

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

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

**YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(AS RESTATED)**

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

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Years Ended September 30, 2017 and 2016

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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, 2017 and 2016, 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 \$5,207,735 and \$5,530,535 as of December 31, 2016 and 2015, respectively.

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, 2017 and 2016, 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, 2016 and 2015, 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 2017, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. As a result of adopting this standard, the University has elected to restate its 2016 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 Schedule of Funding Progress and Actuarial Accrued Liability-Post Employment Benefits Other than Pension on page 52, the Schedule of Proportional Share of the Net Pension Liability on pages 53 through 55, and the Schedule of Pension Contributions on page 56, 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

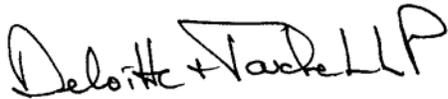
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The schedules of salaries, wages and benefits and the schedules of expenses by object category on pages 57 through 60 and the schedules of total revenue information on page 62 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, and the schedules of total revenue information 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.

The schedule of employee information on page 61 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, 2018, 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.

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

May 2, 2018

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

Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

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, 2017. 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 3,917 students (Fall'17) are multicultural, multilingual and 47% Pacific Islander, 46% Asian, 7% other. We offer 14 master's and 26 bachelor's degree programs. Continuing education, professional development and English language training are available. Our 861 employees, include 176 full-time faculty, 43 administrators and 320 full time staff and 322 part-time staff and faculty adjuncts.

The Leadership. A nine-member Board of Regents governs the University. Antoinette D. Sanford is the Board Chairperson; Elizabeth C. Gayle is Vice Chairperson; Elvin Y. Chiang is Treasurer and audit committee chair; Robert A. Underwood, Ed.D., is the University's 10th President; Anita Borja Enriquez, DBA, is Senior Vice President for Academic and Student Affairs; Randall V. Wiegand is Vice President for Administration and Finance; Rommel Hidalgo is Chief Information Officer; 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 Underwood, we have embarked on a Good to Great (G2G) process as an expansion of the Leading Change initiative, and have three other identified initiatives: the Natural Choice, UOG Green and Leading Change.

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). 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.

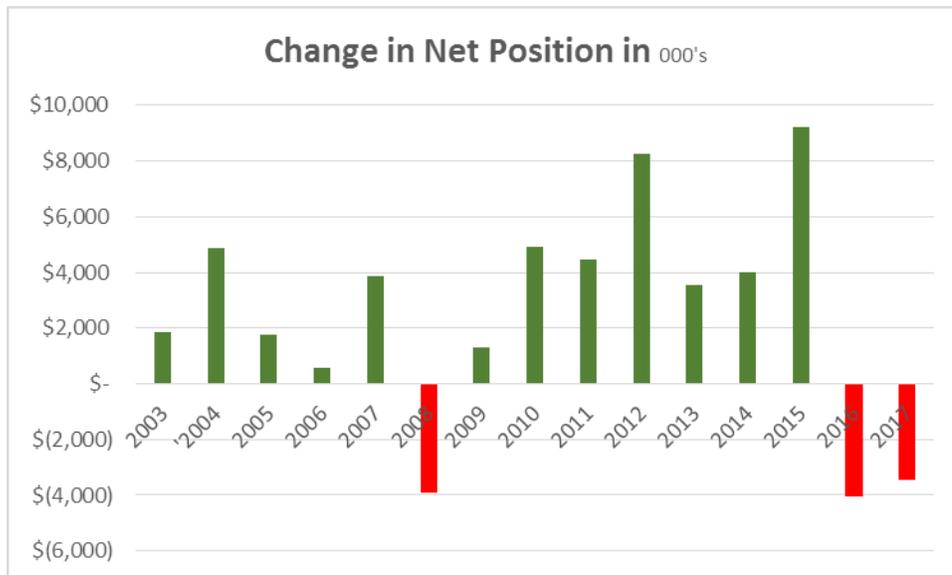
UNIVERSITY OF GUAM
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Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

FY2017 FINANCIAL HIGHLIGHTS AND STRATEGIC INSTITUTIONAL OUTCOMES

During Fiscal Year 2015 the University implemented GASB 68 and 71 which have had a significant impact on the University's financial statements. For the year ended September 30, 2017, the University's net position decreased by \$3.4 million. The primary factors for the FY17 decrease are the following:

- The University had a shortfall in appropriations payments of \$7.5 million for operations and about \$0.6 million for the Student Financial Aid Program (SFAP).
- The University has been under tight expenditure controls for the last two years. As of September 30, 2017 the University received approximately \$21 million of its \$30.7 million general operations appropriation. UOG was advised that the remainder would be paid when a government settlement is received. In December 2017 some additional payments were received but were not booked in the General Fund as 2018 revenues. This was the result of a change in procedures at the Department of Administration. The uncertain and inconsistent cash flows have made financial management very difficult. The change in reporting procedure caused the University to have a loss for the year.
- The University benefitted from a nearly \$2.4 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.



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Important financial data include:

- There has been a financial loss for two consecutive years and for the third time in 15 years.
- Enrollment for the Fanuchanan semester (Fall) 2017 was 3917 – close to the record enrollment of 3,991. The University generates 63% of revenues; GovGuam provides 37%.
- Grants and contracts were slightly over \$30 million for the second year in a row. This appears to be the new normal level for the next few years.
- Expenses have remained flat as a result of budget constraints.

Significant institutional outcomes that affect financial statements and resources include:

- The implementation of the first tuition increases in six years. The increases were received with little opposition as interested parties have recognized UOG ranks among the lowest cost public universities and no other public university in the country had gone through the last several years without an increase.
- Fall'18 FTE enrollment was a near record 3,917 students. The 46,833 credit hours production was also slightly under the highest on record.
- 587 undergraduate and graduate degrees were conferred in Academic Year'15-16. Alumni now number 16,900. They are the professional backbone and leadership of our island and region.
- GOREX – the Guam Open Research and Education Exchange was initiated during the year. 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.

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Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

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)

	<u>2017</u>	<u>2016</u> <u>As Restated</u>	<u>2015</u> <u>As Restated</u>
Noncapital assets	\$ 68,269	\$ 68,768	\$ 72,045
Capital assets	67,437	68,491	70,183
Deferred outflows of resources	<u>10,590</u>	<u>12,553</u>	<u>9,267</u>
Total assets and deferred outflows of resources	\$ <u>146,296</u>	\$ <u>149,812</u>	\$ <u>151,495</u>
Current liabilities	\$ 14,379	\$ 14,780	\$ 15,414
Noncurrent liabilities	108,965	109,291	96,305
Deferred inflows of resources	<u>838</u>	<u>185</u>	<u>7,385</u>
Total liabilities and deferred inflows of resources	<u>124,182</u>	<u>124,256</u>	<u>119,104</u>
Net investment in capital assets	56,122	56,943	58,284
Restricted, nonexpendable	5,127	5,127	5,127
Restricted, expendable	5,816	4,827	4,146
Unrestricted	<u>(44,951)</u>	<u>(41,341)</u>	<u>(35,157)</u>
Total net position	<u>22,114</u>	<u>25,556</u>	<u>32,391</u>
Total liabilities, deferred inflow of resources and net position	\$ <u>146,296</u>	\$ <u>149,812</u>	\$ <u>151,495</u>

For the last two years the overall financial condition of the University has been stable. The significant changes have been in the deferred outflows and inflows of resources accounts as a result of the implementation of GASB No. 68 and the change in liabilities as a result of the implementation of GASB No. 73. 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.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

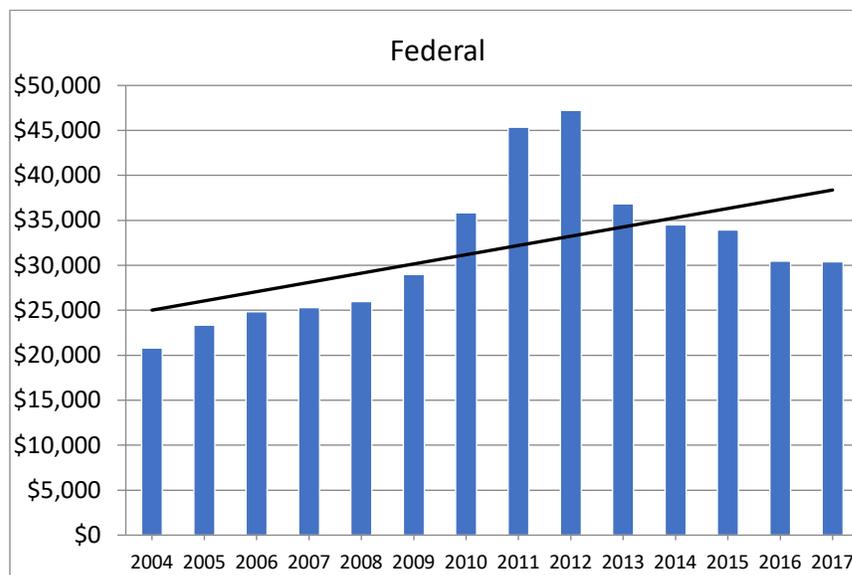
The statement of revenues, expenses and changes in net position provides details of operating and non-operating revenues and expenditures, similar to an income statement.

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

	<u>2017</u>	<u>2016</u> <u>As Restated</u>	<u>2015</u> <u>As Restated</u>
Operating Revenues, Net	\$ 54,009	\$ 54,210	\$ 54,190
Operating Expenses	<u>90,125</u>	<u>94,947</u>	<u>83,085</u>
Operating Revenues Net of Operating Expenses ¹	(36,116)	(40,737)	(28,895)
Non-Operating and Other Revenues and Expenses	32,674	33,902	35,542
Capital Contribution	<u>-</u>	<u>-</u>	<u>2,550</u>
Increase (Decrease) in Net Position	(3,442)	(6,835)	9,197
Net Position – Beginning of Year	<u>25,556</u>	<u>32,391</u>	<u>23,194</u>
Net Position – End of Year	\$ <u>22,114</u>	\$ <u>25,556</u>	\$ <u>32,391</u>

Net operating revenues were flat for the period. Research expense grew as a result of the EPSCoR grant which started at the beginning of FY16. Retiree health care costs and other pension benefits decreased by \$176k. Most of the other expenses are consistent with a University that has been under spending constraints for the last two years. 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. 73.

The following graph reflects grant activity for the last decade:



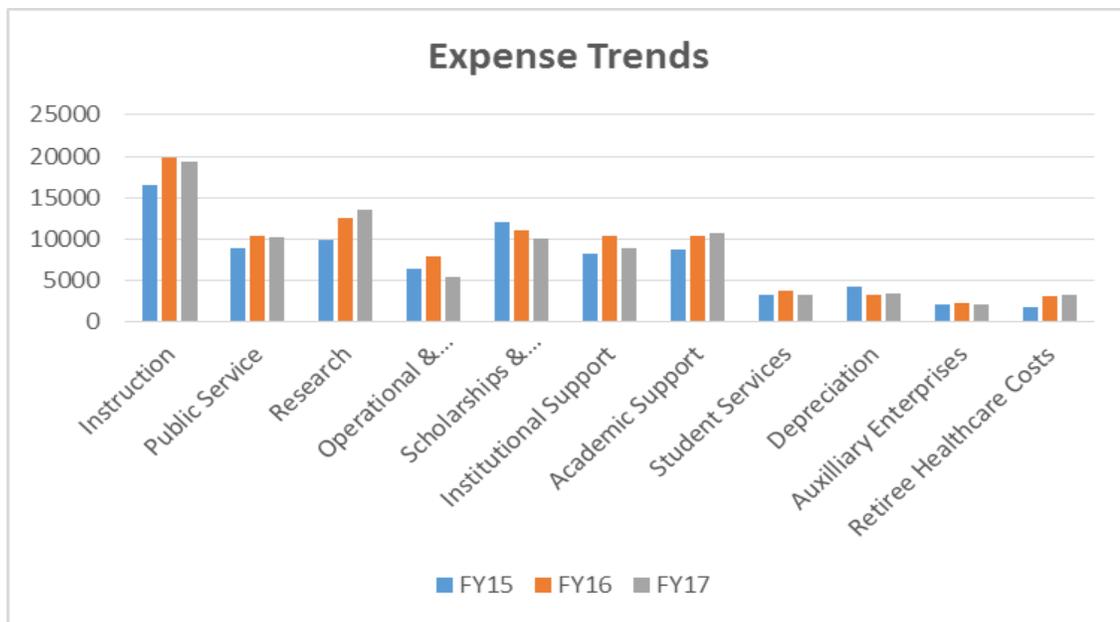
¹ Operating Revenues Net of Operating Expense is negative, because local government appropriations are reported as non-operating revenues rather than operating revenues under GASB 35 reporting requirements

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While federal grant revenues have decreased since FY12, the funds received as a result of ARRA grants have masked an underlying growth trend in federal grants. This 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 when the initial term runs out in 2020. The grant activity is consistent with some of the initiatives to come out of the Good to Great methodology with the goal of decreasing dependence of the University on the local government.

FY16 and FY17 operating expenses increased mostly as a result of research and education expenditures and the implementation of GASB Nos. 68 and 73. The University spent \$41 million directly on its core mission. Of that, 46% went to instruction, 24% to public service and 30% 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 FLOW (IN \$000'S)

	<u>2017</u>	<u>2016</u> As Restated	<u>2015</u> As Restated
Cash provided by (used in):			
Operating activities	\$ (28,236)	\$ (31,912)	\$ (29,457)
Non-capital financing activities	34,879	29,971	30,024
Capital and financing activities	(343)	(2,569)	(1,823)
Investing activities	<u>(2,386)</u>	<u>2,182</u>	<u>(8,920)</u>
Net Change in Cash and Cash Equivalents	3,914	(2,328)	(10,176)
Cash and Equivalents – Beginning of Year	<u>5,734</u>	<u>8,062</u>	<u>18,238</u>
Cash and Equivalents – End of Year	\$ <u>9,648</u>	\$ <u>5,734</u>	\$ <u>8,062</u>

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Cash flow improved by nearly \$4 million in FY17. In FY16 the University learned at the end of the year that it would not be receiving its full appropriation. It was too late in the year to have any significant impact on reducing expenses. The University was under strict spending constraints during all of FY17 which provided time to reduce expenditures for the period.

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. 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 FY17, the University had \$123.8 million invested in capital assets. This represents an increase in capital assets (including additions and deletions) of \$2.4 million or 1.9% over the previous year. The University substantially completed a boathouse for the Marine Lab to facilitate the EPSCoR project but did not complete any other significant projects as a result of the cash shortfall. The University had accrued \$56.4 million in accumulated depreciation against the assets. Net capital assets were \$67.4 million, a decrease from the prior year's \$68.5 million. See Note 5 to the financial statements for additional information.

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 States Department of Agriculture on December 5, 2016 in the amount of \$21.7 million. Interest accrues on the debt as amounts are drawn down on the note. As of March 15, 2018, there have been no amounts drawn down on the note. As of September 30, 2017 and 2016, the University had long-term debt of \$11.3 million and \$11.5 million, respectively. See Note 6 to the financial statements for additional information.

ECONOMIC AND OTHER FACTORS EXPECTED TO AFFECT THE UNIVERSITY ²

2017: Modest Growth Trend Continues

In 2017 the U.S. economy continued to expand. For the year, the economy grew 2.3%. This is a slight improvement over the previous three years. Some forecasts indicate growth may reach 3% for 2018. Global growth is forecast at 4% for the period. The Federal Reserve increased its discount rate by 75 basis points in three moves during 2017 – the largest increase in a year since 2006. This and the implementation of a quantitative tightening program represent an indication of a baseline

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

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level of confidence in the economy. They have indicated an expectation of continued rate increases in the future as an interest rate normalization process is taking place. Interest rates have started to trend upward. The S&P 500 gained 19.4% during the year. The U.S. unemployment rate dropped to 4.1% in January 2018 – decline of 0.7% from the previous year and the lowest rate in more than a decade. The U-6 unemployment figure dropped from 10.1% to 8.2% from January 2017 to January 2018 – 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 modest growth. Visitor arrivals set another new record in 2017. This is the third year in a row a new record was set. Arrivals were up 0.6% over the prior year. Occupancy rates and room rates continued to increase over the year. Japan arrivals declined by 16.9% during the year. The escalating rhetoric between North Korea and the United States and the specific threats made to Guam were a significant factor in the declines. Another significant factor was the reduction in the number of flights from Japan to Guam. Arrivals from Korea continued to increase and overtook Japan arrivals for the first time. 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 continued to decline during the year. The chief reason has been the lack of availability of H-2 workers. The Department of Defense has received a temporary waiver of the visa rules which means H-2 labor will be available for buildup and related projects.

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 2018.

Tumon Bay Mall – a 200,000 square foot, two level mall. Phase I construction is completed. Phase II interior construction is ongoing.

The Landmark – a 21,000 square foot two story structure for retail, healthcare, and office space near the ITC intersection is scheduled to be completed in May 2017.

Sea wall – a \$6 million project by the Fisherman's Co-op to build a 220 foot sea wall. Groundbreaking took place in 2017.

Northgate MarketPlace – a shopping and restaurant complex near the Guam Regional Medical City in in the planning phase. The estimated project cost is \$12 million.

Citta di Mare Hotel – a 500 room structure is in the planning phase and is expected to begin construction by 2020. The cost of the project is estimated at \$133 million.

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University of Guam: Implementing Good-to-Great

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 Underwood has fully engaged the institution in a Good-to-Great process (G2G). The majority of the initiatives have been achieved. The University is focused on completing the vision and continuing the march toward greatness. For the last two years all major projects have been on hold due to cash flow issues.

In summary, G2G a data-driven process of program prioritization and resource allocation, is well underway to realize our potential to be a great university with great programs by focusing on our mission, our purpose and our dynamic role in the social, economic and political development of our region. Looking forward through the Good to Great (G2G) lens, the University recognizes the importance of limited resources for sustainability, greatness and strategic balance. The year's cash flow issues have focused the team toward finding alternative means of funding and increased revenue diversification. 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.

The process is already well underway in building the Great UOG. The University's capacity to deliver the Great UOG and successfully provide the student learning experience and socially impactful research in the future will depend not only upon financial stability and sustainability. Investments, initiatives, new structures and ideas related to faculty and staff resources, relationships and partnering, infrastructure and technology also underpin future growth.

- 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.

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Management's Discussion and Analysis
Years Ended September 30, 2017 and 2016

- 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 ceremony was held in March 2018.
- 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 University of Guam is being implemented – there's optimism and opportunity tempered by fiscal reality. We will be responsive to the challenges our island societies face to develop a great and sustainable University that protects our environment and provides the training and education to enable our students to drive economic growth on the island.

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.

Management's Discussion and Analysis for the year ended September 30, 2016 is set forth in the University's report on the audit of financial statements which is dated April 12, 2017. That Discussion and Analysis explains in more detail major factors impacting the 2016 financial statements. A copy of that report can be viewed at the Office of Public Accountability – Guam website at www.guamopa.org.

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

Statements of Net Position - University Only
September 30, 2017 and 2016

	2017	2016 As Restated
<u>Assets and Deferred Outflows of Resources</u>		
Current assets:		
Cash and cash equivalents	\$ 9,647,880	\$ 5,733,669
Short-term investments	13,222,197	14,313,093
Due from Government of Guam	231,760	7,722,534
Tuition receivable, net of an allowance for doubtful accounts of \$3,694,967 in 2017 and \$3,238,796 in 2016	7,506,300	6,762,285
Due from the US Federal government	3,806,702	3,445,338
Due from University of Guam Endowment Foundation, Inc.	325,000	150,000
Other receivables, net of an allowance for doubtful accounts of \$600,159 in 2017 and \$606,811 in 2016	1,431,737	1,629,064
Inventories	782,002	782,505
Other current assets	438,440	364,220
Total current assets	37,392,018	40,902,708
Noncurrent assets:		
Restricted cash and cash equivalents	2,089,301	4,909,871
Restricted investments	5,198,982	1,722,323
Investments	10,274,478	9,248,547
Endowment investments	13,314,339	11,984,735
Capital assets:		
Depreciable capital assets, net of accumulated depreciation	62,683,762	63,932,902
Nondepreciable capital assets	4,753,256	4,558,462
Total noncurrent assets	98,314,118	96,356,840
Deferred outflows of resources:		
Deferred outflows from pension	10,589,601	12,552,038
	\$ 146,295,737	\$ 149,811,586
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Current portion of long-term debt	\$ 241,226	\$ 230,631
Accounts payable and accrued liabilities	4,988,393	5,061,528
Unearned revenues	8,307,407	8,702,608
Current portion of accrued annual leave	842,121	784,756
Total current liabilities	14,379,147	14,779,523
Noncurrent liabilities:		
Long-term debt, net of current portion	11,072,359	11,318,174
Deposits held on behalf of others	74,453	69,214
Accrued annual leave, net of current portion	1,045,482	1,065,683
DCRS sick leave liability	3,517,295	3,325,268
Net pension liability	93,255,503	93,512,860
Total noncurrent liabilities	108,965,092	109,291,199
Deferred inflows of resources:		
Deferred inflows from pension	837,827	185,747
Total liabilities and deferred inflows of resources	124,182,066	124,256,469
Commitments and contingencies		
Net position:		
Net investment in capital assets	56,123,433	56,942,559
Restricted, nonexpendable	5,126,907	5,126,907
Restricted, expendable	5,815,639	4,827,272
Unrestricted	(44,952,308)	(41,341,621)
Total net position	22,113,671	25,555,117
	\$ 146,295,737	\$ 149,811,586

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statements of Financial Position
December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,072,197	\$ 515,911
Pledges and other receivables, net of an allowance for doubtful accounts of \$134,839 and \$109,654 at December 31, 2016 and 2015, respectively	2,130,748	2,400,244
Prepaid expenses	-	20,000
Investment in Bank of Guam stock	1,258,447	228,172
Investments in securities at fair value	9,364,199	9,100,719
Land held for investment	5,207,735	5,530,535
Equipment, net	15,245	21,073
	<u>\$ 19,048,571</u>	<u>\$ 17,816,654</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 254,654	\$ 90,162
Total liabilities	<u>254,654</u>	<u>90,162</u>
Net assets:		
Unrestricted	6,384,336	5,708,607
Temporarily restricted	11,909,581	11,515,632
Permanently restricted	500,000	502,253
Total net assets	<u>18,793,917</u>	<u>17,726,492</u>
	<u>\$ 19,048,571</u>	<u>\$ 17,816,654</u>

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, 2017 and 2016

	2017	2016 As Restated
Operating revenues:		
Student tuition and fees	\$ 24,653,185	\$ 23,950,897
Less scholarship discounts and allowances	<u>(11,567,149)</u>	<u>(10,527,935)</u>
	<u>13,086,036</u>	<u>13,422,962</u>
Federal grants and contracts	30,378,823	30,461,032
Government of Guam grants and contracts	1,172,958	473,221
Private grants and contracts	1,153,310	1,193,453
Sales and services of education department	542,289	395,547
Auxiliary enterprises	1,782,675	1,749,033
Other revenues	<u>6,342,764</u>	<u>7,184,210</u>
Total operating revenues	<u>54,458,855</u>	<u>54,879,458</u>
Bad debts provision	<u>(449,519)</u>	<u>(669,224)</u>
Net operating revenues	<u>54,009,336</u>	<u>54,210,234</u>
Operating expenses:		
Instruction	19,388,731	19,916,668
Public service	10,194,907	10,350,019
Research	13,524,601	12,473,371
Operational and maintenance, plant	5,378,733	7,893,818
Scholarships and fellowships	10,035,229	11,128,990
Institutional support	8,893,268	10,373,701
Academic support	10,681,229	10,435,629
Student services	3,244,008	3,742,609
Depreciation	3,492,472	3,284,524
Auxiliary enterprises	2,046,201	2,280,098
Retiree healthcare costs and other pension benefits	<u>3,245,607</u>	<u>3,068,943</u>
Total operating expenses	<u>90,124,986</u>	<u>94,948,370</u>
Operating loss	<u>(36,115,650)</u>	<u>(40,738,136)</u>
Nonoperating revenues (expenses):		
Government of Guam appropriations:		
Operations	23,134,489	26,079,307
Student financial aid program	2,999,465	3,599,358
Guam Cancer Trust Fund	2,781,109	1,433,627
Capital expenditure loan repayment	500,000	500,000
Retiree healthcare costs and other pension benefits	3,245,607	3,068,943
Contributions from Endowment Foundation	200,000	200,000
Net investment income	2,355,658	1,475,579
Interest on capital assets - debt related	(514,841)	(426,450)
Debt service - DOA bond	<u>(2,027,283)</u>	<u>(2,028,046)</u>
Total nonoperating revenues, net	<u>32,674,204</u>	<u>33,902,318</u>
Change in net position	(3,441,446)	(6,835,818)
Net position at beginning of year	<u>25,555,117</u>	<u>32,390,935</u>
Net position at end of year	<u>\$ 22,113,671</u>	<u>\$ 25,555,117</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>350,652</u>	<u>(350,652)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,502,698</u>	<u>393,949</u>	<u>-</u>	<u>1,896,647</u>
Expenses and losses:				
Program services:				
Donations for debt service - UOG	200,000	-	-	200,000
Scholarships	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total program services	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>
Support services:				
Management and general	407,838	-	2,253	410,091
In-kind expenses	75,208	-	-	75,208
Fundraising activities	128,423	-	-	128,423
Impairment of land held for sale	<u>15,500</u>	<u>-</u>	<u>-</u>	<u>15,500</u>
Total support services	<u>626,969</u>	<u>-</u>	<u>2,253</u>	<u>629,222</u>
Total expenses	<u>826,969</u>	<u>-</u>	<u>2,253</u>	<u>829,222</u>
Change in net assets	675,729	393,949	(2,253)	1,067,425
Net assets at beginning of year	<u>5,708,607</u>	<u>11,515,632</u>	<u>502,253</u>	<u>17,726,492</u>
Net assets at end of year	<u>\$ 6,384,336</u>	<u>\$ 11,909,581</u>	<u>\$ 500,000</u>	<u>\$ 18,793,917</u>

See accompanying notes to financial statements.

UNIVERSITY OF GUAM ENDOWMENT FOUNDATION, INC.

Statement of Activities
Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains and other income:				
Net investment loss	\$ (225,884)	\$ (92,837)	\$ -	\$ (318,721)
Contributions	6,670	52,887	-	59,557
In-kind contributions	112,740	-	-	112,740
Fundraising activities	311,559	193,668	-	505,227
Others	293	-	-	293
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>339,993</u>	<u>(339,993)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>545,371</u>	<u>(186,275)</u>	<u>-</u>	<u>359,096</u>
Expenses and losses:				
Program services:				
Donations for debt service - UOG	200,000	-	-	200,000
Scholarships	<u>3,275</u>	<u>-</u>	<u>-</u>	<u>3,275</u>
Total program services	<u>203,275</u>	<u>-</u>	<u>-</u>	<u>203,275</u>
Support services:				
Management and general	446,555	-	4,348	450,903
in-kind expenses	112,740	-	-	112,740
Fundraising activities	165,208	-	-	165,208
Impairment of property held for sale	<u>85,934</u>	<u>-</u>	<u>-</u>	<u>85,934</u>
Total support services	<u>810,437</u>	<u>-</u>	<u>4,348</u>	<u>814,785</u>
Total expenses	<u>1,013,712</u>	<u>-</u>	<u>4,348</u>	<u>1,018,060</u>
Change in net assets	(468,341)	(186,275)	(4,348)	(658,964)
Net assets at beginning of year	<u>6,176,948</u>	<u>11,701,907</u>	<u>506,601</u>	<u>18,385,456</u>
Net assets at end of year	<u>\$ 5,708,607</u>	<u>\$ 11,515,632</u>	<u>\$ 502,253</u>	<u>\$ 17,726,492</u>

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, 2017 and 2016

	2017	2016 As Restated
Cash flows from operating activities:		
Student tuition and fees, net	\$ 11,497,301	\$ 12,158,873
Grants, contracts and appropriations	32,343,728	32,518,306
Sales and services of education department	542,289	395,547
Auxiliary services	1,782,675	1,749,033
Other receipts	6,471,110	7,439,329
Payments to suppliers and employees for education and general expenses	(70,837,961)	(75,044,172)
Payments to students for financial aid	<u>(10,035,229)</u>	<u>(11,128,990)</u>
Net cash used for operating activities	<u>(28,236,087)</u>	<u>(31,912,074)</u>
Cash flows from non-capital related financing activities:		
Government of Guam appropriations collected	<u>34,878,554</u>	<u>29,970,766</u>
Cash flows from capital and related financing activities:		
Contributions from Endowment Foundation	25,000	200,000
Changes in restricted cash	2,820,570	(390,196)
Interest paid on capital debt	(514,841)	(426,450)
Principal paid on capital debt	(235,219)	(350,305)
Purchases of capital assets	<u>(2,438,126)</u>	<u>(1,601,754)</u>
Net cash used for capital and related financing activities	<u>(342,616)</u>	<u>(2,568,705)</u>
Cash flows from investing activities:		
Investment income	579,673	567,484
(Purchases) sale of investments	<u>(2,965,313)</u>	<u>1,614,302</u>
Net cash provided by (used for) investing activities	<u>(2,385,640)</u>	<u>2,181,786</u>
Net change in cash and cash equivalents	3,914,211	(2,328,227)
Cash and cash equivalents, beginning of year	<u>5,733,669</u>	<u>8,061,896</u>
Cash and cash equivalents, end of year	<u>\$ 9,647,880</u>	<u>\$ 5,733,669</u>

Supplemental information on noncash activities:

During the years ended September 30, 2017 and 2016, the University recorded appropriations of \$3,245,607 and \$3,068,943, 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, 2017 and 2016

	2017	2016 As Restated
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (36,115,650)	\$ (40,738,136)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	3,492,472	3,284,524
Bad debts expense	449,519	669,224
Loss on fixed assets disposal	-	9,097
Retiree healthcare costs	3,245,607	3,068,943
Noncash pension cost	2,357,160	2,411,995
Changes in assets and liabilities:		
Receivables, net	(1,357,571)	(431,788)
Inventories	503	61,666
Other current assets	(74,220)	(52,975)
Accounts payable, accrued liabilities and deposits held for others	(67,897)	(552,491)
Accrued annual leave	37,164	141,231
DCRS sick leave liability	192,027	329,128
Unearned revenues	(395,201)	(112,492)
Net cash used for operating activities	\$ (28,236,087)	\$ (31,912,074)

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2017 and 2016

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.Z 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.

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

Notes to Financial Statements
September 30, 2017 and 2016

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 months 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, 2017 and 2016.
- 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.

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

Notes to Financial Statements
September 30, 2017 and 2016

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 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.

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

Notes to Financial Statements
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

- P. Pensions. 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.
- 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 2017 and 2016 was \$264,622 and \$268,570, 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 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.

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.

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2. Summary of Significant Accounting Policies, Continued

S. Net Position, Continued

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.

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.

UNIVERSITY OF GUAM
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Notes to Financial Statements
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2. Summary of Significant Accounting Policies, Continued

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. 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, 2016 and 2015. 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:

	<u>2016</u>	<u>2015</u>
SBPA (School of Business and Public Administration) Building	\$ 175,407	\$ 130,407
60 th Anniversary Capital Campaign	<u>1,704,830</u>	<u>2,282,227</u>
Total pledges receivable	1,880,237	2,412,634
Other	<u>120,446</u>	<u>97,264</u>
	2,000,683	2,509,898
Less: allowance for doubtful accounts	<u>(134,839)</u>	<u>(109,654)</u>
	<u>\$ 1,865,844</u>	<u>\$ 2,400,244</u>

Pledges receivable at December 31, 2016 are scheduled to be paid as follows:

Less than one year	\$ 354,083
One to five years	846,000
More than five years	<u>2,225,407</u>
	3,425,490
Less unamortized discount	<u>(1,545,253)</u>
	<u>\$ 1,880,237</u>

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.

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Notes to Financial Statements
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2. Summary of Significant Accounting Policies, Continued

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

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, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Cash	\$ 577,790	\$ 212,277
Equities	5,857,939	5,683,250
Fixed income	2,778,154	2,751,465
Mutual funds	<u>150,316</u>	<u>453,727</u>
	<u>\$ 9,364,199</u>	<u>\$ 9,100,719</u>

The composition of net gains (losses) on investments in securities as of December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Net unrealized gains (losses)	\$ 703,637	\$ (440,348)
Net realized losses	(816)	(29,378)
Interest income	235,874	219,705
Dividends	9,846	9,845
Fees and other expenses, net	<u>(88,351)</u>	<u>(78,545)</u>
	<u>\$ 860,190</u>	<u>\$ (318,721)</u>

Investments include 24,614 and 1,000 shares of common and preferred stock, respectively in Bank of Guam (BOG) at December 31, 2016 and 24,614 shares of BOG common stock at December 31, 2015. Dividends received from these shares are planned to be used for scholarship purposes and/or repurchase of additional Bank of Guam stock as it is available for purchase. 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. In 2016, one parcel of land with an appraised value of \$307,300 was sold for a net proceeds of \$247,686, resulting in a loss from sale of \$59,614. On December 31, 2016 and 2015, the Foundation recorded an impairment loss of \$85,934 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 update appraisals of most of the other land parcels. The land is held for sale.

UNIVERSITY OF GUAM
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Notes to Financial Statements
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

AA. New Accounting Standards. During the year ended September 30, 2017, the University implemented the following pronouncements:

- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements 67 and 68 with the reporting requirements in Statement 68. The implementation of this statement had a material effect on the accompanying financial statements resulting in the restatement of the University's fiscal year 2016 financial statements to reflect the reporting of pension liabilities, deferred inflows of resources and deferred outflows of resources for ad hoc COLAs and supplemental annuity payments and the recognition of pension expense in accordance with the provisions of GASB Statement No. 73. The 2016 financial statements were also restated as follows due to changes in actuarial assumptions and other inputs used to determine the pension liabilities, deferred inflows of resources and deferred outflows of resources for the qualified pension plan:

	As Previously <u>Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
As of October 1, 2015:			
Net position	\$ <u>45,458,217</u>	\$ <u>(11,067,283)</u>	\$ <u>32,390,934</u>
For the year ended September 30, 2016:			
Operating expenses	\$ 90,922,491	\$ 4,025,879	\$ 94,948,370
GovGuam appropriations – Retiree healthcare costs and other pension benefits	(1,845,779)	(1,223,164)	(3,068,943)
Change in net position	\$ <u>(4,033,103)</u>	\$ <u>(2,802,715)</u>	\$ <u>(6,835,818)</u>
As of September 30, 2016:			
Deferred outflows from pension	\$ <u>9,967,741</u>	\$ <u>2,584,297</u>	\$ <u>12,552,138</u>
Net pension liability	\$ <u>(77,244,313)</u>	\$ <u>(16,268,547)</u>	\$ <u>(93,512,860)</u>
Deferred inflows from pension	\$ <u>-</u>	\$ <u>(185,747)</u>	\$ <u>(185,747)</u>
Net position	\$ <u>(39,425,114)</u>	\$ <u>13,869,997</u>	\$ <u>(25,555,117)</u>

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB).
- GASB Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

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Notes to Financial Statements
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

AA. New Accounting Standards, Continued

- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Except for GASB Statement No. 73, the implementation of these statements did not have a material effect on the University's financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement 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 provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on an actuarial valuation dated October 1, 2015, the net OPEB obligation that the University will record upon implementation of Statement 75 is anticipated to be \$66,680,714 as of September 30, 2017.

In March 2016, GASB issued 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. The provisions in Statement No. 81 are effective for fiscal years beginning after December 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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 March 2017, GASB issued 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). The provisions in Statement No. 85 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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Notes to Financial Statements
September 30, 2017 and 2016

2. Summary of Significant Accounting Policies, Continued

AA. New Accounting Standards, Continued

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions in Statement No. 86 are effective for fiscal years beginning after June 15, 2017. 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.

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".

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Notes to Financial Statements
September 30, 2017 and 2016

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.

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Notes to Financial Statements
September 30, 2017 and 2016

3. Deposits and Investments, Continued

A. Deposits, Continued

At September 30, 2017 and 2016, the carrying amount of the University's cash and cash equivalents and time certificates of deposit were \$24,959,378 and \$24,956,633, respectively, and the corresponding bank balances were \$29,833,248 and \$27,629,664, respectively. Of the bank balance amounts, \$1,050,555 and \$1,164,154, 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, 2017 and 2016, the University recorded \$2,179,249 and \$2,161,615, 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, \$1,718,982 and \$1,722,323 at September 30, 2017 and 2016, 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, 2017 and 2016, the University recorded \$4,425,142 and \$3,503,665, 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, \$3,480,000 and \$0 at September 30, 2017 and 2016, respectively, is invested time certificates of deposits presented as restricted investments in the statements of net position.

Restricted cash and cash equivalents also include \$625,199 and \$858,112 as of September 30, 2017 and 2016, 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 \$58,692 and \$108,802, 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.

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Notes to Financial Statements
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3. Deposits and Investments, Continued

B. Investments, Continued

Investments at September 30, 2017 consist of the following:

	<u>Short-term</u>	<u>Restricted</u>	<u>Long-term</u>	<u>Endowment</u>	<u>Total</u>
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	<u>-</u>	<u>-</u>	<u>1,168,483</u>	<u>1,514,196</u>	<u>2,682,679</u>
	<u>\$ 13,222,197</u>	<u>\$ 5,198,982</u>	<u>\$ 10,274,478</u>	<u>\$ 13,314,339</u>	<u>\$ 42,009,996</u>

Investments at September 30, 2016 consist of the following:

	<u>Short-term</u>	<u>Restricted</u>	<u>Long-term</u>	<u>Endowment</u>	<u>Total</u>
Certificates of deposit	\$ 14,313,093	\$ -	\$ -	\$ -	\$ 14,313,093
Money market funds	-	-	246,453	319,367	565,820
Fixed income securities	-	-	2,677,765	3,469,983	6,147,748
Common stock	-	-	4,691,707	6,079,750	10,771,457
Mutual funds	-	1,722,323	639,763	829,038	3,191,124
Exchange-traded funds	<u>-</u>	<u>-</u>	<u>992,859</u>	<u>1,286,597</u>	<u>2,279,456</u>
	<u>\$ 14,313,093</u>	<u>\$ 1,722,323</u>	<u>\$ 9,248,547</u>	<u>\$ 11,984,735</u>	<u>\$ 37,268,698</u>

The University's exposure to credit risk at September 30, 2017 and 2016 follows:

<u>Moody's Rating</u>	<u>2017</u>
AAA	\$ 3,074,223
A1/A	581,967
A2/A	426,538
A3/A	396,623
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	<u>623,217</u>
Total credit risk debt securities	<u>\$ 6,245,006</u>

<u>Moody's Rating</u>	<u>2016</u>
AAA	\$ 2,649,023
AA+	875,208
A	464,394
BBB+	165,892
BBB	158,818
BB-	19,700
B+	444,190
B	608,108
CCC+	17,562
Not rated	<u>744,853</u>
Total credit risk debt securities	<u>\$ 6,147,748</u>

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3. Deposits and Investments, Continued

B. Investments, Continued

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

<u>Investment Type</u>	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>More than 10 years</u>
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	<u>1,158,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,158,553</u>
	<u>\$ 6,245,006</u>	<u>\$ 885,913</u>	<u>\$ 2,517,572</u>	<u>\$ 1,415,688</u>	<u>\$ 1,425,833</u>

As of September 30, 2016, the University's fixed income securities had the following maturities:

<u>Investment Type</u>	<u>Fair value</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>More than 10 years</u>
Corporate bonds	\$ 1,878,664	\$ 61,800	\$ 801,919	\$ 1,012,544	\$ 2,401
U.S. Government Agency Bonds	3,261,121	165,267	2,351,044	397,411	347,399
U.S. Treasury Notes	<u>1,007,963</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,007,963</u>
	<u>\$ 6,147,748</u>	<u>\$ 227,067</u>	<u>\$ 3,152,963</u>	<u>\$ 1,409,955</u>	<u>\$ 1,357,763</u>

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, 2017 and 2016.

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, 2017 and 2016, 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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends from investments	\$ 579,663	\$ 567,484
Investment fees expense	(170,908)	(88,634)
Realized gains	-	20,951
Appreciation of fair value of investments, net	<u>1,946,903</u>	<u>975,778</u>
	<u>\$ 2,355,658</u>	<u>\$ 1,475,579</u>

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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, 2017 and 2016:

	<u>Fair Value Measurements Using</u>			
	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	<u>2,682,678</u>	<u>2,682,678</u>	-	-
Total investments by fair value level	<u>24,763,429</u>	<u>18,518,423</u>	<u>6,245,006</u>	<u>-</u>
Investments measured at cost:				
Certificates of deposit	16,702,197	-	-	-
Money market funds	<u>544,370</u>	-	-	-
Total investments at cost	<u>17,246,567</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 42,009,996</u>	<u>\$ 18,518,423</u>	<u>\$ 6,245,006</u>	<u>\$ -</u>

	<u>Fair Value Measurements Using</u>			
	September 30, 2016	Level 1	Level 2	Level 3
Investments by fair value level:				
Fixed income securities	\$ 6,147,748	\$ -	\$ 6,147,748	\$ -
Equity securities	10,771,457	10,771,457	-	-
Mutual funds	3,191,124	3,191,124	-	-
Exchange-traded funds	<u>2,279,456</u>	<u>2,279,456</u>	-	-
Total investments by fair value level	<u>22,389,785</u>	<u>16,242,037</u>	<u>6,147,748</u>	<u>-</u>
Investments measured at cost:				
Certificates of deposit	14,313,093	-	-	-
Money market funds	<u>565,820</u>	-	-	-
Total investments at cost	<u>14,878,913</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 37,268,698</u>	<u>\$ 16,242,037</u>	<u>\$ 6,147,748</u>	<u>\$ -</u>

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.

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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, 2017 and 2016, loans receivable are reserved in the amount of \$16,529,559 and \$20,190,625, respectively, and recoveries collected are \$744,236 and \$298,804 for the years then ended, respectively.

5. Capital Assets

Activity and balances for capital assets for the years ended September 30, 2017 and 2016 consisted of the following:

<u>2017:</u>	<u>Balance</u> <u>October 1, 2016</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2017</u>
<u>Depreciable:</u>				
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	<u>7,596,790</u>	<u>181,367</u>	<u>-</u>	<u>7,778,157</u>
	117,641,405	2,243,332	(794,935)	119,089,802
Less accumulated depreciation	<u>(53,708,503)</u>	<u>(3,492,472)</u>	<u>794,935</u>	<u>(56,406,040)</u>
	<u>63,932,902</u>	<u>(1,249,140)</u>	<u>-</u>	<u>62,683,762</u>
<u>Nondepreciable:</u>				
Land	2,823,212	-	-	2,823,212
Construction in progress	<u>1,735,250</u>	<u>205,794</u>	<u>(11,000)</u>	<u>1,930,044</u>
	<u>4,558,462</u>	<u>-</u>	<u>(11,000)</u>	<u>4,753,256</u>
Total capital assets, net	\$ <u>68,491,364</u>	\$ <u>1,043,346</u>	\$ <u>(11,000)</u>	\$ <u>67,437,018</u>
<u>2016:</u>	<u>Balance</u> <u>October 1, 2015</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2016</u>
<u>Depreciable:</u>				
Land improvements	\$ 320,754	\$ -	\$ -	\$ 320,754
Building	86,855,665	-	-	86,855,665
Building improvements	4,056,914	-	-	4,056,914
Equipment	17,950,168	1,418,449	(557,335)	18,811,282
Library books	<u>7,413,485</u>	<u>183,305</u>	<u>-</u>	<u>7,596,790</u>
	116,596,986	1,601,754	(557,335)	117,641,405
Less accumulated depreciation	<u>(50,972,217)</u>	<u>(3,284,524)</u>	<u>548,238</u>	<u>(53,708,503)</u>
	<u>65,624,769</u>	<u>(1,682,770)</u>	<u>(9,097)</u>	<u>63,932,902</u>
<u>Nondepreciable:</u>				
Land	2,823,212	-	-	2,823,212
Construction in progress	<u>1,735,250</u>	<u>-</u>	<u>-</u>	<u>1,735,250</u>
	<u>4,558,462</u>	<u>-</u>	<u>-</u>	<u>4,558,462</u>
Total capital assets, net	\$ <u>70,183,231</u>	\$ <u>(1,682,770)</u>	\$ <u>(9,097)</u>	\$ <u>68,491,364</u>

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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:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 241,226	\$ 508,834	\$ 750,060
2019	252,308	497,752	750,060
2020	263,899	486,161	750,060
2021	276,023	474,037	750,060
2022	288,703	461,357	750,060
2023-2027	1,655,075	2,095,225	3,750,300
2028-2032	2,071,815	1,678,485	3,750,300
2033-2037	2,593,490	1,156,810	3,750,300
2038-2042	3,246,520	503,780	3,750,300
2043	<u>424,526</u>	<u>9,578</u>	<u>434,104</u>
	\$ <u>11,313,585</u>	\$ <u>7,872,019</u>	\$ <u>19,185,604</u>

Public Law 26-48 also provided supplemental annual funding of \$500,000 from the Government of Guam Territorial Highway Fund to pay for the loan. During the years ended September 30, 2017 and 2016, \$500,000 has been received 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 \$25,000 and \$200,000 for the years ended September 30, 2017 and 2016, respectively.

7. Changes in Long-Term Liabilities

Changes in long-term liabilities in 2017 and 2016 are presented as follows:

	Outstanding October 1, 2016	<u>Additions</u>	<u>Reductions</u>	Outstanding September 30, 2017	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 pension liability	<u>93,512,860</u>	<u>8,501,249</u>	<u>8,758,606</u>	<u>93,255,503</u>	<u>-</u>
	\$ <u>110,306,586</u>	\$ <u>12,167,459</u>	\$ <u>12,425,606</u>	\$ <u>110,048,439</u>	\$ <u>1,083,347</u>

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7. Changes in Long-Term Liabilities, Continued

	Outstanding October 1, 2015 <u>As restated</u>	Additions <u>As restated</u>	Reductions <u>As restated</u>	Outstanding September 30, 2016 <u>As restated</u>	Amount due within <u>one year</u>
Long-term debt	\$ 11,899,110	\$ -	\$ 350,305	\$ 11,548,805	\$ 230,631
Other liabilities:					
Deposits held on behalf of others	90,328	1,163,673	1,184,787	69,214	-
Accrued annual leave	1,709,209	1,503,871	1,362,641	1,850,439	784,756
DCRS sick leave liability	2,996,140	984,835	655,707	3,325,268	-
Net pension liability	<u>80,616,358</u>	<u>21,924,703</u>	<u>9,028,201</u>	<u>93,512,860</u>	<u>-</u>
	<u>\$ 97,311,145</u>	<u>\$ 25,577,082</u>	<u>\$ 12,581,641</u>	<u>\$ 110,306,586</u>	<u>\$ 1,015,837</u>

8. Employees' Retirement Plans

A. General Information About the Pension Plans:

Defined Benefit Plan

Plan Description: The University participates in the GovGuam Defined Benefit (DB) Plan, a single-employer defined benefit pension plan administered by the GovGuam Retirement Fund (GGRF). 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.

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, 2016, the date of the most recent valuation, plan membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	7,298
Terminated employees entitled to benefits but not yet receiving them	4,463
Current members	<u>2,208</u>
	<u>13,969</u>

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.

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8. Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued

Defined Benefit Plan, Continued

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.

Contributions and Funding Policy: Contribution requirements of participating employers and active members 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, 2015 actuarial valuation was used for determining the year ended September 30, 2017 statutory contributions. Member contributions are required at 9.55% of base pay (9.54% in 2016).

As a result of actuarial valuations performed as of September 30, 2015, 2014, and 2013, contribution rates required to fully fund the Retirement Fund liability, as required by Guam law, for the years ended September 30, 2017, 2016 and 2015, respectively, have been determined as follows:

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8. Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued

Defined Benefit Plan, Continued

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal costs (% of DB Plan payroll)	16.27%	15.86%	15.92%
Employee contributions (DB Plan employees)	<u>9.55%</u>	<u>9.54%</u>	<u>9.55%</u>
Employer portion of normal costs (% of DB Plan payroll)	<u>6.72%</u>	<u>6.32%</u>	<u>6.37%</u>
Employer portion of normal costs (% of total payroll)	1.87%	1.94%	2.05%
Unfunded liability cost (% of total payroll)	<u>21.60%</u>	<u>22.42%</u>	<u>24.09%</u>
Government contribution as a % of total payroll	<u>23.47%</u>	<u>24.36%</u>	<u>26.14%</u>
Statutory contribution rates as a % of DB Plan payroll:			
Employer	<u>27.41%</u>	<u>28.16%</u>	<u>29.85%</u>
Employee	<u>9.55%</u>	<u>9.54%</u>	<u>9.55%</u>

The University's contributions to the DB Plan for the years ending September 30, 2017, 2016 and 2015 were \$2,753,736, \$2,538,205 and \$2,550,904, respectively, which were equal to the required contributions for the respective years then ended.

Actuarial Assumptions: Actuarially determined contribution rates 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, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	14.58 years
Asset Valuation Method:	3-year smoothed market value
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Expected Rate of Return:	7.00%
Discount Rate:	7.00%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.

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8. Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued

Defined Benefit Plan, Continued

Mortality: RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.

Other information: Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

Discount Rate: The total pension liability is calculated using a discount rate of 7.0% that is the expected investment rate of return. There was no change in the discount rate since the previous year. The expected investment rate of return applies for as long as the plan assets (including future contributions) are projected to be sufficient to make the projected benefit payments. If plan assets are projected to be depleted at some point in the future, the rate of return of a high quality bond index is used for the period after the depletion date.

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.0%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate <u>6.0%</u>	Current Discount Rate <u>7.0%</u>	1% Increase in Discount Rate <u>8.0%</u>
Net Pension Liability	<u>\$ 98,164,827</u>	<u>\$ 80,510,523</u>	<u>\$ 65,314,952</u>

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees

Plan Description: The University participates in the GovGuam ad hoc COLA/supplemental annuity plan for DB retirees, a single-employer defined benefit pension plan administered by the GGRF. The University considers this as a separate pension plan for DB retirees. A single actuarial calculation 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 this 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: The plan membership is the same as the DB plan described above.

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8. Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees, Continued

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA and supplemental annuity benefits are provided to members and beneficiaries at the discretion of the Guam Legislature, but are funded on a "pay-as-you-go" basis so there is no plan trust. Ad hoc COLAs are made through annual allocations to provide DB Plan retired members and spouse survivors with COLA payments of \$2,000 per year. In addition, DB Plan retired members and survivors whose benefits commenced prior to October 1, 1995, have received supplemental annuity payments in the amount of \$4,238 per year, but not to exceed \$40,000 per year when combined with their regular annual retirement annuity. 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.

For the years ended September 30, 2017, 2016 and 2015, the University recognized ad hoc COLA and supplemental annuity payments as transfers from GovGuam, totaling \$1,138,186, \$1,147,164 and \$1,167,964, 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.

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll, closed
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Discount Rate:	3.058%
Retirement age:	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.

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8. Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued

Ad Hoc COLA/Supplemental Annuity Plan for DB Retirees, Continued

Other information: Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012

Discount Rate: The total pension liability is calculated using a discount rate of 3.058% that is the high quality bond index rate. The rate of return of a high quality bond index applies to benefit payments that are not funded by plan assets.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.058%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate <u>2.058%</u>	Current Discount Rate <u>3.058%</u>	1% Increase in Discount Rate <u>4.058%</u>
Net Pension Liability	<u>\$ 11,669,288</u>	<u>\$ 10,844,857</u>	<u>\$ 10,115,051</u>

Ad Hoc COLA Plan for DCRS Retirees

Plan Description: The University participates in the GovGuam ad hoc COLA plan for DCRS retirees, a single-employer defined benefit pension plan administered by the GGRF. The University considers this as a separate pension plan for DCRS retirees. A single actuarial calculation 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 this 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, 2016, the most recent measurement date, plan membership consisted of 8,858 active DCRS participants.

Benefits Provided, Contributions and Funding Policy: Ad hoc COLA benefits, contributions and funding policy are the same as those for DB retirees.

For the years ended September 30, 2017, 2016 and 2015, the University recognized ad hoc COLA payments as transfers from GovGuam, totaling \$92,000, \$76,000 and \$64,000, respectively, that GovGuam's general fund paid directly for the DCRS Plan retirees on behalf of the University, which were equal to the statutorily required contributions.

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8. Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued

Ad Hoc COLA Plan for DCRS Retirees, Continued

Actuarial Assumptions: The methods and assumptions used to determine contribution rates are as follows:

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll
Inflation:	2.75%
Total payroll growth:	3.00% per year
Salary Increases:	4.50% to 7.50%
Discount Rate:	3.058%
Retirement age:	5% per year from age 55 to 64, 10% per year from age 65 to age 74, 100% at age 75
Mortality:	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information:	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007-2011, and was first reflected in the actuarial valuation as of September 30, 2012.

Discount Rate: The total pension liability is calculated using a discount rate of 3.058% that is the high quality bond index rate. The rate of return of a high quality bond index applies to benefit payments that are not funded by plan assets.

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.058%) in measuring the 2017 Net Pension Liability.

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8. Employees' Retirement Plans, Continued

A. General Information About the Pension Plans, Continued

Ad Hoc COLA Plan for DCRS Retirees, Continued

	1% Decrease in Discount Rate <u>2.058%</u>	Current Discount Rate <u>3.058%</u>	1% Increase in Discount Rate <u>4.058%</u>
Net Pension Liability	<u>\$ 3,767,404</u>	<u>\$ 3,298,131</u>	<u>\$ 2,898,826</u>

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

Pension Liability: At September 30, 2017 and 2016, the University reported a net pension liability for its proportionate shares of the GovGuam net pension liabilities which comprised of the following.

	<u>2017</u>	<u>2016</u>
Defined benefit plan	\$ 80,510,523	\$ 81,001,196
Ad hoc COLA/supplemental annuity plan for DB retirees	10,844,857	11,126,455
Ad hoc COLA plan for DCRS retirees	<u>3,298,131</u>	<u>2,783,217</u>
Subtotal	94,653,511	94,910,868
Discount rate variance	<u>(1,398,008)</u>	<u>(1,398,008)</u>
	<u>\$ 93,255,503</u>	<u>\$ 93,512,860</u>

The University's proportion of the GovGuam net pension liabilities was based on projection of the University's long-term share of contributions to the pension plans relative to the projected contributions of GovGuam and GovGuam's component units, actuarially determined. At September 30, 2017 and 2016, the University's proportionate shares of the GovGuam net pension liabilities were as follows:

	<u>2017</u>	<u>2016</u>
Defined benefit plan	5.88%	5.64%
Ad hoc COLA/supplemental annuity plan for DB retirees	4.73%	4.72%
Ad hoc COLA plan for DCRS retirees	5.35%	5.34%

Pension Expense: For the years ended September 30, 2017 and 2016, the University recognized pension expense from the above pension plans as follows:

	<u>2017</u>	<u>2016</u>
Defined benefit plan	\$ 10,023,280	\$ 9,859,130
Ad hoc COLA/supplemental annuity plan for DB retirees	957,871	1,118,505
Ad hoc COLA plan for DCRS retirees	<u>280,588</u>	<u>238,671</u>
	<u>\$ 11,261,739</u>	<u>\$ 11,216,306</u>

UNIVERSITY OF GUAM
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Notes to Financial Statements
September 30, 2017 and 2016

8. Employees' Retirement Plans, Continued

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

Deferred Outflows and Inflows of Resources: At September 30, 2017 and 2016, the University reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
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	<u>782,843</u>	<u>-</u>	<u>3,850</u>	<u>-</u>	<u>2,845</u>	<u>123,728</u>
	<u>\$ 8,916,835</u>	<u>\$ 686,338</u>	<u>\$ 1,154,071</u>	<u>\$ -</u>	<u>\$ 518,695</u>	<u>\$ 151,489</u>
	2016					
	<u>Defined Benefit Plan</u>		<u>Ad Hoc COLA/SA Plan for DB</u>		<u>Ad Hoc COLA Plan for DCRS</u>	
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience	\$ 968,738	\$ -	\$ -	\$ 24,326	\$ -	\$ 29,554
Net difference between projected and actual earnings on pension plan investments	872,888	-	-	-	-	-
Changes of assumptions	1,088,180	-	56,545	-	126,302	-
Contributions subsequent to the measurement date	7,535,442	-	1,147,164	-	76,000	-
Changes in proportion and difference between UOG contributions and proportionate share of contributions	<u>590,674</u>	<u>-</u>	<u>90,105</u>	<u>-</u>	<u>-</u>	<u>131,867</u>
	<u>\$ 11,055,922</u>	<u>\$ -</u>	<u>\$ 1,293,814</u>	<u>\$ 24,326</u>	<u>\$ 202,302</u>	<u>\$ 161,421</u>

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, 2017 will be recognized in pension expense as follows:

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September 30, 2017 and 2016

8. Employees' Retirement Plans, Continued

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

<u>Year Ending</u> <u>September 30</u>	<u>Defined</u> <u>Benefit Plan</u>	<u>Ad Hoc COLA/SA</u> <u>Plan for DB Retirees</u>	<u>Ad Hoc COLA Plan</u> <u>for DCRS Retirees</u>
2018	\$ (185,386)	\$ 15,886	\$ 17,214
2019	213,814	-	17,214
2020	749,613	-	17,214
2021	(452,741)	-	17,214
2022	-	-	17,214
Thereafter	_____	_____	<u>189,575</u>
	<u>\$ 325,300</u>	<u>\$ 15,886</u>	<u>\$ 275,645</u>

Defined Contribution Plan

Contributions into the Defined Contribution Retirement System (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 investment account within the DCRS. Employees are afforded the opportunity to select from different investment accounts available under the DCRS.

Statutory employer contributions into the DCRS plan for the years ended September 30, 2017 and 2016 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 member's individual investment account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

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.

The University's contributions to the DCRS Plan for the years ended September 30, 2017, 2016 and 2015 were \$6,239,241, \$6,021,163 and \$5,947,375, respectively, which were equal to the required contributions for the respective years then ended. Of these amounts, \$5,151,021, \$4,997,237 and \$4,986,302 were contributed toward the unfunded liability of the DB Plan for the years ended September 30, 2017, 2016 and 2015, respectively.

Public Law 26-86 allows members of the DCRS to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. The University has accrued an estimated liability of \$3,517,295 and \$3,325,268 at September 30, 2017 and 2016, respectively, for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

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Notes to Financial Statements
September 30, 2017 and 2016

8. Employees' Retirement Plans, Continued

Other Post-Employment Benefits

Plan Description: GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain postretirement healthcare benefits to retirees who are members of the GovGuam Retirement Fund. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides postemployment 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. Because the 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.

Funding Policy: GovGuam contributes to the Plan a portion of the medical and dental premiums based on a schedule of semi-monthly rates provided through insurance companies, with GovGuam's contribution amount set each year at renewal. Retirees are also required to pay a portion of the medical and dental insurance premiums. Medical coverage continues to the spouse after the death of the retiree provided the spouse makes the required contributions. Retirees and covered spouses are eligible for a \$10,000 life insurance benefit. Retirees do not share in the cost of this benefit. Monthly life insurance premium is \$15.52 per covered life.

For the years ended September 30, 2017, 2016 and 2015, the University recognized certain on-behalf payments as transfers from GovGuam, totaling \$2,015,421, \$1,845,779 and \$1,773,432, respectively, representing certain healthcare benefits that GovGuam's general fund paid directly on behalf of the University, which were equal to the statutorily required contributions and are included as a component of retiree healthcare costs and other pension benefits in the statements of revenues, expenses and changes in net position.

The University's net OPEB obligation at September 30, 2017, 2016 and 2015 for the above mentioned Plan is as follows:

<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>\$ 66,680,714</u>	<u>\$ 59,258,867</u>	<u>\$ 52,056,000</u>

Defined Benefit 1.75 Retirement System (the DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP)

In September 2016, Public Law 33-186 was enacted to create two new retirement plans; the Defined Benefit 1.75 plan (DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP). Beginning 2018, the DB 1.75 plan and GRSP are to become the primary retirement systems for all new hires.

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.

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September 30, 2017 and 2016

8. Employees' Retirement Plans, Continued

Defined Benefit 1.75 Retirement System (the DB 1.75 Plan) and the Guam Retirement Security Plan (GRSP), Continued

The GRSP will be the primary retirement plan for new employees beginning January 1, 2018, unless the employee elects to participate in the DC Plan within 60 days of the employee's hire date. Certain existing and reemployed employees are also provided limited opportunity to participate in the GRSP. Employee contributions are made by mandatory pre-tax payroll deduction at the rate of 6.2% of the employee's base salary. The employer makes matching contributions at the same rate of 6.2% of the employee's base salary. No actuarial valuation of the DB 1.75 Plan or the GRSP has been performed.

9. 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, 2017 and 2016, \$4,362,522 and \$4,243,968, respectively, of outstanding purchase orders and purchase commitments are not reported in the financial statements.

10. 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 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, 2017 and 2016, total payments remitted to the Government of Guam's General Fund of \$2,027,283 and \$2,028,046, 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, 2017 and 2016.

UNIVERSITY OF GUAM
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Notes to Financial Statements
September 30, 2017 and 2016

10. Commitments and Contingencies, Continued

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.

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 be financed by the Foundation from a loan with the U.S. Department of Agriculture (USDA).

Future minimum lease payments as of September 30, 2017 are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2018	\$ 72,478
2019	869,736
2020	869,736
2021	869,736
2022	869,736
Thereafter	<u>31,238,018</u>
Total	\$ <u>34,789,440</u>

11. Related Party

In the ordinary course of business, the University maintains accounts with a Bank. An officer of that Bank was a member of the Board of Regents for the first two months of fiscal year 2016. The University has assessed other related party transactions and has concluded that none are material to the accompanying financial statements.

12. Due from Government of Guam

Due from Government of Guam consists of receivables from the GovGuam General Fund. During the year ended September 30, 2017, the University believed that it would collect the total amount appropriated from the General Fund. As of January 2018, \$5,023,721 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	\$ 34,803,363
Less amount that may not be collected	(5,023,721)
Less amount collected in FY 2018 against FY 2017 continuing appropriation	<u>(5,869,207)</u>
Net appropriations	\$ <u>23,910,435</u>

UNIVERSITY OF GUAM
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Notes to Financial Statements
September 30, 2017 and 2016

12. Due from Government of Guam, Continued

\$5,869,207 has been received subsequent to September 30, 2017 against the 2017 appropriations but given the time frame in which it was received, the amount is recognized in the University's appropriation revenue in fiscal year 2018.

UNIVERSITY OF GUAM
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Schedule of Funding Progress and Actuarial Accrued Liability - Post
Employment Benefits Other than Pension (Unaudited)

The Schedule of Funding Progress presents GASB 45 results of Other Post Employment Benefits (OPEB) valuations as of fiscal year ends September 30, 2016, 2011, and 2007 for the University of Guam's share of the Government of Guam Post Employment Benefits other than Pensions. The schedule provides an information trend about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
October 1, 2007	\$ -	\$ 43,606,000	\$ 43,606,000	0.0%	\$ 31,217,000	139.7%
October 1, 2011	\$ -	\$ 66,605,000	\$ 66,605,000	0.0%	\$ 35,773,000	186.2%
October 1, 2015	\$ -	\$ 101,800,550	\$ 101,800,550	0.0%	\$ 28,740,742	354.2%
October 1, 2016*	\$ -	\$ 108,086,073	\$ 108,086,073	0.0%	\$ 29,890,372	361.6%

*Projected

See Accompanying Independent Auditors' Report.

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

Defined Benefit Plan

	2017	2016	2015	2014
Total net pension liability	\$ 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	\$ 80,510,523	\$ 81,001,196	\$ 68,326,815	\$ 78,004,153
UOG's proportion of the net pension liability	5.88%	5.64%	5.48%	5.99%
UOG's covered-employee payroll**	\$ 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	270.31%	280.98%	246.82%	283.11%
Plan fiduciary net position as a percentage of the total pension liability	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
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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

	2017	2016
Total net pension liability***	\$ 229,486,687	\$ 235,799,709
UOG's proportionate share of the net pension liability	\$ 10,844,857	\$ 11,126,455
UOG's proportion of the net pension liability	4.73%	4.72%
UOG's covered-employee payroll**	\$ 23,927,282	\$ 24,129,357
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	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
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Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

Ad Hoc COLA Plan for DCRS Retirees

	2017	2016
Total net pension liability***	\$ 61,688,067	\$ 52,115,736
UOG's proportionate share of the net pension liability	\$ 3,298,131	\$ 2,783,217
UOG's proportion of the net pension liability	5.35%	5.34%
UOG's covered-employee payroll**	\$ 19,518,316	\$ 19,006,437
UOG's proportionate share of the net pension liability as percentage of its covered employee payroll	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
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Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 7,318,972	\$ 7,582,871	\$ 7,352,199	\$ 7,404,564
Contribution in relation to the statutorily determined contribution	<u>7,535,442</u>	<u>7,796,236</u>	<u>7,611,247</u>	<u>7,307,020</u>
Contribution deficiency (excess)	\$ <u>(216,470)</u>	\$ <u>(213,365)</u>	\$ <u>(259,048)</u>	\$ <u>97,544</u>
UOG's covered-employee payroll **	<u>\$ 29,784,398</u>	<u>\$ 28,828,564</u>	<u>\$ 27,682,709</u>	<u>\$ 27,552,299</u>
Contribution as a percentage of covered-employee payroll	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
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Schedules of Salaries, Wages and Benefits
Years Ended September 30, 2017 and 2016

	2017	2016 As Restated
Salaries and wages:		
Funded by local funds	\$ 23,010,168	\$ 22,991,375
Federal funds	5,485,085	4,727,695
General operations and federal funds	3,632,457	4,154,393
Other funding sources	5,431,726	4,682,153
Total salaries and wages	37,559,436	36,555,616
Benefits:		
Funded by local funds	10,376,081	10,806,238
Federal funds	899,808	870,639
General operations and federal funds	1,177,031	1,405,051
Other funding sources	903,288	817,136
Total benefits	13,356,208	13,899,064
Total salaries, wages and benefits	\$ 50,915,644	\$ 50,454,680

See Accompanying Independent Auditors' Report.

UNIVERSITY OF GUAM
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Schedules of Expenses by Object Category
Years Ended September 30, 2017 and 2016

	2017		2016, As Restated	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
Instruction:				
Salaries and wages	\$ 12,956,782	\$ 201,665	\$ 12,875,245	\$ 217,761
Benefits	4,435,082	65,240	4,599,556	50,621
Travel	82,462	119,816	60,484	105,968
Contracts	487,247	393,160	815,495	499,172
Supplies	138,892	28,434	115,923	43,938
Equipment	35,146	8,952	16,448	11,380
Capital outlay	39,740	-	-	-
Utilities	13,280	-	11,738	-
Miscellaneous	324,341	58,492	379,044	113,895
	<u>\$ 18,512,972</u>	<u>\$ 875,759</u>	<u>\$ 18,873,933</u>	<u>\$ 1,042,735</u>
Public service:				
Salaries and wages	\$ 200,982	\$ 3,832,476	\$ 189,763	\$ 4,097,030
Benefits	331,173	1,098,869	351,265	1,203,254
Travel	31,779	467,042	29,156	507,814
Contracts	2,178,004	801,245	1,780,743	888,012
Supplies	18,211	301,739	13,933	275,262
Equipment	15,476	108,386	4,368	164,762
Capital outlay	3,531	8,902	-	74,616
Utilities	-	-	3,775	11,317
Miscellaneous	343,510	453,582	234,945	520,004
	<u>\$ 3,122,666</u>	<u>\$ 7,072,241</u>	<u>\$ 2,607,948</u>	<u>\$ 7,742,071</u>
Research:				
Salaries and wages	\$ 1,668,305	\$ 4,698,625	\$ 1,745,759	\$ 3,884,318
Benefits	852,249	947,517	879,174	922,170
Travel	21,726	944,336	110,444	661,264
Contracts	254,228	1,046,231	267,802	1,116,227
Supplies	90,425	680,557	107,290	458,278
Equipment	33,310	317,926	74,782	405,557
Capital outlay	1,937	-	72,808	763,058
Utilities	8,666	260,753	3,564	243
Miscellaneous	102,249	1,595,561	87,171	913,462
	<u>\$ 3,033,095</u>	<u>\$ 10,491,506</u>	<u>\$ 3,348,794</u>	<u>\$ 9,124,577</u>

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UNIVERSITY OF GUAM
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Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2017 and 2016

	2017		2016, As Restated	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
Operational and maintenance, plant:				
Salaries and wages	\$ 1,747,158	\$ -	\$ 1,708,062	\$ -
Benefits	747,609	-	770,508	-
Travel	-	-	-	-
Contracts	575,067	-	1,009,324	-
Supplies	482,816	-	469,172	-
Equipment	192,373	-	92,903	-
Capital outlay	1,661,002	-	3,114,723	-
Utilities	(23,606)	-	104,215	-
Miscellaneous	(3,686)	-	624,911	-
	<u>\$ 5,378,733</u>	<u>\$ -</u>	<u>\$ 7,893,818</u>	<u>\$ -</u>
Scholarships and fellowships:				
Miscellaneous	\$ <u>264,622</u>	\$ <u>9,770,607</u>	\$ <u>268,570</u>	\$ <u>10,860,420</u>
Institutional support:				
Salaries and wages	\$ 3,577,132	\$ 206,906	\$ 3,602,868	\$ -
Benefits	1,730,363	58,432	1,949,879	48,296
Travel	203,475	22,670	372,699	-
Contracts	2,365,550	88,005	2,932,210	-
Supplies	79,626	725	191,440	-
Equipment	51,292	3,582	208,589	-
Capital outlay	646	-	700,734	-
Utilities	92,040	-	372	-
Miscellaneous	403,499	9,325	366,614	-
	<u>\$ 8,503,623</u>	<u>\$ 389,645</u>	<u>\$ 10,325,405</u>	<u>\$ 48,296</u>

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UNIVERSITY OF GUAM
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Schedules of Expenses by Object Category, Continued
Years Ended September 30, 2017 and 2016

	2017		2016, As Restated	
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Restricted</u>
Academic support:				
Salaries and wages	\$ 5,761,189	\$ -	\$ 5,257,003	\$ -
Benefits	2,142,917	-	2,043,684	-
Travel	262,058	-	295,251	-
Contracts	1,511,410	-	1,484,090	4,000
Supplies	226,283	7,000	407,846	11,577
Equipment	314,503	-	384,813	-
Capital outlay	3,925	-	275,890	-
Utilities	221,210	-	2,758	-
Miscellaneous	230,734	-	268,717	-
	<u>\$ 10,674,229</u>	<u>\$ 7,000</u>	<u>\$ 10,420,052</u>	<u>\$ 15,577</u>
Student services:				
Salaries and wages	\$ 1,621,862	\$ 479,472	\$ 1,773,129	\$ 600,891
Benefits	696,648	4,208	794,542	29,724
Travel	43,618	-	91,444	15,143
Contracts	68,242	-	88,866	58
Supplies	50,119	390	55,478	3,633
Equipment	23,871	4,011	15,391	2,096
Capital outlay	52,820	-	6,223	-
Utilities	-	-	59,975	-
Miscellaneous	198,469	278	193,289	12,727
	<u>\$ 2,755,649</u>	<u>\$ 488,359</u>	<u>\$ 3,078,337</u>	<u>\$ 664,272</u>
Auxiliary enterprises:				
Salaries and wages	\$ 606,882	\$ -	\$ 603,787	\$ -
Benefits	245,901	-	256,391	-
Travel	5,055	-	3,728	-
Contracts	126,484	-	54,696	-
Supplies	72,019	-	76,354	-
Equipment	18,066	-	17,910	-
Capital outlay	760,124	-	-	-
Utilities	-	-	236,010	-
Miscellaneous	211,670	-	1,031,222	-
	<u>\$ 2,046,201</u>	<u>\$ -</u>	<u>\$ 2,280,098</u>	<u>\$ -</u>

See Accompanying Independent Auditors' Report.

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

Schedules of Employee Information
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Funded by:		
Local funds	437	398
Federal funds	168	130
General operations and federal funds	124	91
Other funding sources	346	278
	<u>1,075</u>	<u>897</u>

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, 2017 and 2016

	2017	2016
University-generated revenues:		
Tuition and fees (gross)	\$ 24,653,185	\$ 23,950,897
Scholarship and tuition discounts	(11,567,149)	(10,527,935)
Grants and contracts, net	32,705,091	32,127,706
Auxiliary enterprises and other revenues	<u>8,667,728</u>	<u>9,328,790</u>
Total University-generated revenues	54,458,855	54,879,458
Government of Guam appropriations (excluding retiree healthcare costs and other pension benefits appropriations)	<u>29,415,063</u>	<u>31,612,292</u>
Total revenues (excluding investment income, bad debts provision and retiree healthcare and other pension benefits appropriations)	\$ <u>83,873,918</u>	\$ <u>86,491,750</u>
Supplemental information:		
Net investment income (loss)	\$ <u>2,355,658</u>	\$ <u>1,475,579</u>
Provision for bad debts	\$ <u>(449,519)</u>	\$ <u>(669,224)</u>
Retiree healthcare costs and other pension benefits appropriations	\$ <u>3,245,607</u>	\$ <u>3,068,943</u>

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