



OFFICE OF THE PUBLIC AUDITOR

**Guam Community College
FY 2006 Financial Statement Highlights**

June 1, 2007

For the sixth-consecutive fiscal year, the Guam Community College (GCC) qualified as a low-risk auditee, as there were no questioned costs or unresolved prior year audit findings. However, GCC's fiscal year (FY) 2006 financial statements, prepared by Deloitte & Touche, reported a decrease in net assets of \$682,000 compared to an increase of \$1.9 million in the prior year. The loss is primarily attributed to GCC not receiving its entire FY 2006 appropriation of \$14.6 million, leaving a balance of \$2.6 million. Had it not been for this, GCC would have had an increase in net assets of \$1.9 million.

Revenues for GCC decreased slightly, going from \$22.2 million to \$22.1 million. The major sources of revenues for GCC continue to come from government of Guam appropriations (\$11.1 million compared to \$12.9 million in the prior year), federal grants and contracts (\$5.8 million), and student tuition and fees, contracted educational services, and auxiliary enterprises (\$4.6 million).

Total expenses increased by \$2.5 million, going from \$20.3 million to \$22.8 million. The increase in expenses came from operations and maintenance, plant (\$2.4 million versus \$1.5 million in 2005), student services (\$3.1 million versus \$2.2 million in 2005), planning (\$613,000 versus \$235,000 in 2005), and institutional support (\$3.5 million versus \$3.1 million in 2005). At the end of FY 2006, there were 209 employees at GCC, with 12 being paid with federal funds. Total salaries and wages increased \$563,000, going from \$12.4 million to \$13 million.

In FY 2006, GCC completed several construction projects, including the Technology Center, the Multipurpose Auditorium, and the Water Pump at a \$6 million cost. In the past, GCC received a \$2.4 million loan from the US Department of Education (USDOE) for the construction of a college dormitory. Due to the aftermath of Super Typhoon Pongsona, the facility was converted to GCC's principal administration building. The original purpose of this loan was not met, so USDOE may call the loan. GCC is currently exploring other possibilities to work on the repayment of this loan on a long-term basis.

The Accrediting Commission for Colleges and Junior Colleges, Western Association for Schools and Colleges (ACCJC – WASC) also visited GCC in FY 2006. GCC was granted a reaffirmation for their accreditation and the accrediting team's next scheduled visit is in 2012.

In March 2007, Standard & Poor's placed the government of Guam on a "CreditWatch with negative implications." The report stated that "the action is based on the government's disclosure of the need to borrow up to \$6 million from local banks to meet its current payroll obligation for public school system employees. The liquidity crisis is directly attributed to Guam's long-term structural financial imbalance, with recurring deficits, a large and growing negative general fund balance, and massive long-term liabilities."

Due to the liquidity crisis of the General Fund, GCC did not receive its entire appropriation of \$14.6 million. The Department of Administration and GCC have come to an agreement reflecting an appropriation balance of \$2.6 million for FY 2006, with GCC agreeing to forgo \$267,000 for FY 2006. DOA has yet to pay the FY 2006 appropriation balance. GCC has \$2.4 million in cash and equivalents and \$1.7 million in investments from the tobacco settlement agreement.

The GCC Endowment Foundation (GCC Foundation) is in its third year of reporting as part of the Guam Community College's financial statements. The GCC Foundation recorded a decrease in investment income, going from \$765,000 to \$695,000, a \$70,000 decrease. Expenditure also decreased, going from \$155,000 to \$70,000, an \$85,000 decrease.

The independent auditor's Report on Compliance with Laws and Regulations noted two findings relating to the cash management of single audit funds and federal aid disbursed to students. In a separate Management Letter, there were two findings pertaining to the capitalization policy and the recording of depreciation. For a more detailed commentary of GCC's operations, refer to the Management Discussion and Analysis in the audit report.