statements to reflect the reporting of net OPEB obligation, deferred inflows of resources and deferred outflows of resources for its OPEB program and the recognition of OPEB expense in accordance with the provisions of GASB Statement No. 75. The implementation of GASB Statement No. 75 results in UOG reporting deferred outflows of resources of $3,916,219 and a net OPEB obligation of $109,724,874 as of October 1, 2016. UOG's net position as of October 1, 2016 and UOG's statement of revenues, expenses, and changes in net position for the year ended September 30, 2017 have been restated to reflect the required adjustments as follows:

	As Previously Reported	Adjustment	As Restated
As of October 1, 2016:			
Net position	$ 25,555,117	$ (105,808,655)	$ (80,253,538)
For the year ended September 30, 2017:			
Change in net position	$ (3,441,446)	$ (10,938,211)	$ (14,379,657)
As of September 30, 2017:			
Deferred outflows from OPEB	$ -	$ 13,613,303	$ 13,613,303
Net OPEB liability	$ -	$ (130,132,437)	$(130,132,437)
Deferred inflows from OPEB	$ -	$ (227,732)	$ (227,732)
Net position	$ 22,113,671	$ (116,746,866)	$ (94,633,195)

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements,* which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

- GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

Except for GASB Statement No. 75, the implementation of these statements did not have a material effect on the University's financial statements.

2. Summary of Significant Accounting Policies, Continued

AB. New Accounting Standards, Continued

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61,* which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

3. Deposits and Investments

The deposit and investment policies of the University are governed by pertinent restrictions existing under the laws of Guam with respect to investments. The Board of Regents, with the assistance of a consultant, is required to engage investment managers to manage the fund assets.

Legally authorized investments are as follows:

(i) General Guidelines

a. U.S. and Non-U.S. Equities include American Depository Receipts, convertible bonds, preferred stock, fixed-income securities, mutual funds and short-term securities.

b. No individual security of any issuer, other than that of the U.S. Government, shall constitute more than 5% (at cost) of the total fund or 10% (at cost) of any manager's portfolio.

c. No investment may be made in the securities of a single corporate entity in excess of 15% (at market) of any individual investment manager's portfolio, without prior approval from the University.

d. Holdings of any issuer shall constitute no more than 5% of the outstanding securities of such issuer.

e. Investments in a registered mutual fund managed by the investment manager are subject to prior approval of the University.

f. The following securities and transactions are not authorized without prior written approval from the University: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; options; futures; short sales; and margin transactions.

(ii) U.S. Fixed Income

a. All fixed income securities held in the portfolio shall have Moody's, Standard & Poor's and/or Fitch's credit quality rating of no less than "BBB".

3. Deposits and Investments, Continued

b. U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.

c. No more than 20% of the market value of the portfolio shall be rated less than single "A" quality, unless the manager has specific prior written authorization from the University.

d. Total portfolio quality (capitalization weighted) shall maintain an “A” minimum weighting.

(iii) Equities

a. Consistent with the desire to maintain broad diversification, allocation to any economic or industry sector should not be excessive.

b. Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on the major exchanges and over the counter.

c. The managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate.

d. Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any other country are permissible investments.

(iv) Cash and Cash Equivalents

a. Cash equivalent reserves shall consist of cash instruments having a quality rating of A-1, P-1 or their equivalent. U.S. Treasury and Agency securities, Bankers Acceptances, Certificates of Deposit and Collateralized Repurchase Agreements are also acceptable investment vehicles. Custodial Sweep Accounts must be, in the judgment of the investment managers, of credit quality equal or superior to the standards described above.

b. In the case of Certificates of Deposit, they must be issued by FDIC insured institutions. Deposits in institutions with less than $10,000,000 in assets may not be made in excess of $250,000 unless the deposit is fully collateralized by U.S. Treasury Securities.

c. No single issue shall have a maturity of greater than two years.

d. Custodial Sweep Account portfolios must have an average maturity of less than one year.

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the University'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 University's name.

3. Deposits and Investments, Continued

A. Deposits, Continued

At September 30, 2018 and 2017, the carrying amount of the University's cash and cash equivalents and time certificates of deposit were $21,787,559 and $24,959,378, respectively, and the corresponding bank balances were $28,334,573 and $29,833,248, respectively. Of the bank balance amounts, $1,050,605 and $1,050,555, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance, National Credit Union Administration (NCUA) insurance, or collateralized by securities held by a trustee in the name of the financial institution. The University does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC or NCUA insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Restricted cash and cash equivalents:

As of September 30, 2018 and 2017, the University recorded $2,191,566 and $2,179,249, respectively, from a tobacco settlement agreement entered into by the Government of Guam to be expended by the University for enhancement of learning resources and technology. The funds may only be expended in accordance with purposes set forth by the Guam Economic Development Authority, a component unit of the Government of Guam. Of the amount recorded, $1,702,277 and $1,718,982 at September 30, 2018 and 2017, respectively, is invested in a Federated Short-Intermediate Duration Municipal Trust Service Shares mutual fund, presented as restricted investments in the statements of net position.

As of September 30, 2018 and 2017, the University recorded $4,992,546 and $4,425,142, respectively, from the Government of Guam Healthy Futures Fund as appropriations for the Guam Cancer Trust Fund. These funds are allocated to provide financial assistance to organizations that provide patient directed services for the prevention and treatment of cancer. Of the amount recorded, $4,175,277 and $3,480,000 at September 30, 2018 and 2017, respectively, is invested time certificates of deposit presented as restricted investments in the statements of net position.

Restricted cash and cash equivalents also include $750,134 and $625,199 as of September 30, 2018 and 2017, respectively, designated for debt service, operation and maintenance of a certain facility in compliance with a loan security agreement (see note 6). The remainder of restricted cash and cash equivalents of $62,686 and $58,692, respectively, represents funds with various externally imposed restrictions.

B. Investments

Investments held by the University consist of certificates of deposit, money market funds, fixed income securities, mutual funds, and common stock. These investments are held in the name of the University and are accounted for on a pooled basis. The University employs the share method of accounting for pooled investments and for proportionate distribution of income and fees to each fund which participates in the pool.

Investments at September 30, 2018 consist of the following:

	Short-term	Restricted	Long-term	Endowment	Total
Certificates of deposit	$ 11,289,916	$ 4,175,277	$ -	$ -	$ 15,465,193
Money market funds	-	-	151,245	191,527	342,772
Fixed income securities	-	-	2,781,570	3,522,415	6,303,985
Common stock	-	-	6,428,764	8,141,004	14,569,768
Mutual funds	-	1,702,277	491,234	622,069	2,815,580
Exchange-traded funds	-	-	1,437,736	1,820,663	3,258,399
	$ 11,289,916	$ 5,877,554	$ 11,290,549	$ 14,297,678	$ 42,755,697

3. Deposits and Investments, Continued

B. Investments, Continued

Investments at September 30, 2017 consist of the following:

	Short-term	Restricted	Long-term	Endowment	Total
Certificates of deposit	$ 13,222,197	$ 3,480,000	$ -	$ -	$ 16,702,197
Money market funds	-	-	237,109	307,261	544,370
Fixed income securities	-	-	2,720,110	3,524,896	6,245,006
Common stock	-	-	5,405,263	7,004,493	12,409,756
Mutual funds	-	1,718,982	743,513	963,493	3,425,988
Exchange-traded funds	-	-	1,168,483	1,514,196	2,682,679
	$ 13,222,197	$ 5,198,982	$ 10,274,478	$ 13,314,339	$ 42,009,996

The University's exposure to credit risk at September 30, 2018 and 2017 follows:

Moody's Rating	2018
AAA	$ 2,927,698
A1/A	707,793
A2/A	197,340
A3/A	299,721
A3/BBB	227,378
BAA2/BBB	-
BAA3/BBB-	10,578
BA1/BB+	185,558
BA2/BB	123,263
BA3/BB-	198,240
B1/BB+	243,861
B2/B	244,987
B3/B	106,750
CAA1	40,979
Not rated	789,839
Total credit risk debt securities	$ 6,303,985

Moody's Rating	2017
AAA	$ 3,074,223
A1/A	581,967
A2/A	426,538
A3/A	396,623
A3/BBB	-
BAA2/BBB	26,618
BAA3/BBB-	22,395
BA1/BB+	217,432
BA2/BB	200,525
BA3/BB-	267,179
B1/BB+	162,679
B2/B	134,912
B3/B	90,372
CAA1	20,326
Not rated	623,217
Total credit risk debt securities	$ 6,245,006

3. Deposits and Investments, Continued

B. Investments, Continued

As of September 30, 2018, the University's fixed income securities had the following maturities:

Investment Type	Fair value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Corporate bonds	$ 3,142,710	$ -	$ 2,215,538	$ 927,172	$ -
U.S. Government Agency Bonds	824,937	-	435,098	247,963	141,876
U.S. Treasury Notes	2,336,338	-	303,729	1,091,084	941,525
	$ 6,303,985	$ -	$ 2,954,365	$ 2,266,219	$ 1,083,401

As of September 30, 2017, the University's fixed income securities had the following maturities:

Investment Type	Fair value	Less than 1 year	1 to 5 years	5 to 10 years	More than 10 years
Corporate bonds	$ 2,547,566	$ -	$ 1,487,815	$ 1,037,551	$ 22,200
U.S. Government Agency Bonds	2,538,887	885,913	1,029,757	378,137	245,080
U.S. Treasury Notes	1,158,553	-	-	-	1,158,553
	$ 6,245,006	$ 885,913	$ 2,517,572	$ 1,415,688	$ 1,425,833

Custodial risk for investments is the risk that in the event of the failure of the counterparty to the transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The University's investments are held and administered by investment managers. Accordingly, these investments are exposed to custodial credit risk. Based on negotiated trust and custody contracts, all of these investments were held in the University's name at September 30, 2018 and 2017.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. As of September 30, 2018 and 2017, the University did not hold any investment in any one issuer that represented 5% or more of total investments of the University.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The University has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The composition of net investment income (loss) for the years ended September 30, 2018 and 2017 is as follows:

	2018	2017
Interest and dividends from investments	$ 653,286	$ 579,663
Investment fees expense	(194,214)	(170,908)
Appreciation of fair value of investments, net	1,277,875	1,946,903
	$ 1,736,947	$ 2,355,658

3. Deposits and Investments, Continued

B. Investments, Continued

The University categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The University has the following recurring fair value measurements as of September 30, 2018 and 2017:

		Fair Value Measurements Using		
	September 30, 2018	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	$ 6,303,985	$ -	$ 6,303,985	$ -
Equity securities	14,569,768	14,569,768	-	-
Mutual funds	2,815,580	2,815,580	-	-
Exchange-traded funds	3,258,399	3,258,399	-	-
Total investments by fair value level	26,947,732	20,643,747	6,303,985	-
Investments measured at cost:				
Certificates of deposit	15,465,193			
Money market funds	342,772			
Total investments at cost	15,807,965			
	$ 42,755,697			

		Fair Value Measurements Using		
	September 30, 2017	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	$ 6,245,006	$ -	$ 6,245,006	$ -
Equity securities	12,409,756	12,409,756	-	-
Mutual funds	3,425,989	3, 425,989	-	-
Exchange-traded funds	2,682,678	2,682,678	-	-
Total investments by fair value level	24,763,429	18,518,423	6,245,006	-
Investments measured at cost:				
Certificates of deposit	16,702,197			
Money market funds	544,370			
Total investments at cost	17,246,567			
	$ 42,009,996			

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix-based or model-based pricing techniques. These pricing techniques, which are obtained from various sources, assume normal market conditions and are based on large volume transactions.

4. Student Loans

The Guam Legislature appropriates funds for the student loan program available to residents of Guam who attend institutions of higher education. The University is responsible for awarding the loans and monitoring compliance with respect to repayment. Due to the uncertainty of collection and due to recipient ability to repay the loans through work credits, student loan receivables are fully reserved in the year granted, and payments are reflected as recoveries in the year received. At September 30, 2018 and 2017, loans receivable are reserved in the amount of $17,999,479 and $16,529,559, respectively, and recoveries collected are $509,363 and $744,236 for the years then ended, respectively.

5. Capital Assets

Activity and balances for capital assets for the years ended September 30, 2018 and 2017 consisted of the following:

2018:	Balance October 1, 2017	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2018
Depreciable:				
Land improvements	$ 320,754	$ -	$ -	$ 320,754
Building	87,025,199	-	-	87,025,199
Building improvements	5,462,719	1,053,016	-	6,515,735
Equipment	18,502,973	953,486	(123,022)	19,333,437
Library books	7,778,157	254,224	-	8,032,381
	119,089,802	2,260,726	(123,022)	121,227,506
Less accumulated depreciation	(56,406,040)	(3,617,402)	110,842	(59,912,600)
	62,683,762	(1,356,676)	(12,180)	61,314,906
Nondepreciable:				
Land	2,823,212	-	-	2,823,212
Construction in progress	1,930,044	1,227,293	(1,053,017)	2,104,320
	4,753,256	1,227,293	(1,053,017)	4,927,532
Total capital assets, net	$ 67,437,018	$ (129,383)	$ (1,065,197)	$ 66,242,438

2017:	Balance October 1, 2016	Additions/ Transfers	Retirements/ Transfers	Balance September 30, 2017
Depreciable:				
Land improvements	$ 320,754	$ -	$ -	$ 320,754
Building	86,855,665	169,534	-	87,025,199
Building improvements	4,056,914	1,405,805	-	5,462,719
Equipment	18,811,282	486,626	(794,935)	18,502,973
Library books	7,596,790	181,367	-	7,778,157
	117,641,405	2,243,332	(794,935)	119,089,802
Less accumulated depreciation	(53,708,503)	(3,492,472)	794,935	(56,406,040)
	63,932,902	(1,249,140)	-	62,683,762
Nondepreciable:				
Land	2,823,212	-	-	2,823,212
Construction in progress	1,735,250	205,794	(11,000)	1,930,044
	4,558,462	-	(11,000)	4,753,256
Total capital assets, net	$ 68,491,364	$ 1,043,346)	$ (11,000)	$ 67,437,018

6. Long-Term Debt

In October 2001, Public Law 26-48 authorized the University to enter into a loan with the United States Department of Agriculture (USDA) for an amount not to exceed $13.5 million for the purpose of funding construction of certain facilities. The loan with USDA was signed on June 12, 2003 and construction began in March 2005. The interest rate is fixed at 4.50% per annum.

As of September 30, 2007, the entire amount was drawn down. Monthly payments of $62,505 began in July 2006. A final installment is due on June 12, 2043. The loan security agreement requires revenues derived from the operation of the facility to be transferred to an account designated for debt service, operation and maintenance of the facility. After the payment of principal and interest, $6,251 per month is required to be transferred to a reserve account until a sum of $750,060 is accumulated. In addition, the University assigned and granted to the creditor its security interest in all equipment, furniture and fixtures located at the Business and Public Administration Building.

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

Year Ending September 30,	Principal	Interest	Total
2019	$ 264,171	$ 485,889	$ 750,060
2020	276,137	473,923	750,060
2021	288,646	461,414	750,060
2022	301,721	448,339	750,060
2023	315,388	434,672	750,060
2024-2028	1,804,627	1,945,673	3,750,300
2029-2033	2,252,101	1,498,199	3,750,300
2034-2038	2,810,529	939,771	3,750,300
2039-2043	2,754,241	257,832	3,012,073
	$ 11,067,561	$ 6,945,712	$ 18,013,273

Public Law 26-48 also provided supplemental annual funding of $500,000 from the Government of Guam to pay for the loan. During each of the years ended September 30, 2018 and 2017, the University received $500,000 for this purpose.

The Foundation annually committed a donation of $200,000 to the University as a contribution for repayment of the loan through 2043. The Foundation donated $0 and $25,000 for the years ended September 30, 2018 and 2017, respectively.

7. Changes in Long-Term Liabilities

Changes in long-term liabilities in 2018 and 2017 are presented as follows:

	Outstanding October 1, 2017 As restated	Additions	Reductions	Outstanding September 30, 2018	Amount due within one year
Long-term debt	$ 11,313,585	$ -	$ 246,024	$ 11,067,561	$ 264,171
Other liabilities:					
Deposits held on behalf of others	74,453	1,318,861	1,221,602	171,712	-
Accrued annual leave	1,887,603	1,632,640	1,633,186	1,887,057	875,483
DCRS sick leave liability	3,517,295	785,595	1,361,468	2,941,422	-
Net OPEB liability	130,132,437	-	4,651,918	125,480,519	-
Net pension liability	93,255,503	603,842	9,134,943	84,724,402	-
	$ 240,180,876	$ 4,340,938	$ 18,249,141	$ 226,272,673	$ 1,139,654

7. Changes in Long-Term Liabilities, Continued

	Outstanding October 1, 2016 As restated	Additions As restated	Reductions As restated	Outstanding September 30, 2017 As restated	Amount due within one year
Long-term debt	$ 11,548,805	$ -	$ 235,220	$ 11,313,585	$ 241,226
Other liabilities:					
Deposits held on behalf of others	69,214	1,105,896	1,100,657	74,453	-
Accrued annual leave	1,850,439	1,557,601	1,520,437	1,887,603	842,121
DCRS sick leave liability	3,325,268	1,002,713	810,686	3,517,295	-
Net OPEB liability	109,724,874	20,407,563	-	130,132,437	-
Net pension liability	93,512,860	8,501,249	8,758,606	93,255,503	-
	$ 220,031,460	$ 32,575,022	$ 12,425,606	$ 240,180,876	$ 1,083,347

8. Pensions

UOG is statutorily responsible for providing pension benefits for UOG employees through the GovGuam Retirement Fund (GGRF).

A. General Information About the Pension Plans:

Plan Description: GGRF administers the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan, and the Defined Contribution Retirement System (DCRS). The DB Plan provides retirement, disability, and survivor benefits to plan members who enrolled in the plan prior to October 1, 1995. Article 1 of 4 GCA 8, Section 8105, requires that all employees of GovGuam, regardless of age or length of service, become members of the DB Plan prior to the operative date. Employees of a public corporation of GovGuam, which includes the University, have the option of becoming members of the DB Plan prior to the operative date. All employees of GovGuam, including employees of GovGuam public corporations, whose employment commences on or after October 1, 1995, are required to participate in the Defined Contribution Retirement System (DCRS). Hence, the DB Plan became a closed group.

Members of the DB Plan who retired prior to October 1, 1995, or their survivors, are eligible to receive annual supplemental annuity payments. In addition, members of the DB Plan and the DCRS Plan who retired prior to September 30, 2017 are eligible to receive an annual ad hoc cost of living allowance (COLA).

A single actuarial valuation is performed annually covering all plan members and the same contribution rate applies to each employer. GGRF issues a publicly available financial report that includes financial statements and required supplementary information for the DB Plan. That report may be obtained by writing to the Government of Guam Retirement Fund, 424 A Route 8, Maite, Guam 96910, or by visiting GGRF's website – www.ggrf.com.

Plan Membership: As of September 30, 2017 (the measurement date), plan membership consisted of the following:

DB members:	
Inactive employees or beneficiaries currently receiving benefits	7,279
Inactive employees entitled to but not yet receiving benefits	4,289
Active employees	2,058
	13,626
DCRS members:	
Active employees	9,027
	22,653

8. Pensions, Continued

A. General Information About the Pension Plans, Continued:

Benefits Provided: The DB Plan provides pension benefits to retired employees generally based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or $6,000, whichever is greater. Members who joined the DB Plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or with 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 25 years of service at any age. Members who joined the DB Plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or upon completion of 30 years of service at any age.

Members who joined the DB Plan after August 22, 1984 and prior to October 1, 1995 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or with 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or upon completion of 30 years of service at any age. Upon termination of employment before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years. In the event of disability during employment, members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds of the average of their three highest annual salaries received during years of credited service. The DB Plan also provides death benefits.

Supplemental annuity benefit payments are provided to DB retiree members in the amount of $4,238 per year, but not to exceed $40,000 per year when combined with their regular annual retirement annuity. Annual COLA payments are provided to DB retiree and DCRS members in a lump sum amount of $2,000. Both supplemental annuity benefit payments and COLA payments are made at the discretion of the Guam Legislature, but are funded on a “pay-as-you-go” basis so there is no plan trust. It is anticipated that ad hoc COLA and supplemental annuity payments will continue to be made for future years at the same level currently being paid.

On September 20, 2016, the Guam Legislature enacted Public Law 33-186, which created two new government retirement plans; the DB 1.75 Plan and the GRSP. Commencing April 1, 2017 through September 30, 2018, eligible employees may elect, during the “election window”, to participate in the DB 1.75 Plan or the GRSP with an effective date of January 1, 2018. Beginning January 1, 2018, all new employees shall be automatically enrolled in the GRSP. New employees have sixty (60) days from the date of hire to elect to participate in the DCRS.

The DB 1.75 Plan is open for participation by certain existing employees, new employees, and reemployed employees who would otherwise participate in the DC Plan or the new GRSP and who make election on a voluntary basis to participate in the DB 1.75 Plan by December 31, 2017. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 9.5% of the employee’s base salary while employer contributions are actuarially determined. Members of the DB 1.75 Plan automatically participate in the GovGuam deferred compensation plan, pursuant to which employees are required to contribute 1% of base salary as a pre-tax mandatory contribution.

8. Pensions, Continued

A. General Information About the Pension Plans, Continued:

Contributions and Funding Policy: Contribution requirements of participating employers and active members to the DB Plan are determined in accordance with Guam law. Employer contributions are actuarially determined under the One-Year Lag Methodology. Under this methodology, the actuarial valuation date is used for calculating the employer contributions for the second following fiscal year. For example the September 30, 2016 actuarial valuation was used for determining the year ended September 30, 2018 statutory contributions. Member contributions are required at 9.55% of base pay.

As a result of actuarial valuations performed as of September 30, 2016, 2015 and 2014, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2018, 2017 and 2016, respectively, have been determined as follows:

	2018	2017	2016
Normal costs (% of DB Plan payroll)	15.97%	16.27%	15.86%
Employee contributions (DB Plan employees)	9.55%	9.55%	9.54%
Employer portion of normal costs (% of DB Plan payroll)	6.42%	6.72%	6.32%
Employer portion of normal costs (% of total payroll)	1.60%	1.87%	1.94%
Unfunded liability cost (% of total payroll)	22.12%	21.60%	22.42%
Government contribution as a % of total payroll	23.72%	23.47%	24.36%
Statutory contribution rates as a % of DB Plan payroll:			
Employer	27.83%	27.41%	28.16%
Employee	9.55%	9.55%	9.54%

The University's contributions to the DB Plan for the years ending September 30, 2018, 2017 and 2016 were $2,349,323, $2,753,736 and $2,538,205, respectively, which were equal to the required contributions for the respective years then ended.

For the years ended September 30, 2018, 2017 and 2016, the University recognized ad hoc COLA and supplemental annuity payments as transfers from GovGuam, totaling $1,135,265, $1,138,186 and $1,147,164, respectively, that GovGuam's general fund paid directly for the DB Plan retirees on behalf of the University, which were equal to the statutorily required contributions.

Members of the DCRS plan, 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 into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions for the DCRS plan for the years ended September 30, 2018 and 2017 are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the DCRS. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

8. Pensions, Continued

A. General Information About the Pension Plans, Continued:

The University's contributions to the DCRS Plan for the years ended September 30, 2018, 2017 and 2016 were $4,330,724, $6,239,241 and $6,021,163, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, $3,448,947, $5,151,021 and $4,997,237 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2018, 2017 and 2016, respectively.

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

Pension Liability: At September 30, 2018 and 2017, UOG reported a net pension liability for its proportionate share of the net pension liabilities measured as of September 30, 2017 and 2016, respectively, which is comprised of the following:

	2018	2017
Defined benefit plan	$ 67,534,997	$ 80,510,523
Ad hoc COLA/supplemental annuity plan for DB retirees	13,699,135	10,844,857
Ad hoc COLA plan for DCRS retirees	3,490,270	3,298,131
Subtotal	84,724,402	94,653,511
Discount rate variance	(-)	(1,398,008)
	$ 84,724,402	$ 93,255,503

The University's proportion of the GovGuam net pension liabilities was based on the University's expected plan contributions relative to the total expected contributions received by the respective pension plans for GovGuam and GovGuam's component units. At September 30, 2018 and 2017, UOG's proportionate shares of the GovGuam net pension liabilities were as follows:

	2018	2017
Defined benefit plan	5.91%	5.88%
Ad hoc COLA/supplemental annuity plan for DB retirees	4.75%	4.73%
Ad hoc COLA plan for DCRS retirees	5.59%	5.35%

Pension Expense (Benefit): For the years ended September 30, 2018 and 2017, the University recognized pension expense (benefit) for its proportionate share of plan pension expense from the above pension plans as follows:

	2018	2017
Defined benefit plan	$ 2,055,732	$ 10,023,280
Ad hoc COLA/supplemental annuity plan for DB retirees	(3,982,136)	957,871
Ad hoc COLA plan for DCRS retirees	(309,421)	280,588
	$ (2,235,825)	$ 11,261,739

Deferred Outflows and Inflows of Resources: At September 30, 2018 and 2017, the University reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

8. Pensions, Continued

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

	2018					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ -	$ -	$ -	$ 158,582	$ 27,112
Net difference between projected and actual earnings on pension plan investments	-	3,282,113	-	-	-	-
Changes of assumptions	-	-	-	-	352,506	232,128
Contributions subsequent to the measurement date	5,798,269	-	1,135,265	-	100,000	-
Changes in proportion and difference between UOG contributions and proportionate share of contributions	95,243	-	15,083	-	121,805	-
	$ 5,893,512	$ 3,282,113	$ 1,150,348	$ -	$ 732,893	$ 259,240

	2017					
	Defined Benefit Plan		Ad Hoc COLA/SA Plan for DB		Ad Hoc COLA Plan for DCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 265,229	$ 848	$ -	$ 63,663	$ 27,761
Net difference between projected and actual earnings on pension plan investments	-	421,109	-	-	-	-
Changes of assumptions	229,235	-	11,187	-	360,187	-
Contributions subsequent to the measurement date	7,904,757	-	1,138,186	-	92,000	-
Changes in proportion and difference between UOG contributions and proportionate share of contributions	782,843	-	3,850	-	-	120,883
	$ 8,916,835	$ 686,338	$ 1,154,071	$ -	$ 515,850	$ 148,644

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2018 will be recognized in pension expense as follows:

8. Pensions, Continued

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

Year Ending September 30	Defined Benefit Plan	Ad Hoc COLA/SA Plan for DB Retirees	Ad Hoc COLA Plan for DCRS Retirees
2019	$ (638,791)	$ 15,083	$ 24,713
2020	(195,419)	-	24,713
2021	(1,403,899)	-	24,713
2022	(948,761)	-	24,713
2023	-	-	24,713
Thereafter	-	-	250,088
	$ (3,186,870	$ 15,083	$ 373,653

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

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	May 1, 2031 (14.58 years remaining as of September 30, 2016)
Asset Valuation Method:	3-year smoothed market value (effective September 30, 2009)
Inflation:	2.75% per year
Total payroll growth:	2.75% per year
Salary Increases:	4.00% to 7.50%
Retirement age:	50% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 20% until age 75, and 100% at age 75.
Mortality:	RP-2000 healthy mortality table set forward by 3 years for males and 2 years for females. Mortality for disabled lives is the RP 2000 disability mortality table set forward by 6 years for males and 4 years for females.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2011-2015.

8. Pensions, Continued

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

The investment rate assumption as of September 30, 2016 was 7%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the expected nominal return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Nominal Return
U.S. Equities (large cap)	29%	8.78%
U.S. Equities (small cap)	7%	9.45%
Non-U.S. Equities	13%	9.15%
Non-U.S. Equities (small cap)	4%	9.15%
Non-U.S. Equities (emerging markets)	1%	10.75%
U.S. Fixed Income (aggregate)	25%	4.85%
Risk parity	8%	8.36%
High yield bonds	8%	7.35%
Global Real Estate (REITs)	5%	8.71%

Changes in Actuarial Assumptions: The following changes in actuarial assumptions occurred from the September 30, 2015 valuation to the September 30, 2016 valuation:

Mortality: The mortality table used as of September 30, 2016, is the RP-2000 combined mortality table, set forward by 3 years for males and 2 years for females. The mortality table used for disabled lives is the RP-2000 disability mortality table, set forward by 6 years for males and 4 years for females. Mortality improvement is assumed to be 30% of Scale BB, projected generationally from 2016. For the prior valuation, the mortality table used was the RP-2000 combined mortality table, set forward by 4 years for males and 1 year for females. The mortality table used for disabled lives was the RP-2000 disability mortality table for males and females. No provision was made for future mortality improvement in the prior valuation.

Salary Increases: Salaries are assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.0% for service after 15 years. For the prior valuation, salaries were assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.5% for service after 15 years.

Total Payroll Growth: Total payroll for defined benefit and defined contribution members is assumed to increase 2.75% per year. For the prior valuation, total payroll for defined benefit and defined contribution members was assumed to increase 3.0% per year.

8. Pensions, Continued

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

Retirement Age: 50% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 20% of employees will retire at each year until age 75, at which time all remaining employees are assumed to retire. For the prior valuation, 40% of employees are assumed to retire when first eligible for unreduced retirement. Thereafter, 15% of employees would retire at each year until age 65, and 20% of employees would retire from age 65 until age 70, at which time all remaining employees were assumed to retire.

Rates of Disability: The assumed rates of disability are based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo table, with rates reduced by 50% for males and 75% for females. For the prior valuation, these rates were based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo, with rates reduced by 50% for both males and females.

Leave Adjustments: Unused leave is assumed to increase a member's service by 1.5 years and increases average earnings by 5% at retirement. For the prior valuation, unused leave is assumed to increase service by 1.5 years and increased average earnings by 10% at retirement.

Survivor Benefit - Minor Children: An average of 0.2 eligible child survivors is assumed at the time of a retiree's death, with payments to the child survivor continuing for 6 years. For the prior valuation, this survivor benefit was assumed to increase the value of retirement benefits by 0.67% and survivor benefits by 20% for active members.

Discount Rate: The discount rate used to measure the total pension liability for the DB Plan as of September 30, 2017 was 7.0% (6.7% as of September 30, 2016), which is equal to the expected investment rate of return. The expected investment rate of return applies to benefit payments that are funded by plan assets (including future contributions), which includes all plan benefits except supplemental annuity payments to DB retirees and ad hoc COLA to both DB and DCRS retirees. The discount rate used to measure the total pension liability for the supplemental annuity and ad hoc COLA payments as of September 30, 2017 was 3.64% (3.058% as of September 30, 2016), which is equal to the rate of return of a high quality bond index.

Discount Rate Sensitivity Analysis: The following presents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the University's proportionate share of the net pension liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Defined Benefit Plan:

	1% Decrease in Discount Rate 6.0%	Current Discount Rate 7.0%	1% Increase in Discount Rate 8.0%
Net Pension Liability	$ 93,818,806	$ 67,534,997	$ 53,509,917

8. Pensions, Continued

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees:

	1% Decrease in Discount Rate 2.64%	Current Discount Rate 3.64%	1% Increase in Discount Rate 4.64%
Net Pension Liability	$ 14,947,076	$ 13,699,135	$ 12,613,931

Ad Hoc COLA Plan for DCRS Retirees:

	1% Decrease in Discount Rate 2.64%	Current Discount Rate 3.64%	1% Increase in Discount Rate 4.64%
Net Pension Liability	$ 3,968,806	$ 3,490,270	$ 3,082,561

C. Payables to the Pension Plans:

As of September 30, 2018 and 2017, UOG recorded payables to GGRF of $381,947 and $345,715, respectively, representing statutorially required contributions unremitted as of the respective year-ends.

9. Other Post Employment Benefits (OPEB)

The University participates in the retiree health care benefits program. GovGuam's Department of Administration is responsible for administering the GovGuam Group Health Insurance Program, which provides medical, dental, and life insurance benefits to retirees, spouses, children and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The program covers retirees and is considered an other postemployment benefits plan.

A. General Information About the OPEB Plan:

Plan Description: The other postemployment benefits plan is an agent multiple-employer defined benefit plan that provides healthcare benefits to eligible employees and retirees who are members of the GovGuam Retirement Fund. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Governor's recommended budget and the annual General Appropriations Act enacted by the Guam Legislature provide for a premium level necessary for funding the program each year on a "pay-as-you-go" basis. Because the OPEB Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Plan Membership: As of September 30, 2016, the date of the most recent valuation (the actuarial valuation date), plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	7,342
Active plan members	10,282
	17,624

9. Other Post Employment Benefits (OPEB), Continued

A. General Information About the OPEB Plan, Continued:

Benefits Provided: OPEB Plan provides post employment medical, dental and life insurance benefits to the University's retirees, spouses, children and survivors, which are the same benefits as provided to active employees. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. The University contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Three types of health plans are offered to eligible participants:

- Standard islandwide Preferred Provider Organization (PPO) Plan
- High Deductible (Health Savings Account - HSA) PPO Plan
- Retiree Supplement Plan (RSP)

The PPO and HSA Plans apply to both active employees and retirees and work with set deductible amounts whereas the RSP Plan is an added option for retirees only.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established. Instead, the OPEB Plan is financed on a substantially "pay-as-you-go" basis whereby contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

B. Total OPEB Liability:

As of September 30, 2018 and 2017, UOG reported a total OPEB liability of $125,480,519 and $130,132,437, respectively, for its proportionate share of the GovGuam total OPEB liability measured as of September 30, 2017 and 2016. The following presents the University's proportion change since the prior measurement date:

Proportion at prior measurement date, September 30, 2016	5.16%
Proportion at measurement date, September 30, 2017	5.14%
Increase/(decrease) in proportion	0.02%

The total OPEB liability for the OPEB Plan was determined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 (the measurement date) using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.00%
Amortization Method:	Level dollar amount over 30 years on an open amortization period for pay-as-you-go funding.
Salary Increases:	7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.

9. Other Post Employment Benefits (OPEB), Continued

B. Total OPEB Liability, Continued:

Healthcare cost trend rates:	8% for 2016, decreasing 0.25% per year to an ultimate rate of 4.5% for 2030 and later years. Health care trend assumptions begin at current levels and grade down over a period of years to a lower level equal to some real rate plus inflation. The principal components of health trend are medical inflation, deductible erosion, cost shifting, utilization, technology and catastrophic claims. The overall effect of these components are expected to decline year by year.
Dental trend rates:	4% per year.
Participation rates:	Medical - 100% of eligible retired employees will elect to participate. Dental - 100% of eligible retires will elect to participate. Life - 100% of eligible retirees will elect to participate.
Medicare enrollment:	15% of current and future retirees are assumed to enroll in Medicare and will enroll in a Retiree Supplemental Plan upon attainment of age 65. All employees retired prior to September 30, 2008 are assumed ineligible for Medicare upon attainment of age 65 and therefore will not enroll in a Medicare Supplemental Plan.
Dependent status:	Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee. 60% of employees are assumed to retire with a covered spouse. For current retired employees, the actual census information is used.
Actuarial cost method:	Entry Age Normal. The costs of each employee's post- employment benefits are allocated as a level basis over the earnings of the employee between the employee's date of hire and the assumed exit ages.
Healthy retiree mortality rate:	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year for males and females, respectively.
Disabled Retiree mortality rates:	RP-2000 Disabled Mortality Table for males and females.
Withdrawal rates:	15% for less than 1 year of service, decreasing 1% for each additional year of service up to 10 years, further decreasing 0.5% for each additional year of service up to 15 years, and 2% for service over 15 years.

9. Employees' Retirement Plans, Continued

B. Total OPEB Liability, Continued:

Disability rates:	0.05% for beneficiaries aged 20-39 years, 0.1% - 0.53% for beneficiaries aged 40-59 years, and 0.76% for beneficiaries aged 60-64 years.

OPEB plan fiduciary net position: As of September 30, 2018 and 2017, an OPEB trust has not been established thus the OPEB Plan does not presently report OPEB plan fiduciary net position.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.63% as of September 30, 2017 (3.058% as of September 30, 2016). The projection of cash flows used to determine the discount rate assumed that contributions from the University will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 3.63% municipal bond rate as of September 30, 2017 (3.058% as of September 30, 2016) was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Total OPEB Liability:

Changes in the University's proportionate share of the total OPEB liability for the years ended September 30, 2018 and 2017 are as follows:

	2018	2017
Balance at beginning of the year	$ 130,132,437	$ 109,724,874
Changes for the year:		
Service cost	5,635,446	4,539,172
Interest	4,122,719	4,203,936
Change of assumptions	(12,509,283)	13,565,255
Benefit payments	(1,900,800)	(1,900,800)
Net change	(4,651,918)	20,407,563
Balance at end of the year	$ 125,480,519	$ 130,132,437

Sensitivity of the total OPEB liability to changes in the discount rate: The following presents the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to the University's proportionate share of the total OPEB liability if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease in Discount Rate 2.63%	Current Discount Rate 3.63%	1% Increase in Discount Rate 4.63%
Net OPEB Liability	$ 149,163,200	$ 125,480,519	$ 106,484,878

9. Employees' Retirement Plans, Continued

C. Changes in the Total OPEB Liability:

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates: The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The sensitivity analysis shows the impact to the University's proportionate share of the total OPEB liability if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease 7% Year 1 Decreasing to 3.50%	Healthcare Cost Trend Rates 8% Year 1 Decreasing to 4.50%	1% Increase 9% Year 1 Decreasing to 5.50%
Net OPEB Liability	$ 103,019,482	$ 125,480,519	$ 154,798,538

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the years ended September 30, 2018 and 2017, the University reported total OPEB expense of $8,544,954 and $10,938,213, respectively, for its proportionate share of the GovGuam total OPEB expense measured for the years ended September 30, 2017 and 2016. At September 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 9,330,200	$ 10,752,696	$ 11,597,882	$ -
Contributions subsequent to the measurement date	1,742,736	-	2,015,421	-
Changes in proportion and difference between GCC contributions and proportionate share of contributions	-	131,541	-	227,732
	$ 11,072,936	$ 10,884,237	$ 13,613,303	$ 227,732

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to OPEBs that will be subsequently recognized in OPEB expense are shown in the following table:

Year Ended September 30	
2019	$ 183,855
2020	183,855
2021	183,855
2022	183,855
2023	(2,064,871)
Thereafter	(224,586)
	$ (1,554,037)

10. 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, at September 30, 2018 and 2017, $4,191,424 and $4,362,522, respectively, of outstanding purchase orders and purchase commitments are not reported in the financial statements.

11. Commitments and Contingencies

Litigation

The University is a defendant in several legal actions. The ultimate outcome is presently undeterminable; however, University management is of the opinion that resolution of these matters will not have a material effect on the accompanying financial statements.

General Obligation Bonds

In October 1993, the Government of Guam issued $175 million of general obligation bonds to fund the construction of certain educational facilities with $28 million being earmarked for certain construction projects at the University of Guam. The University is mandated by Public Law No. 22-19 (as amended by Public Law 23-14) to establish a bond fund and deposit all tuition revenues in the bond fund. Monthly remittances are transferred by the University to the Government of Guam's General Fund to cover the University's proportionate share of principal and interest payments of the bond.

At the end of each fiscal year, the balance remaining in the bond fund established by the University shall be retained by the University. Once the University's proportionate share of the principal and interest obligation is satisfied on or about November 2018, the University shall retain control of all future revenues thereafter. For each of the years ended September 30, 2018 and 2017, total payments remitted to the Government of Guam's General Fund of $2,027,788 and $2,027,283, respectively, are recorded as debt service - DOA bond.

Government of Guam Merit System

In 1991, Public Law 21-59 was enacted to establish a bonus system for employees of the Government of Guam, autonomous and semi-autonomous agencies, public corporations and other public instrumentalities of the Government of Guam who earn a superior performance grade. The bonus is calculated at 3.5% of the employee’s base salary beginning in 1991. The University recorded liabilities for merit bonuses of $0 as of September 30, 2018 and 2017.

Medicare

The Government of Guam and its component units, including the University, 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 University 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.

11. Commitments and Contingencies, Continued

Lease Agreement with UOG Endowment Foundation (the Foundation)

On October 6, 2016, the University signed a facilities lease agreement with the Foundation for the lease of UOG Student Success Center College of Natural and Applied Sciences – Engineering Anex (the Facilities), for a period of forty-years up to August 25, 2056. The construction of the Facilities are to financed by the Foundation from a loan with the U.S. Department of Agriculture (USDA).

Future minimum lease payments as of September 30, 2018 are as follows:

Year Ending September 30	Amount
2019	$ 869,736
2020	869,736
2021	869,736
2022	869,736
2023	869,736
Thereafter	28,701,288
Total	$ 33,049,968

12. Related Party

The University has assessed related party transactions and has concluded that none are material to the accompanying financial statements.

13. Due from Government of Guam

Due from Government of Guam consists of receivables from the GovGuam General Fund. During the year ended September 30, 2018, the University believed that it would collect the total amount appropriated from the General Fund. As of January 2019, $4,536,627 of appropriations have not been collected and would not necessarily be funded and as a result, the University reduced its aggregate Government of Guam appropriations as follows:

Appropriations per law	$ 39,416,366
Less amount that may not be collected	(4,536,627)
Less amount collected in FY 2019 against FY 2018 continuing appropriation	(1,102,349)
Net appropriations	$ 33,777,390

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

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

Defined Benefit Plan

	2018	2017	2016	2015	2014
Total net pension liability	$ 1,142,249,393	$ 1,368,645,126	$ 1,436,814,230	$ 1,246,306,754	$ 1,303,304,636
UOG's proportionate share of the net pension liability	$ 67,534,997	$ 80,510,523	$ 81,001,196	$ 68,326,815	$ 78,004,153
UOG's proportion of the net pension liability	5.91%	5.88%	5.64%	5.48%	5.99%
UOG's covered-employee payroll**	$ 30,053,044	$ 29,784,398	$ 28,828,564	$ 27,682,709	$ 27,552,299
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	224.72%	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	60.63%	54.62%	52.32%	56.60%	53.94%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

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

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

	2018	2017	2016
Total net pension liability***	$ 288,147,121	$ 229,486,687	$ 235,799,709
UOG's proportionate share of the net pension liability	$ 13,699,135	$ 10,844,857	$ 11,126,455
UOG's proportion of the net pension liability	4.75%	4.73%	4.72%
UOG's covered-employee payroll**	$ 24,165,700	$ 23,927,282	$ 24,129,357
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	56.69%	45.32%	46.11%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

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

Ad Hoc COLA Plan for DCRS Retirees

	2018	2017	2016
Total net pension liability***	$ 62,445,490	$ 61,688,067	$ 52,115,736
UOG's proportionate share of the net pension liability	$ 3,490,270	$ 3,298,131	$ 2,783,217
UOG's proportion of the net pension liability	5.59%	5.35%	5.34%
UOG's covered-employee payroll**	$ 21,059,724	$ 19,518,316	$ 19,006,437
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	16.57%	16.90%	14.64%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.
*** No assets accumulated in a trust to pay benefits.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

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

	2018	2017	2016	2015	2014
Statutorily required contribution	$ 7,406,814	$ 7,318,972	$ 7,582,871	$ 7,352,199	$ 7,404,564
Contribution in relation to the statutorily determined contribution	7,904,757	7,535,442	7,796,236	7,611,247	7,307,020
Contribution deficiency (excess)	$ (497,943)	$ (216,470)	$ (213,365)	$ (259,048)	$ 97,544
UOG's covered-employee payroll **	$ 30,053,044	$ 29,784,398	$ 28,828,564	$ 27,682,709	$ 27,552,299
Contribution as a percentage of covered-employee payroll	26.30%	25.30%	27.04%	27.49%	26.52%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information
Schedule of Changes in the Proportionate Share of the Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2018	2017	2016
Total OPEB Liability:			
Service cost	$ 5,635,446	$ 4,539,172	
Interest	4,122,719	4,203,936	
Changes of benefit terms	-	-	
Differences between expected and actual experience	-	-	
Changes of assumptions	(12,509,283)	13,565,255	
Benefit payments	(1,900,800)	(1,900,800)	
Net change in total OPEB liability	$ (4,651,918)	$ 20,407,563	
Net OPEB liability - beginning	130,132,437	109,724,874	
Net OPEB liability - ending	125,480,519	130,132,437	$ 109,724,874
Covered-employee payroll	28,740,742	28,740,742	
UOG's total OPEB liability as a percentage of covered-employee payroll	436.59%	452.78%	
Notes to schedule			
Discount rate	3.63%	3.058%	3.71%

Changes of benefit terms:
None.

Changes of assumptions:
Discount rate has changed from respective measurement dates.

* Information for 2009-2015 is not available
** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information (Unaudited)
Schedule of Proportionate Share of the Total OPEB Liability
Last 10 Fiscal Years*

	2018	2017
Total OPEB liability **	$ 2,431,048,672	$ 2,532,753,040
UOG's proportionate share of the total OPEB liability	$ 125,480,519	130,132,437
UOG's proportionate of the total OPEB liability	5.16%	5.14%
UOG's covered-employee payroll	28,740,742	$ 28,740,742
UOG's proportionate share of the total OPEB liability as percentage of its covered-employee payroll	436.59%	452.78%

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

** No assets accumulated in a trust to pay the benefits.

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Required Supplemental Information
Schedule of OPEB Contributions
Last 10 Fiscal Years*

	2018	2017
Actuarially determined contribution	$ 12,496,650	$ 10,832,208
Contribution in relation to the actuarially determined contribution	1,900,800	1,900,800
Contribution deficiency	$ 10,595,850	$ 8,931,408
UOG's covered-employee payroll **	$ 28,740,742	$ 28,740,742
Contribution as a percentage of covered-employee payroll	6.61%	6.61%

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of September 30, 2016.

Method and assumptions used to determine contributions rates:

Actuarial cost method:	Entry age normal.
Amortization method:	Level dollar amount on an open amortization period for pay-as-you-go fund
Amortization period:	30 years
Inflation:	3%
Healthcare cost trend rates:	8% initial, decreasing 0.25% per year to an ultimate rate of 4.5%
Salary increase:	4.5% to 7.5%
Mortality (Healthy Retiree):	RP-2000 Combined Healthy Mortality Table, set forward 4 years and 1 year males and females, respectively.
Mortality (Disabled Retiree):	RP-2000 Disabled Mortality Table for males and females.

* Information for 2009 - 2016 is not available

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Salaries, Wages and Benefits
Years Ended September 30, 2018 and 2017

	2018	2017 As Restated
Salaries and wages:		
Funded by local funds	$ 23,861,867	$ 23,010,168
Federal funds	5,708,319	5,485,085
General operations and federal funds	3,726,297	3,632,457
Other funding sources	6,347,855	5,431,726
Total salaries and wages	39,644,338	37,559,436
Benefits:		
Funded by local funds	13,042,062	21,314,292
Federal funds	937,347	899,808
General operations and federal funds	1,253,868	1,177,031
Other funding sources	1,052,623	903,288
Total benefits	16,285,900	24,294,419
Total salaries, wages and benefits	$ 55,930,238	$ 61,853,855

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Expenses by Object Category
Years Ended September 30, 2018 and 2017

	2018		2017, As Restated	
	Unrestricted	Restricted	Unrestricted	Restricted
Instruction:				
Salaries and wages	$ 14,177,024	$ 154,835	$ 12,956,782	$ 201,665
Benefits	5,351,541	54,161	7,326,332	65,240
Travel	93,786	72,118	82,462	119,816
Contracts	908,427	415,053	487,247	393,160
Supplies	129,800	52,163	138,892	28,434
Equipment	30,924	16,234	35,146	8,952
Capital outlay	22,970	-	39,740	-
Utilities	23,366	-	13,280	-
Miscellaneous	918,122	66,681	324,341	58,492
	$ 21,655,960	$ 831,245	$ 21,404,222	$ 875,759
Public service:				
Salaries and wages	$ 220,973	$ 3,970,282	$ 200,982	$ 3,832,476
Benefits	788,857	1,188,542	1,851,439	1,098,869
Travel	1,409	526,387	31,779	467,042
Contracts	2,007,409	852,583	2,178,004	801,245
Supplies	24,511	400,620	18,211	301,739
Equipment	10,734	134,525	15,476	108,386
Capital outlay	-	99,550	3,531	8,902
Utilities	3,669	8,759	-	-
Miscellaneous	30,319	441,158	343,510	453,582
	$ 3,087,881	$ 7,622,406	$ 4,642,932	$ 7,072,241
Research:				
Salaries and wages	$ 1,733,025	$ 4,838,837	$ 1,668,305	$ 4,698,625
Benefits	1,531,078	984,696	2,869,039	947,517
Travel	25,881	1,026,011	21,726	944,336
Contracts	256,274	1,231,617	254,228	1,046,231
Supplies	90,859	759,103	90,425	680,557
Equipment	69,863	264,230	33,310	317,926
Capital outlay	62,531	423,485	1,937	-
Utilities	644	374	8,666	260,753
Miscellaneous	68,426	1,279,531	102,249	1,595,561
	$ 3,838,581	$ 10,807,884	$ 5,049,885	$ 10,491,506

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2018 and 2017

	2018		2017, As Restated	
	Unrestricted	Restricted	Unrestricted	Restricted
Operational and maintenance, plant:				
Salaries and wages	$ 1,654,288	$ -	$ 1,747,158	$ -
Benefits	1,178,448	-	1,549,686	-
Travel	-	-	-	-
Contracts	634,890	476,093	575,067	-
Supplies	319,059	-	482,816	-
Equipment	71,988	-	192,373	-
Capital outlay	327,154	149,032	1,661,002	-
Utilities	3,627,579	-	(23,606)	-
Miscellaneous	3,175	-	(3,686)	-
	$ 7,816,581	$ 625,125	$ 6,180,810	$ -
Scholarships and fellowships:				
Miscellaneous	$ 221,360	$ 8,931,975	$ 264,622	$ 9,770,607
Institutional support:				
Salaries and wages	$ 3,752,167	$ 272,281	$ 3,577,132	$ 206,906
Benefits	1,331,925	51,376	3,056,528	58,432
Travel	333,899	50,534	203,475	22,670
Contracts	2,553,454	136,839	2,365,550	88,005
Supplies	77,508	-	79,626	725
Equipment	68,905	25,000	51,292	3,582
Capital outlay	444,806	-	646	-
Utilities	373	-	92,040	-
Miscellaneous	411,190	5,685	403,499	9,325
	$ 8,974,227	$ 541,715	$ 9,829,788	$ 389,645

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2018 and 2017

	2018		2017, As Restated	
	Unrestricted	Restricted	Unrestricted	Restricted
Academic support:				
Salaries and wages	$ 5,924,236	$ -	$ 5,761,189	$ -
Benefits	2,550,483	-	3,735,703	-
Travel	567,044	-	262,058	-
Contracts	920,838	-	1,511,410	-
Supplies	374,141	-	226,283	7,000
Equipment	382,733	-	314,503	-
Capital outlay	263,658	-	3,925	-
Utilities	4,662	-	221,210	-
Miscellaneous	329,133	-	230,734	-
	$ 11,316,928	$ -	$ 12,267,015	$ 7,000
Student services:				
Salaries and wages	$ 1,834,728	$ 497,790	$ 1,621,862	$ 479,472
Benefits	866,752	15,459	1,180,395	4,208
Travel	61,865	81	43,618	-
Contracts	140,214	11,012	68,242	-
Supplies	33,982	1,429	50,119	390
Equipment	16,541	-	23,871	4,011
Capital outlay	-	-	52,820	-
Utilities	54,361	-	-	-
Miscellaneous	209,047	2,483	198,469	278
	$ 3,217,490	$ 528,254	$ 3,239,396	$ 488,359
Auxiliary enterprises:				
Salaries and wages	$ 613,872	$ -	$ 606,882	$ -
Benefits	392,582	-	551,031	-
Travel	7,936	-	5,055	-
Contracts	132,786	-	126,484	-
Supplies	69,538	-	72,019	-
Equipment	4,307	-	18,066	-
Capital outlay	-	-	760,124	-
Utilities	261,287	-	-	-
Miscellaneous	1,521,824	-	211,670	-
	$ 3,004,132	$ -	$ 2,351,331	$ -

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Employee Information
Years Ended September 30, 2018 and 2017

	2018	2017
Funded by:		
Local funds	426	437
Federal funds	237	168
General operations and federal funds	113	124
Other funding sources	426	346
	1,202	1,075

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Total Revenue Information
Years Ended September 30, 2018 and 2017

	2018	2017
University-generated revenues:		
Tuition and fees (gross)	$ 24,727,549	$ 24,653,185
Scholarship and tuition discounts	(11,147,587)	(11,567,149)
Grants and contracts, net	33,460,318	32,705,091
Auxiliary enterprises and other revenues	11,010,064	8,667,728
Total University-generated revenues	58,050,344	54,458,855
Government of Guam appropriations (excluding retiree healthcare costs and other pension benefits appropriations)	33,175,041	29,415,063
Total revenues (excluding investment income, bad debts provision and retiree healthcare and other pension benefits appropriations)	$ 91,225,385	$ 83,873,918
Supplemental information:		
Net investment income (loss)	$ 1,736,947	$ 2,355,658
Provision for bad debts	$ (1,015,086)	$ (449,519)
Retiree healthcare costs and other pension benefits appropriations	$ 2,978,001	$ 3,245,607

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
(A Component Unit of the Government of Guam)

Schedules of Fund Restriction Matrix
Years Ended September 30, 2018 and 2017

		2018			2017		
		Unrestricted	Restricted, expendable	Restricted, nonexpendable	Unrestricted	Restricted, expendable	Restricted, nonexpendable
Land Grant	Granted in lieu of property. Treated as an endowment in accordance with industry standards. Corpus grows each year with inflation. May not be used for the purchase, erection, preservation, or repair and any building or buildings.	$ -	$ 11,297,678	$ 3,000,000	$ -	$ 10,314,339	$ 3,000,000
Siu Lin Tan	Irrecoverable endowment to the University for the purpose of educating students with interests in China or from SBPA.	-	-	694,357	-	-	656,223
Maman Ling's Education Fund	Endowment to educate descendants	-	-	532,151	-	-	418,472
Mac's Corporation	Amounts in excess of corpus to be utilized for School of Nursing	-	-	141,377	-	-	131,653
Chin Ho Foundation	School of Business Textbooks	-	-	19,751	-	-	18,392
Governor Bill Daniel	Never established	-	-	11,769	-	-	10,960
Delores P. De Leon Memorial Fund	For SNHS purposes	-	-	38,285	-	-	35,652
Harry Guthertz Memorial Scholarship	Scholarship in Public Service and Entrepreneurship	-	-	10,376	-	-	9,663
Planetarium Maintenance Fund	To be utilized for planetarium or science purposes	-	-	322,866	-	-	300,661
Tobacco Funds (BoG)	90%of earnings can be used to develop learning resources	-	398,650	2,191,566	-	387,384	1,791,865
Faculty and Staff Development Fund	Restricted for funding shortfalls for Student Center and Engineering Annex shortfalls	-	351,933	2,300,000	-	2,418,711	-
Campus Maintenance Fund	Restricted for funding of deferred maintenance projects on campus.	-	1,485,202	-	-	1,383,006	-
Dorm Renewal and Replacement Fund	Fund established to provide an additional source of funding for the dormitories. Board will increase corpus amount.	741,269	150,000	-	679,971	150,000	-
Self Insurance Fund	To help pay for damages and loss prevention in light of the significant deductibles in the University's insurance programs.	-	213,263	-	-	198,596	-
International Accounting Institute Fund	Restricted for the purposes of making bond payments on the SBPA Bldg and for maintenance and improvements of the SBPA Bldg.	-	5,291,050	-	-	5,358,181	-
Guam Cancer Trust Fund	May be used for specific cancer related purposes.	-	4,992,546	-	-	4,425,142	-
Tuition and other funds	Tuition funds received which need to be allocated over the semester plus other funds	5,831,439	-	-	13,868,311	-	-
General Fund	Used as a balancing fund	9,924,281	-	-	2,669,821	-	-
		$ 16,496,989	$ 24,180,322	$ 9,262,498	$ 17,218,103	$ 24,635,359	$ 6,373,541

See Accompanying Independent Auditors' Report.

Notes to the Schedules of Fund Restriction Matrix

The University's cash allotments from the Government have been reduced in recent years. In an effort to provide greater transparency, the University is providing a breakdown of some of its funding held in investment funds.

UOG's accreditation agency – the Western Association of Schools and Colleges (WASC) – has made financial reserves a key component of an accreditation review. They believe that a University that begins a semester must have some financial visibility of being able to complete the semester. The University collects tuition payments from students in return for a semester of education. It would not be in keeping with best practices for a University to have to close down in the middle of the semester due to funding shortfalls. WASC has made financial sustainability one of the key criteria they look at when determining the accreditation status of a University. WASC has encouraged the University to establish reserve funds to ensure that University operations can continue through a semester during times when the Government of Guam is undergoing a significant crisis such as an earthquake or tsunami that may cause a disruption in the timing of appropriation payments.

Below is an explanation of reserve funds held by the University:

Tobacco Funds. A corpus investment amount was provided to the University. 90% of investment earnings are allowed to be expended. The remaining 10% is added to the corpus to ensure the corpus grows over time.

Land Grant Funds. $3 million was granted to the University in 1974. There are certain restrictions on the funds such as not using the funds to construct a building, etc. The Board of Regents has established an industry standard mechanism for allowing earnings to be utilized and allowing the corpus to grow over time. The University is allowed to expend funds in excess of the inflation adjusted value of the initial $3 million grant using the U.S. Consumer Price Index. As of September 30, 2018, the inflation adjusted value of the funds was $15,361,400.

Guam Cancer Trust Fund. The amount is fully restricted by law.

International Accounting Institute. The Board of Regents has reserved the fund as a source for debt service for the construction loan for the School of Business and Public Administration and for building maintenance. Funds are earned by the SBPA in extending certification examinations to international students.

Endowment Funds. Funds established for the purpose of providing scholarships to students.

Planetarium maintenance fund. Funds restricted to uses benefitting sciences.

Faculty and Staff Development Fund. Funds were set aside by the Board of Regents for the purpose of providing space for Faculty Development and Staff Development. Funds have been restricted by United States Department of Agriculture for the purpose of providing for cost overruns for the Student Success Center and Engineering Annex Construction.

Dorm Replacement and Renewal Fund. Funding set aside by the Board of Regents for the purpose of providing a regular source of funding for dormitory maintenance.

Self-Insurance Fund. Funds set aside for insurance deductibles and self-insurance programs.

See accompanying independent auditors' report.