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Guam Community College – FY 2022 Financial Highlights

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Hagåtña, Guam – The Guam Community College (GCC) closed fiscal year (FY) 2022 with a negative net position of \$31.5 million (M), which was a positive change of \$4M from FY 2021's negative net position of \$35.5M¹. The improvement is largely due to increases in current assets and accounts receivable of \$4.4M and \$1.5M, respectively, and a decrease in non-current liabilities of \$2.8M. Current assets increased primarily due to increases in Higher Education Emergency Relief Fund (CARES Act) funding; Education Stabilization Fund funding via a memorandum of understanding with the Office of the Lieutenant Governor – Guam State Clearinghouse; and accounts receivable.

Independent auditors Ernst & Young LLP (EY) rendered an unmodified (clean) opinion on GCC's financial statements and compliance over major federal programs; however, EY noted two findings in its report on compliance and internal control. EY also issued a separate management letter noting deficiencies in internal control over financial reporting. GCC is commended for qualifying as a low-risk auditee for the 22nd consecutive year and is the only government of Guam (GovGuam) agency to reach this milestone.

Slight Decrease in General Fund and Increase in Manpower Development Fund Appropriations

GCC received \$20.2M in appropriations in FY 2022, which decreased by \$217 thousand (K) (or 1%) from FY 2021's total of \$20.4M. GovGuam appropriations serve as the funding source for the majority of GCC's salaries, benefits, and utility costs, as well as personnel costs for the postsecondary career and technical education programs held on the GCC campus and at the six secondary high schools. FY 2022 appropriations also included funding of \$200K for the debt service pertaining to the construction of Building 100 and the expansion of the Director Gregorio G. Perez Forensic Lab; \$200K to support high school students pursuing postsecondary education under the First Generation Trust Fund; as well as \$78.5K to establish the Scholarship Office for the administration of the Western Interstate Commission for Higher Education Professional Student Exchange Program. GCC, however, received a 22% increase – from \$3.2M in FY 2021 to \$3.9M in FY 2022 – in appropriations from the Manpower Development Fund due to the increase in registration fees of non-migrant temporary workers.

Recovery from Pandemic Effects

Academic Year 2021-2022 marked GCC's 45th Anniversary in serving the island community's workforce through education and training. GCC saw a slight uptick in student enrollment during the Spring, Summer, and Fall 2022 semesters when compared to 2021 levels. The largest increase was for GCC's Summer 2022 enrollment (23%), which was attributed to GCC's pilot Criminal Justice program that was free for high school students and the beginning of the Department of Interior Baking Cohort III. This slight uptick in enrollment is mirrored in the \$543K increase in net student tuition and fees from FY 2021's total of \$2.3M.

¹ GCC's FY 2021 net position was restated from \$(34,260,259) to \$(35,518,653) as a result of the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*.

GCC earned \$34.2M in total revenues, which consisted of GovGuam appropriations of \$22M (64%); federal grants and contracts of \$6.5M (19%); net student tuition and fees of \$2.9M (8%); auxiliary enterprises of \$1.6M (5%); and other revenues of \$1.3M (4%).

GCC utilized federal pandemic funds to upgrade the campus network infrastructure, replace old air conditioning units and add air purification systems, and outdoor benches to allow for social distancing. In addition, GCC will utilize \$590K in federal pandemic funds for the disbursement of additional emergency student aid payments to be paid for the Fall 2022 and Spring 2023 semesters.

GCC Foundation

The GCC Foundation (Foundation) is a non-profit, public benefit corporation that operates under a separate Board of Governors from GCC. The Foundation provides financial support for GCC's objectives, purposes and programs. Resources held and invested by the Foundation are restricted to GCC's activities. As of FY 2022, GCC recorded net receivables from the Foundation of \$1.6M representing net payments by GCC on behalf of the Foundation accumulated throughout the years. The Foundation closed FY 2022 with a decrease in net assets (net loss) of \$3.7M, compared to FY 2021's net income of \$5.1M. The decrease in net assets is largely attributed to \$3.5M in losses from the Foundation's investments.

Report on Compliance and Internal Control and Management Letter

The independent auditors noted two findings – one material weakness² and one significant deficiency³ – regarding GCC's adult education grant from the United States Department of Education (USDOE) in its report on compliance and internal control. The material weakness was related to the charging of tuition and fees for students who attended GCC's Career and Technical Education programs as part of their Adult Education program. The significant deficiency was related to the charging of USDOE grant funds for program costs after the end of FY 2021. There were no questioned costs reported relative to these findings, as GCC returned \$59.7K to USDOE and reallocated \$10.9K in costs to an award which allowed for charges up to the end of FY 2022.

EY noted three deficiencies in internal control over financial reporting in a separate management letter concerning GCC's need to: (1) formalize the internal control policies and procedures in maintaining and collecting receivables from the Foundation; (2) revisit its policy to consider the age of receivables, prior knowledge about customer and historical collection experience in calculating the allowance for doubtful accounts; and (3) eliminate all internal revenues and costs it records when reporting the financial statements to external parties and regulators.

For more details on GCC's operations, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.guamcc.edu.

² A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

³ A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.