

GUAM COMMUNITY COLLEGE

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2004 AND 2003

Independent Auditors' Report

Board of Trustees
Guam Community College:

We have audited the accompanying financial statements of net assets of the Guam Community College (a component unit of the Government of Guam) and its discretely presented component unit as of and for the years ended September 30, 2004 and 2003. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Guam Community College Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Guam Community College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

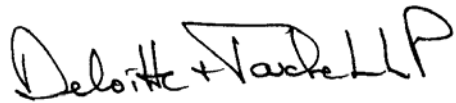
In our opinion, such financial statements present fairly, in all material respects, the financial position of the Guam Community College and its discretely presented component unit as of September 30, 2004 and 2003, and the respective changes in its net assets and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 4 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This information is the responsibility of the College's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

Our audit of the financial statements was made for the purpose of expressing our opinion on the basic financial statements taken as a whole. The accompanying supplemental schedules on pages 21 – 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Guam Community College's management. Such information in those schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

As described in note 2, the College changed its reporting entity by including the Guam Community College Foundation as a discretely presented component unit, as required by the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as of October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2005, on our consideration of the Guam Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

June 27, 2005

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2004

Introduction

The following discussion and analysis provides an overview of the financial activities of Guam Community College (the College). This is a requirement of the Governmental Accounting Standards Board (GASB) found in Statement 34, *Basic Financial Statements and Management's Discussion for State and Local Governments*. This discussion has been prepared by College Management. It is based on the three financial statements provided in the annual audit report. The presentation format used in these statements has also been updated by GASB. This is the third year this report format is being used. As a result comparable financial data from the prior year is also being provided. The three statements presented are the:

Statement of Net Assets - This statement is similar to a balance sheet. Net Assets represent the difference between the institution's total assets and the institution's liabilities. Net Assets were previously called Fund Balance.

Statement of Revenues, Expenses, and Changes in Net Assets - This statement presents the financial results of operating the College for the whole fiscal year. In this presentation appropriated funds are considered as a non-operating revenue. Because of this change, these additions to revenue are placed after the results of operations. Previously they were grouped at the beginning of the statement with other revenues.

Statement of Cash Flows - This statement provides information about the College's ability to generate the cash flows needed to meet the financial obligations of the College as well as the extent to which external financing is being used to fund College operations.

These three reports present data in a summarized form. The College is most often asked questions about how specific monies have been expended. Because the summarized format is not able to provide answers to these specific questions, the College also provides a set of financial statements in the fund accounting format used previously. These statements are found at the end of the report and the statements are structured so the dollar totals there link to the official statements.

Fiscal Year 2004 Overview

During fiscal year 2004, the economy on Guam continued a slow recovery from the economic downturn of the previous years, a downturn in many ways caused by two earthquakes on Guam, the reaction in Asia to the SARS epidemic, and the damage in December 2002 caused by Supertyphoon Pongsona . In 2004, the number of tourists arriving on Guam increased by 27% over 2003. In 2004 room occupancy rates increased by 32% over the prior year and occupancy taxes collected increased 34%. Total arrivals in 2004 were 90% of the arrivals in 2000, the year with the largest number of tourists ever. The continued growth in tourist arrivals contributes to the recovery process in which the College participates.

During FY 2004 the College was able to initiate a number of major repairs, including window upgrades, the construction of a water supply for the Student Services and Administration building, and the provision of backup water supplies for other buildings. The College also initiated reconstruction of the old administration building with the intention of turning it into a technology education center and the reconstruction of the old cafeteria, turning it into a conference area.

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2004

After Super typhoon Pongsona, the College converted a recently completed dormitory into the Student Services and Administration Building. However because GovGuam has not been able to provide water to the building, the new building presently depends on a temporary water supply. Until the building is provided with a permanent water supply, the College is only able to use the building under a temporary occupancy permit. This has delayed finalizing the building loan taken out from the US Department of Education. The College anticipates resolution of this matter in FY 2005.

From FY 2001 through FY 2004, GovGuam appropriated funds for 193 full time personnel positions in the College. In FY 2000, GovGuam appropriated 230 full time personnel positions. In some years, filling the full number of appropriated positions was held up because of significant delays in releases of appropriated funds to the College.

Since the early 1990's, GovGuam has cut back on appropriations for over 100 full time personnel positions at the College. Because of these cutbacks, to conserve funds, the College has focused on its existing educational mission. Also since the early 1990's, GovGuam has not appropriated any capital funds for the construction of new buildings or the maintenance and repair of existing buildings. The single exception has been the appropriation of a portion of the Tobacco Fund Settlement to the College. Approximately one half of the Tobacco Funds are available for capital projects. Because the campus requires significant repair efforts, the College has had to build up a pool of maintenance and repair funds from its operational efforts. This includes accepting loans from federal sources and through prudent spending of the College's own funds.

With the encouragement of the Micronesian Chefs Association, in 2004 the College started a Culinary Arts program. Because of the specialized nature of this program, it has been structured so that tuition revenue substantially covers program costs. The success of the program indicates this approach can serve as a model for other specialized programs.

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

Summary Statement of Net Assets

	<u>2004</u>	<u>2003</u>
Assets:		
Current assets	\$ 13,095	\$ 13,101
Accounts receivable – U.S. Government	600	600
Investments (noncurrent)	1,740	1,740
Capital assets, net	<u>7,203</u>	<u>6,153</u>
Total	\$ <u>22,638</u>	\$ <u>21,594</u>
Liabilities:		
Current liabilities	\$ 2,055	\$ 1,679
Noncurrent liabilities	3,698	3,853
Net Assets:		
Invested in capital assets	4,202	3,153
Restricted – expendable	1,055	1,577
Restricted – nonexpendable	1,754	1,754
Unrestricted	<u>9,874</u>	<u>9,578</u>
Total liabilities and net assets	\$ <u>22,638</u>	\$ <u>21,594</u>

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2004

The net assets of the College increased by \$824,000. This is to be compared with an increase in FY 2003 of \$1,576,000, as restated. These increases have been set aside to pay the \$3,000,000 loan from the federal government that funded the construction of the new Student Services and Administration building. This building was originally designed as a student dormitory. However major damage to other buildings from Supertyphoon Pongsona made the conversion necessary. Once the College receives its occupancy permit, the federal government will require immediate repayment of the loan. In addition the rest of the College's reserves are allocated to major repairs including repairs of two other buildings damaged by the Supertyphoon.

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

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 9,396	\$ 8,810
Operating expenses	<u>21,074</u>	<u>19,451</u>
Operating loss	(11,678)	(10,641)
Non operating revenues	12,502	12,217
Increase in net assets	824	1,576
Net assets at beginning of year	<u>16,061</u>	<u>14,485</u>
Net assets at end of year	\$ <u>16,885</u>	\$ <u>16,061</u>

Increases in net assets have been allocated to major maintenance and repair projects at the College and to provide for the required immediate payback of the federal loan related to the construction of the new Student Services and Administration Building.

Statement of Cash Flows

	<u>2004</u>	<u>2003</u>
Cash provided by (used in):		
Operating activities	\$ (10,621)	\$ (10,448)
Noncapital financing activities	14,353	11,587
Capital financing activities	<u>(1,699)</u>	<u>(549)</u>
Net increase in cash and cash equivalents	2,033	590
Cash and cash equivalents at beginning of year	<u>8,325</u>	<u>7,735</u>
Cash and cash equivalents at end of year	\$ <u>10,358</u>	\$ <u>8,325</u>

There is a \$691,000 difference between the increase in net assets shown on the Statement of Revenues, Expenses, and Changes in Net Assets and the net increase in cash and cash equivalents. Most of this difference is the result of delays in the release of GovGuam appropriations in the prior fiscal year.

GUAM COMMUNITY COLLEGE

Management's Discussion and Analysis Year Ended September 30, 2004

Economic Outlook

Guam's economy is closely linked to tourism - primarily tourism from Japan - and, to a lesser extent, US Government defense and non-defense outlays. However, because of Guam's modest size, limited population, and location, the Island's economy is susceptible to political and economic crises happening elsewhere in the Far East. Also because of its volcanic origins and location in the Pacific, Guam also has experienced earthquakes and typhoons. In the recent past, events such as Supertyphoon Pongsona and the contraction in Asian tourism brought about by the SARS epidemic have contributed to a ongoing economic slowdown on Guam.

Guam does reap a number of benefits from the Federal Government. Because of its location between the military bases in Hawaii and the Far East, including China and North Korea, the Federal Government has, for many years, maintained several naval bases and one large air force base on Guam. The reduction in international tensions after the break up of the Soviet Union led to cutbacks in base staffing and military expenditures. At the same time the Federal Government began outsourcing non military functions such as the management of post exchanges. The result was an ongoing substitution of highly paid positions by positions with low salaries. Because of these factors, the importance of military expenditures to Guam's economy has declined. However the federal government has announced that several nuclear submarines are being stationed on Guam, and it is expected that additional military units will be based on Guam in the near future.

Guam has another very significant economic advantage. Federal income tax payments made by Guam residents belong to the Government of Guam. This means that the Government of Guam has a large source of revenue that would, in other places, belong to the Federal Government. At the same time Guam is responsible for a number of government functions that would be carried out by the Federal Government elsewhere. The Government of Guam has chosen to utilize its funding sources, including the return from income taxes, to develop a bureaucracy with a large employee base. This has made it difficult for the Government to direct enough attention to maintaining the capital infrastructure.

During FY 2004, Guam continued to recover from a contraction in its economy that was the result of previous global events, natural disasters, and economic problems in this part of the world. While there have been no new negative events, given the pervasiveness of the slowdown brought about by previous factors, positive change in the economy of Guam is taking place slowly.

Despite this negative outlook, because of its position in the Pacific, its proximity to the Far East, its developed infrastructure, and its political, economic, and legal ties to the United States, Guam possesses geopolitical advantages that can contribute to the development of a strong economy. Guam's primary need continues to be for a predictable institutional and political foundation that will support ongoing social, economic, and, technological growth.

Information in this section on the economic outlook is based on the *October 2001 and October 2003 Guam Economic Reports* from the Bank of Hawaii, and the *2004 Guam Statistical Yearbook* from the GovGuam Bureau of Statistics and Plans.

GUAM COMMUNITY COLLEGE

Statements of Net Assets September 30, 2004 and 2003

<u>ASSETS</u>	<u>2004</u>	<u>2003</u> (As Restated)
Current assets:		
Cash and cash equivalents	\$ 9,020,464	\$ 6,494,429
Cash and cash equivalents - restricted	1,338,524	1,831,063
Due from Government of Guam	154,321	2,006,276
Tuition receivable, less allowance for doubtful accounts of \$889,240 and \$153,631 at September 30, 2004 and 2003, respectively	1,247,923	1,595,158
Accounts receivable - U.S. Government	312,882	411,145
Other receivables	891,849	518,670
Inventories	128,738	102,172
Other current assets	796	141,859
Total current assets	<u>13,095,497</u>	<u>13,100,772</u>
Noncurrent assets:		
Accounts receivable - U.S. Government	600,000	600,000
Investments	1,740,000	1,740,000
Property, plant and equipment, net	<u>7,202,643</u>	<u>6,152,875</u>
Total noncurrent assets	<u>9,542,643</u>	<u>8,492,875</u>
Total assets	<u><u>\$ 22,638,140</u></u>	<u><u>\$ 21,593,647</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Current portion of long-term debt	\$ 129,055	\$ 83,525
Accounts payable and accrued liabilities	539,851	148,326
Deferred revenue	1,177,833	1,221,231
Current portion of accrued annual leave	<u>207,951</u>	<u>225,570</u>
Total current liabilities	<u>2,054,690</u>	<u>1,678,652</u>
Noncurrent liabilities:		
Accrued annual leave	327,917	494,360
DCRS sick leave liability	229,732	202,071
Long-term debt, net of current portion	2,870,945	2,916,475
Deposits held on behalf of others	<u>269,338</u>	<u>240,350</u>
Total noncurrent liabilities	<u>3,697,932</u>	<u>3,853,256</u>
Commitment and contingency		
Net assets:		
Invested in capital assets, net of related debt	4,202,643	3,152,875
Restricted:		
Expendable	1,055,609	1,577,136
Nonexpendable	1,753,577	1,753,577
Unrestricted	<u>9,873,689</u>	<u>9,578,151</u>
Total net assets	<u>16,885,518</u>	<u>16,061,739</u>
Total liabilities and net assets	<u><u>\$ 22,638,140</u></u>	<u><u>\$ 21,593,647</u></u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Financial Position September 30, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 14,864	\$ 51,218
Investments	6,581,918	5,933,397
Plant and equipment, net	<u>540,240</u>	<u>600,267</u>
Total assets	<u>\$ 7,137,022</u>	<u>\$ 6,584,882</u>
NET ASSETS		
Commitments		
Net assets:		
Unrestricted	\$ 2,987,171	\$ 2,630,214
Temporarily restricted	3,590,160	3,334,950
Permanently restricted	<u>559,691</u>	<u>619,718</u>
Total net assets	<u>\$ 7,137,022</u>	<u>\$ 6,584,882</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Assets Years Ended September 30, 2004 and 2003

	2004	2003 (As Restated)
Revenues:		
Operating revenues:		
Student tuition and fees	\$ 2,829,912	\$ 2,313,373
Less: Scholarship discounts and allowances	<u>(1,275,010)</u>	<u>(1,211,553)</u>
	1,554,902	1,101,820
Federal grants and contracts	5,575,461	5,193,968
Government of Guam grants and contracts	454,190	351,257
Auxiliary enterprises	584,283	581,222
Other revenues	<u>1,227,384</u>	<u>1,581,887</u>
Total operating revenues	<u>9,396,220</u>	<u>8,810,154</u>
Operating expenses:		
Education and general:		
Instruction	6,862,959	6,937,992
Institutional support	3,693,841	3,140,364
Scholarships and fellowships	2,946,045	2,823,058
Operations and maintenance of plant	1,507,556	1,807,093
Student services	2,025,551	1,721,571
Academic support	1,737,265	1,765,986
Bad debts	735,759	-
Depreciation	649,205	548,920
Special projects	329,390	267,550
Auxiliary enterprises	<u>586,400</u>	<u>438,280</u>
Total operating expenses	<u>21,073,971</u>	<u>19,450,814</u>
Operating loss	<u>(11,677,751)</u>	<u>(10,640,660)</u>
Nonoperating revenues:		
Government of Guam appropriations:		
Operations	<u>12,501,530</u>	<u>12,217,084</u>
Net nonoperating revenues	<u>12,501,530</u>	<u>12,217,084</u>
Increase in net assets	823,779	1,576,424
Net assets:		
Net assets at beginning of year	<u>16,061,739</u>	<u>14,485,315</u>
Net assets at end of year	<u><u>\$ 16,885,518</u></u>	<u><u>\$ 16,061,739</u></u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE FOUNDATION

Statements of Activities
Years Ended September 30, 2004 and 2003

	2004				2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Gains and other additions:								
Investment income	\$ 393,311	\$ 255,210	\$ -	\$ 648,521	\$ 479,488	\$ 121,262	\$ -	\$ 600,750
Interest income	64	-	-	64	1,525	-	-	1,525
Other additions	297	-	-	297	1,237	-	-	1,237
Total gain and other additions	393,672	255,210	-	648,882	482,250	121,262	-	603,512
Expenditures and other deductions:								
Depreciation	-	-	60,027	60,027	-	-	60,027	60,027
Professional services	14,973	-	-	14,973	4,623	-	-	4,623
Transfer to Guam Community College	14,138	-	-	14,138	-	-	-	-
Scholarship	3,000	-	-	3,000	3,000	-	-	3,000
Other deductions	2,654	-	-	2,654	315	-	-	315
General and administrative	1,950	-	-	1,950	1,249	-	-	1,249
Fundraising expense	-	-	-	-	380	-	-	380
Total expenditures and other deductions	36,715	-	60,027	96,742	9,567	-	60,027	69,594
Excess of gains and additions over expenditures and other deductions	356,957	255,210	(60,027)	552,140	472,683	121,262	(60,027)	533,918
Net assets at beginning of year (see note 6)	2,630,214	3,334,950	619,718	6,584,882	2,157,531	3,213,688	679,745	6,050,964
Net assets at end of year	<u>\$ 2,987,171</u>	<u>\$ 3,590,160</u>	<u>\$ 559,691</u>	<u>\$ 7,137,022</u>	<u>\$ 2,630,214</u>	<u>\$ 3,334,950</u>	<u>\$ 619,718</u>	<u>\$ 6,584,882</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Statements of Cash Flows Years Ended September 30, 2004 and 2003

	2004	2003 (As Restated)
Cash flows from operating activities:		
Student tuition and fees	\$ 1,096,414	\$ 750,858
Federal grants/contracts	5,673,724	4,925,206
Government of Guam grants and contracts	81,010	365,660
Auxiliary services	(2,117)	142,942
Other receipts/payments	1,227,384	1,581,887
Payments to educational and general expenses	(15,751,387)	(15,392,057)
Scholarship/fellowships	(2,946,044)	(2,823,058)
Net cash used in operating activities	<u>(10,621,016)</u>	<u>(10,448,562)</u>
Cash flows from noncapital financing activities:		
Government of Guam appropriations	<u>14,353,486</u>	<u>11,587,129</u>
Net cash provided by noncapital financing activities	<u>14,353,486</u>	<u>11,587,129</u>
Cash flows from capital financing activities:		
Expended on plant facility and capital assets	(1,125,610)	(548,558)
Proceeds from capital debt	5,000	-
Construction in progress	(578,364)	-
Net cash used in capital financing activities	<u>(1,698,974)</u>	<u>(548,558)</u>
Net increase in cash and cash equivalents	2,033,496	590,009
Cash and cash equivalents at beginning of year	<u>8,325,492</u>	<u>7,735,483</u>
Cash and cash equivalents at end of year	<u>\$ 10,358,988</u>	<u>\$ 8,325,492</u>
<u>Reconciliation of operating loss to net cash used in operating activities:</u>		
Operating loss	\$ (11,677,751)	\$ (10,640,660)
Depreciation	649,205	548,920
Bad debt	735,759	-
Accounts receivable, net	(663,441)	(356,238)
Inventory	(26,566)	(8,644)
Other assets	141,063	44,683
Accounts payable	391,525	27,807
Accrued liabilities	(184,062)	(88,236)
DCRS sick leave liability	27,661	202,071
Deferred revenue	(43,397)	(240,435)
Deposits held on behalf of others	<u>28,988</u>	<u>62,170</u>
Net cash used in operating activities	<u>\$ (10,621,016)</u>	<u>\$ (10,448,562)</u>

See accompanying notes to financial statements.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2004 and 2003

(1) Organization and Purpose

Guam Community College (the College) was established by the enactment of Public Law 14-77, "The Community College Act of 1977" (the Law), which became effective on November 11, 1977. Administration and operation of the College is under the control of a nine-member Board of Trustees appointed by the Governor with the advice and consent of the Legislature. Two of the nine members have no voting and participation rights as they represent the faculty and staff union. The College is a component unit of the Government of Guam. The Law sets forth the purposes of the College as follows:

1. To establish technical, vocational and other related occupational training and education courses of instruction aimed at developing educated and skilled workers on Guam;
2. To coordinate vocational-technical programs in all public schools on Guam;
3. To establish and maintain short-term extension and apprenticeship training programs in Guam;
4. To expand and maintain secondary and postsecondary educational programs in the vocational-technical fields;
5. To award appropriate certificates, degrees and diplomas to qualified students; and
6. To serve as the Board of Control for vocational education for purposes of the United States Vocational Education Act of 1946 and 1963 and subsequent amendments thereto.

The Guam Community College Foundation (the Foundation) was founded in August 1982, as a non-profit, public benefit corporation, which operates under a separate Board of Governors from that of the College. Accordingly, the accompanying financial statements do not include the accounts of the Foundation.

(2) Summary of Significant Accounting and Reporting Policies

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Other GASB Statements are required to be implemented in conjunction with GASB Statements No. 34 and No. 35. Therefore, the College has also implemented, where applicable, Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2004 and 2003

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

Basis of Accounting

For financial statement purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Reporting Entity

Effective October 1, 2003, the College adopted GASB Statement No. 39, Determining Whether Certain Organizations are Component Units. The Guam Community College Foundation (Foundation) is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39. The Foundation provides financial support for the objectives, purposes and programs of the College. Although the College does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) which the Foundation holds and invests are restricted to the activities of the College. Because the resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and its Statements of Financial Position and Statements of Activities and Changes in Net Assets are separately presented in the College's financial statements. In addition, significant notes are summarized under Foundation Investments.

The Foundation is a private organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, money market accounts and time certificates of deposit with original maturities of less than ninety days.

Inventory

Inventory is stated at the lower of cost (first-in, first-out) or market (net realizable value).

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2004 and 2003

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

Investments

Investments consist of bank certificates of deposit with original maturities of more than three months. Time certificates of deposit with initial maturities of less than three months are included in cash and cash equivalents. Investments are stated at amortized cost including accrued interest. At September 30, 2004 and 2003, the College's time certificates of deposit balance in a bank is \$3,805,919 and \$3,792,659, respectively, of which \$200,000 is insured by the Federal Deposit Insurance Corporation and \$2,910,870 and \$2,904,589, respectively, is collateralized by securities held by a trustee in the name of the financial institution. The remaining balance is uncollateralized.

Deferred Revenues

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

Compensated Absences

Earned employee vacation due is accrued at year end for financial statement purposes. Included in the accounts payable and accrued liabilities at September 30, 2004 and 2003 are amounts related to compensated absences earned but unused. The amounts are also included as a component of operating expense in the Statement of Revenues and Changes in Net Assets.

Grants-in-Aid

GovGuam law requires that the College waive the tuition and fees for credit classes for senior citizens. The College provides no waivers to faculty, staff or dependents. The total of senior citizen waivers provided is less than \$10,000 in September 30, 2004 and 2003.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of notes payable; and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt – This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included in this section.

Restricted Net Assets – Expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2004 and 2003

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

Net Assets, Continued

Restricted Net Assets - Nonexpendable - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. Related cash accounts are also restricted.

Unrestricted Net Assets –Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for student, faculty and staff.

The College's policy is to expend resources according to the terms and conditions of the grants or contracts under which the resources were received.

Classification of Revenues

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

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on investments.

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2004 and 2003

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

Foundation Investments

The Foundation adopted the requirements of Financial Accounting Standards Statements 116, 117 and 124 which require that the Foundation account for its investments at market value.

The Foundation has also adopted Statement of Financial Accounting Standards (SFAS) No. 115. Under SFAS 115, investments in securities are classified as either trading securities, securities held to maturity or securities available for sale. At September 30, 2004 and 2003, all investments are classified as trading securities. Securities are recorded at their fair values with fair value determined at quoted market prices. Unrealized gains and losses on trading securities at September 30, 2004 and 2003 are included in investment income.

The original cost and market values of investments at September 30, 2004 and 2003, are:

<u>2004</u>		<u>2003</u>	
<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
\$ <u>5,348,663</u>	\$ <u>6,581,918</u>	\$ <u>5,348,663</u>	\$ <u>5,933,397</u>

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

	<u>2004</u>	<u>2003</u>
Equities and related	\$ 4,764,087	\$ 4,152,301
Fixed income securities	1,377,881	1,344,960
Cash and equivalents	<u>439,950</u>	<u>436,136</u>
	\$ <u>6,581,918</u>	\$ <u>5,933,397</u>

The following represents the composition of investment income for the years ended September 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Unrealized investment gains	\$ 514,797	\$ 497,417
Net interest income and dividends	<u>133,724</u>	<u>103,333</u>
	\$ <u>648,521</u>	\$ <u>600,750</u>

Statutes authorize the Foundation to invest the Term Endowment Funds during the twenty-year grant period, in savings account(s) or in low-risk securities as required by State law(s) regulating insurance company investments for Guam, such as federally insured bank savings account(s); comparable interest bearing accounts offered by a bank; money market funds; securities issued by the U.S. Treasury, other U.S. Agencies and instrumentalities; certificates of deposit; mutual funds; stock or bonds, but not in real estate. The investments are pooled and earnings and expenses are allocated to the respective funds which comprise the Foundation. There are no limits on the investment policy of the Quasi-Endowment Fund.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements
September 30, 2004 and 2003

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

New Accounting Standard

For fiscal year 2005, the College will be implementing GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (an amendment of GASB Statement No. 3) and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The College has not evaluated the financial statement impact of GASB Statement Nos. 40 and 42.

Tobacco Settlement

The College received \$3,241,203 from a tobacco settlement agreement entered into by the Government of Guam to be expended by the College for capital projects. The fund may only be expended in accordance with purposes set forth by the Guam Economic Development and Commerce Authority, a component unit of the Government of Guam. During the years ended September 30, 2004 and 2003, the fund earned interest of \$27,927 and \$34,741, respectively. The College expended \$549,454 for capital projects.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The College is exposed to various risks of loss; theft of, damage to, and destruction of assets; operation liability; errors and omissions; employee injuries and illnesses; natural disasters and employee health, dental and accident benefits. There is commercial insurance coverage obtained to provide for claims arising from most of these matters. No material losses have been sustained as a result of the College's risk management practices. The College is not self-insured for typhoon damages.

(3) Property, Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, except as noted below.

Physical plant and certain equipment were transferred to the College from the Government of Guam effective July 1, 1978, except for Police Academy assets, which were transferred on September 28, 1978. Title to the land is held by the Government of Guam. Physical plant is valued at the June 1, 1979 appraised value of \$6,493,585. Transferred equipment and fiscal year 1979 acquisitions are valued at the October 9, 1979 appraised value of \$1,008,192. Subsequent to that date, equipment acquisitions are stated at cost. The College's capitalization policy requires acquisitions greater than \$500 to be capitalized. The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Vehicles, furniture and fixtures are depreciated over a period of 5 years. Building and structures are depreciated over a period of 30 years. Depreciation is computed on the straight line method.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2004 and 2003

(3) Property, Plant and Equipment, Continued

Movements of property, plant and equipment for the years ended September 30, 2004 and 2003 are as follows:

	Balance September 30, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	19,014,000	-	-	19,014,000
Equipment	3,269,520	1,120,610	-	4,390,130
Vehicles	<u>491,787</u>	<u>-</u>	<u>-</u>	<u>491,787</u>
	<u>24,678,307</u>	<u>1,120,610</u>	<u>-</u>	<u>25,798,917</u>
Accumulated depreciation:				
Building	16,007,750	105,000	-	16,112,750
Equipment	2,058,995	534,100	-	2,593,095
Vehicles	<u>458,687</u>	<u>10,106</u>	<u>-</u>	<u>468,793</u>
	<u>18,525,432</u>	<u>649,206</u>	<u>-</u>	<u>19,174,638</u>
Construction in progress	<u>-</u>	<u>578,364</u>	<u>-</u>	<u>578,364</u>
Net	\$ <u>6,152,875</u>	\$ <u>1,049,768</u>	\$ <u>-</u>	\$ <u>7,202,643</u>

	Balance September 30, <u>2002</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2003</u>
Land	\$ 1,903,000	\$ -	\$ -	\$ 1,903,000
Building	16,014,000	3,000,000	-	19,014,000
Equipment	2,720,962	548,558	-	3,269,520
Vehicles	<u>491,787</u>	<u>-</u>	<u>-</u>	<u>491,787</u>
	<u>21,129,749</u>	<u>3,548,558</u>	<u>-</u>	<u>24,678,307</u>
Accumulated depreciation:				
Building	15,927,750	80,000	-	16,007,750
Equipment	1,600,769	458,226	-	2,058,995
Vehicles	<u>447,993</u>	<u>10,694</u>	<u>-</u>	<u>458,687</u>
	<u>17,976,512</u>	<u>548,920</u>	<u>-</u>	<u>18,525,432</u>
Construction in progress	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
Net	\$ <u>6,153,237</u>	\$ <u>2,999,638</u>	\$ <u>3,000,000</u>	\$ <u>6,152,875</u>

(4) Due from Government Agencies

Due from Government of Guam agencies consists of receivables from the Government of Guam General Fund and the accounts receivable - U.S. Government consists of uncollected grants at September 30, 2004 and 2003. While some grants are available for use during the fiscal year, others are available on either a calendar-year basis or for a period of twenty-seven months.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2004 and 2003

(5) Employees' Retirement Plan

Employees of the College hired before September 30, 1995, are under the Government of Guam Employees' Retirement System (a defined benefit, contributory pension plan). Employees hired after September 30, 1995, are members of the Defined Contribution Retirement System (DCRS). Until December 31, 1999, those employees who were members of the Defined Benefit Plan with less than 20 years of service at September 30, 1995, had the option to switch to the Defined Contribution Retirement System. The Defined Benefit Plan and the DCRS are administered by the Government of Guam Retirement Fund, to which the College contributes based upon a fixed percentage of the employees' payroll.

As a result of an actuarial valuations performed as of September 30, 2002, 2001 and 2000 (applicable to fiscal year 2004, 2003 and 2002, respectively), contribution rates for the years ended September 30, 2004, 2003 and 2002, respectively, have been determined as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Normal costs (% of DB Plan payroll)	17.66%	16.42%	15.15%
Unfunded liability costs (% of total payroll)	<u>16.23%</u>	<u>22.94%</u>	<u>18.58%</u>
	33.89%	39.36%	33.73%
Employee contributions (DB Plan employees)	<u>9.50%</u>	<u>9.50%</u>	<u>9.50%</u>
	24.39%	29.86%	24.23%
Agency specific adjustments	<u>- %</u>	<u>2.19%</u>	<u>.91%</u>
Government contribution as a % of DB Plan payroll	<u>24.39%</u>	<u>32.05%</u>	<u>25.14%</u>
Government contribution as a % of total payroll	<u>20.81%</u>	<u>29.25%</u>	<u>N/A</u>

The statutory employer and employee contribution rates were 18.6% and 9.5%, respectively, for the year ended September 30, 2004. For the year ended September 30, 2003, statutory contribution rates for employer and employee contributions were initially set at 26% and 9.5%, respectively, by the Guam Legislature. The employer contribution rate was reduced to 18% by legislative action effective March 1, 2003.

The Defined Benefit Plan utilized the actuarial cost method termed "entry age normal" with an assumed rate of return of 7.5% and an assumed salary scale increase of 5.5% per annum. The most recent actuarial valuation performed as of September 30, 2002, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor.

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

Statutory employer contributions into the DCRS for the years ended September 30, 2004 and 2003, are determined using the same rate as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2004 and 2003

(5) Employees' Retirement Plan, Continued

Members of the DCRS who have completed five years of government service have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

Contributions to DCRS for the year ended September 30, 2004 and 2003 are \$602,390 and \$1,172,097, respectively.

However, as a result of Public Law 21-03, the College has no further responsibility to pay for its share of the unfunded retirement costs. This responsibility now rests with the General Fund of the Government of Guam. Rather, the College's responsibility is to pay the statutorily imposed retirement rate. As of September 30, 2004 and 2003, the General Fund has accrued approximately \$2,438,361 and \$1,568,917, respectively, for the College's cumulative unfunded retirement liability as a result of the adoption of GASB 27.

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. Management recorded a liability of \$229,732 and \$202,071 at September 30, 2004 and 2003, respectively.

(6) Encumbrances

The accrual basis of accounting provides that expenses include only amounts associated with goods and services received and liabilities include only the unpaid amounts associated with such expenses. Accordingly, \$4,149,412 and \$2,413,014 of outstanding purchase orders and purchase commitments are not reported in the financial statements at September 30, 2004 and 2003, respectively.

(7) Contingency

The Government of Guam and its component units, including the College, began withholding and remitting funds to the U.S. Social Security system for the health insurance component of its salaries and wages effective October 1998. Prior to that date, the Government of Guam did not withhold or remit Medicare payments to the U.S. Social Security system. If the Government is found to be liable for Medicare payments on salaries and wages prior to October 1998, an indeterminate liability could result. It has been the practice of the College and all other component units of the Government of Guam that payment of this health insurance component is optional prior to October 1998. Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

(8) Transfer of Property

In February 2000, the College received title to 314 acres of land situated in the municipality of Mangilao from the Government of Guam with no restrictions. As of the report date, the College had not received an appraised value of the land and therefore, the land has not been recorded in the accompanying financial statements.

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2004 and 2003

(9) Long-Term Debt

The College committed to a \$3 million loan to finance the construction of a 64-room dormitory on the College's premises. The loan bears interest at 5.5% and is repayable in semi-annual installments of \$102,660 over a term of thirty years. The loan is secured by a note pledging gross revenues from project operations and other internally generated revenues, non-appropriated funds, student tuition and fees, and other contract proceeds. Due to the aftermath of Typhoon Pongsona, the facility has been converted to the College's principal administration building. The College has a \$600,000 receivable from the U.S. Department of Education as of September 30, 2004 and 2003, which is recorded as a noncurrent asset in the statement of net assets. The dormitory is awaiting the approval of the Guam Waterworks Authority to obtain a certificate of occupancy. The College is taking steps to obtain the certificate and expects that such will be resolved in calendar year 2005.

The future maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 129,055	\$ 486,905	\$ 615,960
2006	48,070	157,250	205,320
2007	50,750	154,570	205,320
2008	53,580	151,740	205,320
2009	56,567	148,753	205,320
2010-2014	333,814	692,786	1,026,600
2015-2019	437,848	588,752	1,026,600
2020-2024	574,303	452,297	1,026,600
2025-2029	753,286	273,314	1,026,600
2030-2032	<u>562,727</u>	<u>55,538</u>	<u>618,265</u>
	\$ <u>3,000,000</u>	\$ <u>3,161,905</u>	\$ <u>6,161,905</u>

(10) Noncurrent Liabilities

Noncurrent liability activity at September 30, 2004 and 2003, was as follows:

	<u>Beginning Balance September 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2004</u>	<u>Amount due within one year</u>
Loan payable	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 129,055
Deposit held on behalf of others	240,350	28,988	-	269,338	-
Accrued annual leave	719,930	155,764	339,826	535,868	207,951
DCRS sick leave liability	<u>202,071</u>	<u>27,661</u>	<u>-</u>	<u>229,732</u>	<u>-</u>
Total noncurrent liabilities	\$ <u>4,162,351</u>	\$ <u>212,423</u>	\$ <u>339,826</u>	\$ <u>4,034,938</u>	\$ <u>337,006</u>

	<u>Beginning Balance September 30, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance September 30, 2003</u>	<u>Amount due within one year</u>
Loan payable	\$ 3,000,000	\$ -	\$ -	\$ 3,000,000	\$ 83,525
Deposit held on behalf of others	178,180	62,170	-	240,350	-
Accrued annual leave	808,166	240,258	328,494	719,930	225,570
DCRS sick leave liability	<u>-</u>	<u>202,071</u>	<u>-</u>	<u>202,071</u>	<u>-</u>
Total noncurrent liabilities	\$ <u>3,986,346</u>	\$ <u>504,499</u>	\$ <u>328,494</u>	\$ <u>4,162,351</u>	\$ <u>309,095</u>

GUAM COMMUNITY COLLEGE

Notes to Financial Statements September 30, 2004 and 2003

(11) Prior Year Restatement

As discussed in note 1, 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. During the year ended September 30, 2004, the College has estimated that a liability of \$202,071 existed as of September 30, 2003.

The accompanying 2003 financial statements have been restated for the foregoing as follows:

	2003 <u>Instruction Expense</u>
As originally stated	\$ <u>6,735,921</u>
As restated	\$ <u>6,937,992</u>
	2003 <u>DCRS Sick Leave Liability</u>
As originally stated	\$ <u>-</u>
As restated	\$ <u>202,071</u>

(12) Commitment

The College has committed to a \$440,000 loan with United States Department of Agriculture to finance the construction of a water pump project. The loan will bear interest at 4.375% and is repayable in monthly installments of \$2,755 over a term of twenty years. The loan is on a drawdown basis and will be disbursed to the College based on requested costs. Construction will not commence until fiscal year 2005.

GUAM COMMUNITY COLLEGE

Schedule 1 Schedule of Salaries and Wages (Cash Basis) Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u> (As Restated)
Salaries and wages:		
Regular, differential and hazardous pay (inclusive of part-time employees)	\$ 8,984,245	\$ 8,788,970
Benefits	<u>2,343,070</u>	<u>2,474,086</u>
Total salaries, wages and benefits	<u>\$ 11,327,315</u>	<u>\$ 11,263,056</u>
Full-time employees at end of year	193	180

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code Years Ended September 30, 2004 and 2003

	2004	2003 (As Restated)
Instruction:		
Salaries, wages and benefits	\$ 6,070,901	\$ 6,113,132
Travel	34,960	36,033
Contract services	166,012	188,719
Supplies	180,834	146,508
Minor equipment	163,203	67,205
Capital expenditures	-	237,966
Miscellaneous	247,049	148,429
	<u>\$ 6,862,959</u>	<u>\$ 6,937,992</u>
Special Projects:		
Salaries, wages and benefits	\$ 192,242	\$ 175,632
Travel	2,730	5,229
Contract services	118,953	74,430
Supplies	12,125	3,110
Minor equipment	3,340	540
Capital expenditures	-	8,609
	<u>\$ 329,390</u>	<u>\$ 267,550</u>
Academic Support:		
Salaries, wages and benefits	\$ 1,380,791	\$ 1,389,798
Travel	7,992	13,599
Contract services	116,931	70,951
Supplies	88,787	54,004
Minor equipment	101,902	38,873
Capital expenditures	-	198,761
Miscellaneous	40,862	-
	<u>\$ 1,737,265</u>	<u>\$ 1,765,986</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code, Continued
Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Student Services:		
Salaries, wages and benefits	\$ 1,507,460	\$ 1,523,363
Travel	48,090	21,758
Contract services	111,604	58,690
Supplies	61,194	28,428
Minor equipment	30,996	22,826
Capital expenditures	-	27,948
Depreciation	-	6,558
Miscellaneous and transfers	266,207	32,000
	<u>\$ 2,025,551</u>	<u>\$ 1,721,571</u>
	<u>2004</u>	<u>2003</u>
Institutional Support:		
Salaries, wages and benefits	\$ 1,691,892	\$ 1,667,978
Travel	168,696	59,291
Contract services	1,248,750	992,177
Supplies	120,148	75,774
Minor equipment	31,905	8,276
Capital expenditures	41,162	314,514
Miscellaneous	391,288	22,354
	<u>\$ 3,693,841</u>	<u>\$ 3,140,364</u>
	<u>2004</u>	<u>2003</u>
Operation and Maintenance of Plant:		
Salaries, wages and benefits	\$ 333,016	\$ 247,563
Contract services	1,098,803	1,410,281
Supplies	63,227	73,515
Minor equipment	12,510	2,252
Capital expenditures	-	73,482
	<u>\$ 1,507,556</u>	<u>\$ 1,807,093</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE

Schedule of Expenditures by Function and Object Code, Continued Years Ended September 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Scholarships and Fellowships:		
Salaries, wages and benefits	\$ 110,843	\$ 105,858
Contract services	765	1,028
Supplies	1,681	967
Minor equipment	1,533	29
Miscellaneous	<u>2,831,223</u>	<u>2,715,176</u>
	<u>\$ 2,946,045</u>	<u>\$ 2,823,058</u>
	<u>2004</u>	<u>2003</u>
Auxiliary:		
Salaries, wages and benefits	\$ 40,170	\$ 39,732
Contract services	-	665
Supplies	10,995	2,421
Minor equipment	<u>535,235</u>	<u>395,462</u>
	<u>\$ 586,400</u>	<u>\$ 438,280</u>

See accompanying independent auditors' report.

GUAM COMMUNITY COLLEGE
Unrestricted and Restricted Fund Supplemental Schedule
Balance Sheet
September 30, 2004
(With Comparative Balances as of September 30, 2003)

	Unrestricted			Restricted									Grand Total	
	Appropriated	Non-		Federal	Other		Capital	Tobacco	Campus	Investment	Agency			
	Fund	appropriated	Total	Fund	Grant	Total	Projects	Settlement	Housing	in Plant	Fund	Elimination	2004	2003
		Fund			Fund									(As Restated)
ASSETS														
Cash	\$ -	\$ 5,152,275	\$ 5,152,275	\$ 15,000	\$ -	\$ 15,000	\$ 46,363	\$ -	\$ -	\$ -	\$ 269,338	\$ -	\$ 5,482,976	\$ 2,941,556
Short term investment	-	3,011,777	3,011,777	-	-	-	795,049	2,809,186	-	-	-	-	6,616,012	7,123,936
Due from Government of Guam	154,321	-	154,321	-	-	-	-	-	-	-	-	-	154,321	2,006,276
Due from other College funds	691,661	7,115,139	7,806,800	-	-	-	5,000	-	95,638	-	-	(7,907,438)	-	-
Accounts receivable - U.S. Government	-	-	-	312,882	-	312,882	-	-	600,000	-	-	-	912,882	1,011,145
Accounts receivable - tuition	-	2,119,718	2,119,718	13,445	4,000	17,445	-	-	-	-	-	-	2,137,163	1,748,789
Accounts receivable - other	-	481,781	481,781	-	410,067	410,067	-	-	-	-	-	-	891,848	518,670
Allowance for doubtful accounts	(154,321)	(652,767)	(807,088)	(5,572)	(76,580)	(82,152)	-	-	-	-	-	-	(889,240)	(153,631)
Prepaid expense	-	-	-	-	-	-	796	-	-	-	-	-	796	141,859
Inventory	-	128,738	128,738	-	-	-	-	-	-	-	-	-	128,738	102,172
Construction in progress	-	28,910	28,910	-	-	-	-	549,454	-	-	-	-	578,364	-
Land	-	-	-	-	-	-	-	-	-	1,903,000	-	-	1,903,000	1,903,000
Buildings	-	-	-	-	-	-	-	-	3,000,000	16,014,000	-	-	19,014,000	19,014,000
Equipment	-	-	-	-	-	-	-	-	-	4,390,130	-	-	4,390,130	3,269,520
Vehicles	-	-	-	-	-	-	-	-	-	491,787	-	-	491,787	491,787
Accumulated depreciation	-	-	-	-	-	-	-	-	(175,000)	(18,999,637)	-	-	(19,174,637)	(18,525,432)
	<u>\$ 691,661</u>	<u>\$ 17,385,571</u>	<u>\$ 18,077,232</u>	<u>\$ 335,755</u>	<u>\$ 337,487</u>	<u>\$ 673,242</u>	<u>\$ 847,208</u>	<u>\$ 3,358,640</u>	<u>\$ 3,520,638</u>	<u>\$ 3,799,280</u>	<u>\$ 269,338</u>	<u>\$ (7,907,438)</u>	<u>\$ 22,638,140</u>	<u>\$ 21,593,647</u>
LIABILITIES AND FUND BALANCE														
Accounts payable	\$ -	\$ 212,735	\$ 212,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327,116	\$ -	\$ -	\$ -	\$ 539,851	\$ 148,326
Loan payable	-	-	-	-	-	-	-	-	3,000,000	-	-	-	3,000,000	3,000,000
Due to other College funds	80,000	6,235,814	6,315,814	51,081	191,923	243,004	302,751	-	1,045,869	-	-	(7,907,438)	-	-
Due to depositor	-	-	-	-	-	-	-	-	-	-	269,338	-	269,338	240,350
Accrued liabilities	-	535,868	535,868	-	-	-	-	-	-	-	-	-	535,868	719,930
DCRS sick leave liability	-	229,732	229,732	-	-	-	-	-	-	-	-	-	229,732	202,071
Deferred revenue	-	1,177,833	1,177,833	-	-	-	-	-	-	-	-	-	1,177,833	1,221,231
Fund balance	<u>611,661</u>	<u>8,993,589</u>	<u>9,605,250</u>	<u>284,674</u>	<u>145,564</u>	<u>430,238</u>	<u>544,457</u>	<u>3,358,640</u>	<u>(852,347)</u>	<u>3,799,280</u>	<u>-</u>	<u>-</u>	<u>16,885,518</u>	<u>16,061,739</u>
	<u>\$ 691,661</u>	<u>\$ 17,385,571</u>	<u>\$ 18,077,232</u>	<u>\$ 335,755</u>	<u>\$ 337,487</u>	<u>\$ 673,242</u>	<u>\$ 847,208</u>	<u>\$ 3,358,640</u>	<u>\$ 3,520,638</u>	<u>\$ 3,799,280</u>	<u>\$ 269,338</u>	<u>\$ (7,907,438)</u>	<u>\$ 22,638,140</u>	<u>\$ 21,593,647</u>

See Accompanying Independent Auditors' Report.

GUAM COMMUNITY COLLEGE

Unrestricted and Restricted Fund Supplemental Schedule
Statement of Changes in Fund Balances
Year Ended September 30, 2004
(With Comparative Balances for the year ended September 30, 2003)

	Unrestricted								Restricted			Capital Projects	Tobacco Settlement	Campus Housing	Investment In-Plant	Elimination	Grand Total	
	Appropriated			Non-appropriated			Total Unrestricted	Federal Fund	Other Grant	Total	2004						2003 (As Restated)	
	General	Trades	MDF	Total Appropriated	NAF Supp	NAF Adj.												NAF
Revenues:																		
Tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -	2,829,912	\$ -	2,829,912	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	2,829,912	\$ 2,313,373
Government of Guam appropriations	12,421,530	-	80,000	12,501,530	-	-	-	-	12,501,530	-	-	-	-	-	-	-	12,501,530	12,217,084
Federal grants and contracts	-	-	-	-	-	-	-	-	-	4,300,451	-	4,300,451	-	-	-	-	4,300,451	3,982,415
Government of Guam grants and contracts/agency	-	-	-	-	-	-	-	-	-	-	454,190	454,190	-	-	-	-	454,190	351,257
Sales and services of auxiliary enterprises	-	-	-	-	-	-	584,283	584,283	584,283	-	-	-	-	-	-	-	584,283	581,222
Special projects	-	-	-	-	-	-	768,924	768,924	768,924	-	-	-	-	-	-	-	768,924	802,997
Other sources	-	-	-	-	-	280,475	143,274	423,749	423,749	-	-	-	6,784	27,927	-	1,120,610	(1,120,610)	458,460
Total current revenues	12,421,530	-	80,000	12,501,530	-	3,110,387	1,496,481	4,606,868	17,108,398	4,300,451	454,190	4,754,641	6,784	27,927	-	1,120,610	(1,120,610)	21,897,750
Expenditures and mandatory transfers:																		
Educational and general:																		
Instruction	5,583,527	-	80,000	5,663,527	-	607,570	433,946	1,041,516	6,705,043	447,127	87,896	535,023	-	-	-	(377,107)	6,862,959	6,937,992
Special project	130,288	-	-	130,288	-	2,266	-	2,266	132,554	216,080	-	216,080	-	-	-	(19,244)	329,390	267,550
Academic support	1,211,898	-	-	1,211,898	-	52,730	246,866	299,596	1,511,494	79,080	367,479	446,559	-	-	-	(220,788)	1,737,265	1,765,986
Student services	1,462,838	-	-	1,462,838	-	-	16,512	16,512	1,479,350	624,228	-	624,228	-	-	-	(78,027)	2,025,551	1,689,571
Institutional support	3,087,749	-	-	3,087,749	-	52,593	549,685	602,278	3,690,027	96,775	-	96,775	93	327,116	-	(420,170)	3,693,841	3,140,364
Operation and maintenance of plant	1,307,535	-	-	1,307,535	-	27,963	159,289	187,252	1,494,787	-	-	-	12,769	-	-	-	1,507,556	1,807,093
Scholarship and fellowship	111,990	-	-	111,990	-	-	5,565	5,565	117,555	2,833,224	-	2,833,224	-	-	-	(4,734)	2,946,045	2,823,058
Bad debt	-	-	80,000	80,000	-	580,887	-	580,887	660,887	-	74,872	74,872	-	-	-	-	735,759	-
Depreciation expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	549,205	-	548,920
	12,895,825	-	160,000	13,055,825	-	1,324,009	1,411,863	2,735,872	15,791,697	4,296,514	530,247	4,826,761	12,862	-	427,116	549,205	(1,120,070)	20,487,571
Auxiliary enterprises:																		
Expenditures	41,662	-	-	41,662	-	-	545,278	545,278	586,940	-	-	-	-	-	-	(540)	586,400	438,280
Total expenditures	12,937,487	-	160,000	13,097,487	-	1,324,009	1,957,141	3,281,150	16,378,637	4,296,514	530,247	4,826,761	12,862	-	427,116	549,205	(1,120,610)	21,073,971
Net (decrease) increase in fund balance	(515,957)	-	(80,000)	(595,957)	-	1,786,378	(460,660)	1,325,718	729,761	3,937	(76,057)	(72,120)	(6,078)	27,927	(427,116)	571,405	823,779	1,608,424
Beginning fund balance, restated	1,207,618	(74,521)	-	1,133,097	-	4,039,241	3,703,151	7,742,392	8,875,489	280,737	221,621	502,358	550,535	3,330,713	(425,231)	3,227,875	16,061,739	14,485,315
Fund transfer	-	74,521	-	74,521	-	-	(74,521)	(74,521)	-	-	-	-	-	-	-	-	-	(32,000)
Adjustments to fund balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending fund balance	\$ 691,661	\$ -	\$ (80,000)	\$ 611,661	\$ -	\$ 5,825,619	\$ 3,167,970	\$ 8,993,589	\$ 9,605,250	\$ 284,674	\$ 145,564	\$ 430,238	\$ 544,457	\$ 3,358,640	\$ (852,347)	\$ 3,799,280	\$ 16,885,518	\$ 16,061,739

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