

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

FINANCIAL STATEMENTS
with
ADDITIONAL INFORMATION, SINGLE AUDIT REPORTS,
STUDENT FINANCIAL ASSISTANCE REPORTS

Year Ended September 30, 2015

and
INDEPENDENT AUDITOR'S REPORT

JAMES D. JENNINGS, CPA, INC.
Certified Public Accountants
Honolulu, Hawaii

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Samoa Community College
Pago Pago, American Samoa:

Report on the Financial Statements

We have audited the accompanying financial statements of American Samoa Community College (the "College"), a component unit of the American Samoa Government, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the American Samoa Community College, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective October 1, 2014, the College adopted new accounting guidance under Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to Statement No. 27. 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 –8, schedules of net pension liability and contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the American Samoa Community College's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016, on our consideration of the American Samoa Community College'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 American Samoa Community College's internal control over financial reporting and compliance.

James D Jennings CPA Inc

Honolulu, Hawaii
March 16, 2016

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of American Samoa Government)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the American Samoa Community College (ASCC) is designed to help the reader understand from an overview and analysis point of view of financial activities based on current known facts, decisions, and other conditions that have affected the ASCC during this reporting period. The report is designed to provide the reader with the understanding that it is a summary of the past years activities and it should be reviewed together with the financial statements and accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$4,352 thousand or 23%. The increase is also attributed to the new deferred outflows of resources – pension of \$1,899 thousand.
- Cash and cash equivalents increased by \$607 thousand or 54%
- Net capital assets increased by \$1,347 thousand or 13%.
- Non-current liabilities increased by \$5,914 due to the Net Pension Liability. This is a new item reflected on ASCC's financial statements due to the implementation of GASB 68.
- Restricted Position (endowment funds) increased by \$24 thousand or 0.7%.
- Operating revenues increased by \$802 thousand or 8%. This is due to slight increase of revenues in tuition & fees and federal grant revenue.
- Operating expenses decreased by \$370 thousand or 3%.
- Non-operating revenues increased by \$18 thousand or 0.4%.
- Operating loss of 2,231 thousand in 2015 compared to an operating loss in 2014 of 3,403 thousand. This is due to a decrease in operating expenses and a slight increase in operating revenues.

AMERICAN SAMOA COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The Annual Financial Audit Report includes the Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements with accompanying notes, Supplementary Information and Disclosures in Accordance with Government Auditing Standards.

The financial statements are prepared in accordance with the Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for Public Colleges and Universities*, and No. 37, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and 38, *Certain Statement Note Disclosures*, as of October 1, 2001.

The financial statements of ASCC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Under this basis of accounting, revenues are recognized in the period for which they are earned and expenses are recognized in the period in which they are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

The *Statement of Net Position* presents information on all of ASCC's assets and liabilities with the difference between the two reported as net assets. Assets and liabilities are reported at their book value, on the accrual basis. The statement also identifies a major category of restrictions on the net assets of the college.

All of the current year's revenues and expenses are reported in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement provides a measurement of ASCC's operations over the past year and can be used to determine whether ASCC has successfully recovered all its costs through its tuition and fees and other charges and also to analyze sustainability and self-supportiveness of its operations.

The *Statement of Cash Flows* provides information about ASCC's cash receipts and cash payments during the reporting period. The statement reports cash receipts and cash payments resulting from operating, financing and investing activities. When read with other financial reports, related disclosures and information, the statement of cash flows should provide insight into (a) ASCC's ability to generate future net cash flows, (b) ASCC's ability to meet its obligations as they come due, (c) ASCC's needs for additional financing, (d) the reasons for differences between operating income and associated cash receipts and payments and (e) the effects on ASCC's financial position of both its cash and its non-cash investing, capital and financing transactions during the period. The changes in cash balances are an important indicator of ASCC's liquidity and financial condition.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. This includes, but not limited to significant accounting policies, significant financial statement balances and activities, material risks, commitments and obligations and subsequent events, as applicable.

AMERICAN SAMOA COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

FINANCIAL ANALYSIS

Condensed Balance Sheet (000's)

	2015	2014
ASSETS		
Current & Restricted Assets	\$ 6,317	\$ 5,211
Noncurrent & Restricted Assets	14,756	13,409
Deferred Outflows of resources – pension	1,899	-
Total Assets	\$ 22,972	\$ 18,620
NET POSITION AND LIABILITIES		
Current Liabilities	\$ 2,931	\$ 2,733
Noncurrent Liabilities	6,469	555
Investment in Capital Assets	11,756	10,409
Restricted Net Position	3,112	3,088
Unrestricted Net Position	(1,296)	1,835
Total Net Position & Liabilities	\$ 22,972	\$ 18,620

Current assets increased by 21% or \$1,106 thousand. The increase is due to increase of our cash and cash equivalents and tuition and fees receivables. Current assets are those assets that mature in less than one year.

Net Position continues to provide the foundation for the ASCC's financial position. Although there was an increase in our net position of \$2,151 thousand, the cumulative effect of GASB 68 implementation decreased our unrestricted net position by \$3,131 thousand or 170% and the beginning net position was restated. These assets continue to earn revenue for growth and the college draws on its income as seed or matching funds for certain qualified programs \$3 million of net assets is not available for future spending, nor used to liquidate any of liabilities.

Current liabilities increased by \$198 thousand or 7%. The overall increase is contributed mainly to the slight increase in accounts payable.

Current liabilities are those obligations payable within one year. The current ratio is at 2.16 in FYE 2015 in comparison to 1.91 in FYE 2014.

AMERICAN SAMOA COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position (\$000's)**

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Federal Grants	\$ 7,390	\$ 6,316
Tuition & Fees	3,610	3,926
Auxiliary Enterprises	172	202
Other grant revenue	<u>286</u>	<u>212</u>
Total Operating Revenues	<u>11,458</u>	<u>10,656</u>
Operating Expenses		
Instructional	5,239	5,127
Administrative Support	3,431	3,226
Agricultural Research	2,993	3,175
Student Services	830	763
Other	123	354
Depreciation	<u>1,073</u>	<u>1,414</u>
Total Operating Expenses	<u>13,689</u>	<u>14,059</u>
Net Operating Revenues (Loss)	(2,231)	(3,403)
Non-operating Revenues	<u>4,382</u>	<u>4,364</u>
Change in Net Position	<u>2,151</u>	<u>961</u>
Net Position, Beginning of Year	<u>15,332</u>	<u>14,371</u>
Cumulative effect of GASB 68 implementation	<u>(3,911)</u>	
Net Position, as Restated, October 1, 2014	<u>11,421</u>	
Net Position, End of Year	<u>\$ 13,572</u>	<u>\$ 15,332</u>

The statement of revenues, expenses and changes in net position provides answers as to the nature and source of these changes.

AMERICAN SAMOA COMMUNITY COLLEGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

Two Year Comparison of Financial Ratios

	2015	2014
Equity Level		
<i>Represents how much the ASG and Federal Government has furnished of the total assets as compared to the portion borrowed.</i>		
Net Position	\$ 13,572	\$ 15,332
Total Assets	<u>22,972</u>	<u>18,620</u>
Equity Level	59.08%	82.34%
Working Capital		
<i>The amount of Current Assets in excess of Current Liabilities.</i>		
Current Assets	\$ 6,317	\$ 5,211
Current Liabilities	<u>2,931</u>	<u>2,733</u>
Working Capital	<u>\$ 3,386</u>	<u>\$ 2,478</u>
Current Ratio		
<i>Current Assets compared to Current Liabilities.</i>		
Current Assets	\$ 6,317	\$ 5,211
Current Liabilities	<u>2,931</u>	<u>2,733</u>
Current Ratio	2.16	1.91
Rate of Return		
<i>Net Income (Loss) as a percentage of Net Position.</i>		
Net Income (Loss)	\$ 2,151	\$ 961
Net Position	<u>13,572</u>	<u>15,332</u>
Rate of Return	15.85%	6.27%

REQUEST FOR INFORMATION

All requests for additional information in regards to this report may be addressed to American Samoa Community College, Chief Financial Officer, P.O. BOX 2609, Pago Pago, American Samoa 96799-2609.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)
Statement of Net Position
September 30, 2015

ASSETS

Current assets	
Cash and cash equivalents	\$ 1,724,218
Tuition and fees receivable, net of allowance of \$2,991,825	1,622,283
Grant receivable	1,362,885
Due from American Samoa Government	557,494
Other receivable	30,804
Inventories	778,452
Prepaid expenses	129,593
Restricted assets	
Cash and cash equivalents	53,569
Investments	49,016
Interest receivable	<u>9,156</u>
Total current assets	<u>6,317,470</u>
Noncurrent assets	
Restricted assets - endowment investments	3,000,000
Capital assets, net	<u>11,755,541</u>
Total noncurrent assets	<u>14,755,541</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	<u>1,898,937</u>
Total assets and deferred outflows of resources	<u>\$ 22,971,948</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities	
Accounts payable	\$ 591,303
Advances from grantors	74,914
Unearned revenue	996,729
Accrued payroll and other employee benefits	552,158
Accrued compensated absences - current portion	<u>716,323</u>
Total current liabilities	<u>2,931,427</u>
Noncurrent liabilities	
Net pension liability	6,065,596
Accrued compensated absences, net of current portion	<u>403,314</u>
Total noncurrent liabilities	<u>6,468,910</u>
Total liabilities	<u>9,400,337</u>
NET POSITION	
Net position	
Invested in capital assets	11,755,541
Restricted for:	
Nonexpendable - endowments	3,000,000
Expendable - land grant programs	111,741
Unrestricted	<u>(1,295,671)</u>
Total net position	<u>13,571,611</u>
Total liabilities and net position	<u>\$ 22,971,948</u>

See accompanying notes to financial statements

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)
Statement of Revenue, Expenses, and Changes in Net Position
Year Ended September 30, 2015

OPERATING REVENUES	
Federal grant revenue	\$ 7,390,005
Tuition and fees	3,610,173
Auxiliary enterprises	172,137
Other revenue	<u>286,110</u>
 Total operating revenues	 <u>11,458,425</u>
OPERATING EXPENSES	
Instructional	5,238,744
Administrative support	3,430,733
Agricultural research	2,993,193
Student services	829,951
Other	123,655
Depreciation	<u>1,073,315</u>
 Total operating expenses	 <u>13,689,591</u>
 Operating loss	 <u>(2,231,166)</u>
NONOPERATING REVENUES (EXPENSES)	
Government appropriations	4,358,000
Investment income	<u>24,138</u>
 Net nonoperating revenues	 <u>4,382,138</u>
 Increase in net position	 <u>2,150,972</u>
 Net position, October 1, 2014	 15,332,108
 Cumulative effect of GASB 68 implementation	 <u>(3,911,469)</u>
 Net position, October 1, 2014, as restated	 <u>11,420,639</u>
 Net position, September 30, 2015	 <u>\$ 13,571,611</u>

See accompanying notes to financial statements

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)
Statement of Cash Flows
Year Ended September 30, 2015

Cash flows from operating activities:	
Federal grants	\$ 8,059,518
Tuition and fees	2,973,120
Sales and services of auxiliary enterprise	(381,822)
Other grants	286,110
Payments to employees' salary and benefits	(10,685,647)
Payments to suppliers	<u>(1,582,434)</u>
Net cash used in operating activities	(1,331,155)
Cash flows from investing activities:	
Investment income	6,191
Purchase of investments	(715,231)
Proceeds from sales of investments	657,873
Realized gain on sales of investments	<u>462</u>
Net cash used in investing activities:	(50,705)
Cash flows from financing activities:	
Governmental appropriations	4,358,000
Acquisition of capital assets	<u>(2,419,994)</u>
Net cash provided by financing activities:	1,938,006
Net Increase in cash and cash equivalents:	556,146
Cash and cash equivalents at beginning of year	<u>1,221,641</u>
Cash and cash equivalents at end of year	<u>\$ 1,777,787</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating Gain/(Loss)	\$ (2,231,166)
Adjustments to reconcile change in operating loss to net cash used for operating activities:	
Depreciation expenses	1,073,315
Increase in tuition and fees receivable, net	(667,196)
Decrease in due from other governments	676,632
Increase in other receivable, net	(553,959)
Increase in inventories	(44,360)
Increase in prepaid expenses	113,637
Increase in deferred outflows	(1,511,056)
Increase in accounts payable	164,954
Decrease in advances from grantors	(7,119)
Increase in unearned revenue	30,143
Decrease in accrued payroll and other employee benefits	(54,839)
Decrease in accrued compensated absences	(86,387)
Increase in net pension liability	<u>1,766,246</u>
Net cash used in operating activities	<u>\$ (1,331,155)</u>
Non-cash investing activity:	
Change in fair value of investments	<u>\$ 7,639</u>

See accompanying notes to financial statements

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

The American Samoa Community College (the College) was created with corporate powers to develop a program of education to meet the current and future needs of American Samoa. The College is funded through territorial appropriations, tuition, federal grants, and donations. The College was formally granted semiautonomous status through a legislative act on November 12, 1992 to provide better accountability for the College's operations and administration of federal grants. The College began operating as a semiautonomous entity on December 1, 1995.

The College is governed by an eight-member Board of Higher Education (the Board). A majority of the Board is appointed by the Governor of American Samoa with the advice and consent of the Legislature to serve four-year terms.

The College is a discretely presented component unit of the American Samoa Government (the Government), and the result of the College's operations are included in the Government's comprehensive annual financial report. The criteria used to determine inclusion in the financial reporting entity include financial interdependency, selection of governing authority, designation of management, and accountability for fiscal matters. Based upon these criteria, there were no other agencies, boards, or entities which were required to be included in the College's reporting entity.

Summary of Significant Accounting Policies

Basis of accounting and presentation

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

In September 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 College's assets, liabilities, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required.

AMERICAN SAMOA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Basis of accounting and presentation (Continued)

As a public college, the College is considered a special-purpose government under the provisions of GASB Statement 35. The College records revenue in part from fees and other charges for services to external users and, accordingly, has chosen to present its financial statements using the reporting model for special-purpose governments engaged only in business-type activities. This model allows all financial information for the College to be reported in a single column in each of the financial statements using the accrual basis of accounting and economic resources measurement focus.

Classification of current and non-current assets and liabilities

The College considers assets to be current that can reasonably be expected, as part of its normal College business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal College business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be non-current.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, College considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value. Net appreciation or depreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation or depreciation on those investments, is recognized in the Statement of Revenues, Expenses, and Changes in Net Position.

Tuition and fees receivable

Tuition and fees receivable include receivables for the cost of tuition and student registration fees. The majority of these accounts represented amounts that will be covered by federal Pell grant awards to students. The College operated on a reimbursement basis for federal Pell grant awards, and these awards will be credited to student accounts when funds are received at the end of the semester. The College maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of customer balances, the overall aging of outstanding balances, historical collection experience and current business and economic conditions.

AMERICAN SAMOA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Grant Receivable

Grants receivable consist of federally funded amounts due from the federal government, local government and Universities in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Due from American Samoa Government

Due from American Samoa Government consists of the remaining balance of legislative annual appropriations and exchange of services contract that have not been received at September 30, 2015.

Inventory

Inventory consists of books and other supplies, and is stated at the lower of cost, determined on the first-in, first-out method, or market.

Capital Assets

Capital assets are stated at cost or estimated historical cost if purchased, or if donated, at estimated fair value at date of donation. Capital assets, including infrastructure, with a value of \$5,000 or more and with a useful life of one year or more are capitalized. Title to land and building, whether purchased, constructed, or donated, is held by the Government. Although title is not with the College for land and buildings, the College has exclusive use of these assets and is responsible for the maintenance of these assets and thus has recorded the cost of these assets on the accompanying financial statements. Capital assets, with exception of land and construction work in progress, are depreciated on a straight-line basis over the following useful lives:

Building and improvements	30 years
Furniture and equipment	3 to 15 years
Motor vehicles	5 years

Library books, unless considered rare collection, are capitalized and depreciated over a ten-year period. Periodicals and subscriptions are expensed as purchases. The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend its life are expensed as incurred.

Advances from grantors

Advances from grantors represent the portion of grant revenue received in advance of expenditures being incurred and reported as advances from grantors in the Statement of Net Position.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period. The College's deferred outflow of resources relate to pensions resulting from differences between expected and actual experience which will be amortized over 10.47 years and College contributions to the pension plan subsequent to the measurement date of the actuarial valuations for the pension plans which will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employee's Retirement System ("ERS") and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Unearned revenue

Unearned revenue consists primarily of amounts received from grants and contract sponsors that have not yet been earned under the terms of the agreements and tuition and fees received in advance.

Compensated absences

It is the policy of the College to permit employees to accumulate earned but unused vacation benefits, which will be paid to the employees upon separation from service. Vacation leave is fully vested when earned, but accumulated vacation leave cannot exceed 60 days at the end of any calendar year.

Sick leave is vested when earned and the accumulation is not limited. Employees separated from service are compensated for unused accrued sick leave at the rate of 50% of sick leave in excess of 239 hours. Retiring employees with less than 30 years of service may apply accumulated sick leave for additional service credits.

Classification of revenues and expenses

The College considers operating revenues and expenses in the statement of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the College's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as non-operating revenues and expenses in accordance with GASB Statement 35. These non-operating activities include governmental appropriations from the American Samoa Government and net investment income.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Net Position

The College's net position is classified into the following net position categories:

Invested in capital assets: Capital assets, net of accumulated depreciation.

Restricted – nonexpendable: Net position subject to externally imposed conditions that require the College retain them in perpetuity. Net position in this category consists of an endowment held by the College (see note 3).

Restricted – expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of the College.

Unrestricted: All other categories of net position. In addition, unrestricted net position may be designated for use by management of the College. These requirements limit the area of operations for which expenditures of net position may be made and require that unrestricted net position be designated to support future operations in these areas.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. These estimates, among others, include net pension liabilities, allowances for doubtful accounts, the useful lives of capital assets, the valuation of investments and the current versus noncurrent classification of assets and liabilities.

Risk Management

The College 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 College 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.

Economic Dependency

The College is dependent on ongoing appropriations from the American Samoa Government.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

New Accounting Pronouncements

In 2015, the College adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Management has adopted the new standard as presented in the College's consolidated financial statements. Due to the adoption of GASB Statement No. 68 in fiscal year 2015, beginning net position was restated. The beginning net position as of October 1, 2014 was restated by \$3,911,469 because of the recognition of the net pension liability and deferred outflows of resources.

In 2015, the College adopted GASB issued Statement No. 71, Pension Transition for contributions Made Subsequent to the Measurement Date. This Statement amends and addressed an issue regarding application of the transition provisions of Statement No. 68. Management has adopted the new standard as presented in the College's financial statements.

2. Cash and Certificate of Deposit

The College maintains its cash and cash equivalents at financial institutions in American Samoa. At September 30, 2015, the College's cash balances exceeded FDIC insured limits by approximately \$1,557,500. Investments are insured by the Securities Investor Protection Corporation up to \$500,000. At September 30, 2015, the uninsured investments balance at one such financial institution totaled approximately \$2,558,200.

3. Investments

The Board is responsible for the management of the College's investments. The Board is responsible for the establishment of the investment policy and approves the appointment of investment managers. Investments authorized by the Board include equity investments, bond investments, certificates of deposit, money market funds, U.S. Government, its Agencies, or its Instrumentalities securities and other types of investments.

Proceeds from the original land grant from the U.S. Government and related accumulated earnings are presented as restricted position in the accompanying statement of net position. The land grant endowment of \$3,000,000 was provided in lieu of the donation of public land for the endowment and maintenance of the College. The College is required to invest these funds in a trust and is permitted to spend the annual earnings solely for the operation of the land grant programs of the College.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

3. Investments – (Continued)

For the year ended September 30, 2015, activities of the trust consisted of the following:

Balance at September 30, 2014	\$ 3,087,603
Investment income	32,537
Investment appreciation/(depreciation)	8,101
Investment management fees	<u>(16,500)</u>
Balance at September 30, 2015	<u>\$ 3,111,741</u>

Financial instruments are measured and reported at fair value are classified and disclosed in one of the following categories based on the lowest level input that is significant to the fair value measurement:

Level 1 inputs are quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2 inputs are observable prices that are based on inputs not quoted in active markets, but corroborated by market data. In addition, Level 2 includes investments reported using net asset value (NAV) as a practical expedient to estimate fair values that are redeemable in the near term.

Level 3 inputs are unobservable inputs that are used when little or no market data is available. In addition, Level 3 includes investments reported at NASV that are not redeemable in the near term. All of the College's investments meet the criteria of Level 1 as shown on the table below. Investments comprised the following amounts at September 30, 2015:

	<u>Fair value</u>	<u>Cost</u>
U.S. government agencies	\$ 751,757	\$ 748,118
U.S. treasury obligations	1,548,807	1,541,282
Corporate bonds	748,452	743,275
Cash and cash equivalents	53,569	53,569
Accrued income	<u>9,156</u>	<u>9,156</u>
Totals	<u>\$ 3,111,741</u>	<u>\$ 3,095,400</u>

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

4. Capital Assets

Capital assets activity for the year ended September 30, 2015 consisted of the following:

	Balance 09/30/14	Addition	Retirement	Transfers	Balance 09/30/15
Nondepreciable capital asset:					
Construction Work In Progress	\$ 970,938	\$ 2,243,816	\$ -	\$ -	\$ 3,214,754
Land	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Total nondepreciable capital assets	<u>1,120,938</u>	<u>2,243,816</u>	<u>-</u>	<u>-</u>	<u>3,364,754</u>
Depreciable capital assets:					
Building and improvements	13,888,396	39,032	-	-	13,927,428
Furniture and equipment	5,763,601	117,910	-	-	5,881,511
Motor vehicles	953,733	-	-	-	953,733
Library books	<u>408,053</u>	<u>19,235</u>	<u>-</u>	<u>-</u>	<u>427,288</u>
Total depreciable capital assets	<u>21,013,783</u>	<u>176,177</u>	<u>-</u>	<u>-</u>	<u>21,189,960</u>
Total cost	<u>22,134,721</u>	<u>2,419,993</u>	<u>-</u>	<u>-</u>	<u>24,554,714</u>
Less accumulated depreciation:					
Building and improvements	(5,966,670)	(363,272)	-	-	(6,329,942)
Furniture and equipment	(4,698,923)	(633,022)	-	-	(5,331,945)
Motor vehicles	(773,648)	(50,817)	-	-	(824,465)
Library books	<u>(286,618)</u>	<u>(26,203)</u>	<u>-</u>	<u>-</u>	<u>(312,821)</u>
Total accumulated depreciation	<u>(11,725,859)</u>	<u>(1,073,314)</u>	<u>-</u>	<u>-</u>	<u>(12,799,173)</u>
Net Capital assets	<u>\$ 10,408,862</u>	<u>\$ 1,346,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,755,541</u>

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

5. Accrued Compensated Absences

Accrued compensated absences liability activity for the year ended September 30, 2015 is summarized as follows:

	Balance 09/30/14	Additions	Reductions	Balance 09/30/15	Current Portion	Long Term Portion
Accrued vested vacation	\$ 628,420	\$ 416,559	\$ (436,701)	\$ 608,278	\$ 463,028	\$ 145,250
Accrued vested sick leave	<u>577,604</u>	<u>183,564</u>	<u>(249,809)</u>	<u>\$ 511,359</u>	<u>\$ 253,295</u>	<u>258,064</u>
Accrued vested vacation and sick leave liability	<u>\$ 1,206,024</u>	<u>\$ 600,123</u>	<u>\$ (686,510)</u>	<u>\$ 1,119,637</u>	<u>\$ 716,323</u>	<u>\$ 403,314</u>

6. Retirement Plan

Plan Description

The College is a member of the American Samoa Government Employees' Retirement Fund (the Fund). The Fund is a cost-sharing multiple employer contributory defined benefit retirement fund which was established in 1971 under Section 7 of the American Samoa Annotated Code to provide retirement annuities to the employees of the Government. All full-time College employees, other than contract specialists, are covered by the Fund. The Fund issues a comprehensive annual financial report that is available to the public. That report may be obtained by writing to the Fund at the American Samoa Government Retirement Office.

Benefits Provided

Normal retirement begins for members attaining the age of 65 who have completed 5 years of service or at age 55 with 30 years or more of service. Early retirement can begin at age 55 if the member has 10 years or more of service; however, retirement benefit, payable monthly for life, equals 2% of the average annual salary multiplied by the number of years of service, up to a maximum of 30 years (from 10% to 60% based upon years of service). The average annual salary is the average of the three highest average annual salaries during the last 10 years. The minimum annual benefit is \$600.

The value of the member's individual account is payable at the member's option, either as a single-life annuity or as a qualified joint and survivor annuity. A surviving spouse of an active member, who dies before retirement, but after attaining eligibility for retirement, may receive either a refund of employee contributions with interest or a life annuity equal to one half of the retirement annuity that would have been paid to the deceased member. An additional death benefit of \$2,500 to \$10,000, based on years of service, is available to survivors of active members of the Fund.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

6. Retirement Fund – (Continued)

Contributions

Each member of the Fund contributes 3% of earnings and earns interest at 5% compounded annually. Employee contributions are made through payroll deductions. Employee contributions and the related interest earned are refunded in full to members whose employment is terminated for any reason other than retirement, and as a death benefit to the survivors of deceased employees not yet eligible for retirement. Employees are fully vested in the employer portion, payable as a retirement annuity, after ten years of participation in the Fund.

The employer contribution of 8% of the employees' earnings is funded by the College and is included as an expense in the statement of revenues, expenses, and changes in net position. These funds are remitted to the Government Retirement Office which administers the retirement fund. Contribution made for the years ending September 30, 2015, 2014, and 2013 were \$381,330, \$372,500 and \$378,557, respectively, which were equal to the annual required contributions.

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

At September 30, 2015, the College reported a liability of \$6,065,596 for its proportionate share of net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At September 30, 2014, the College's proportion was 4.94 percent which was an increase of 0.3 percent from its proportion measured as of September 30, 2013.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, September 30, 2014, and the reporting date, September 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

6. Retirement Fund – (Continued)

For the year ended September 30, 2015, the College recognized pension expense of \$636,520. At September 30, 2015, the College reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 21,297
Changes in assumptions	1,104,532
Net difference between projected and actual investment earnings on pension plan investments	61,899
Change in proportion and difference between employer contributions and appropriate share of contributions	329,879
Contributions made subsequent to measurement date	<u>381,330</u>
Total deferred outflows	<u>\$ 1,898,937</u>

The \$381,330 of deferred outflows of resources resulting in the College's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended September 30,	
2016	\$ 139,793
2017	139,793
2018	139,793
2019	139,793
2020	126,609
Thereafter	<u>565,941</u>
	<u>\$ 1,251,722</u>

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

6. Retirement Fund – (Continued)

Actuarial Assumptions

The total pension liability was determined as part of an actuarial valuation as of October 1, 2013, and rolled forward using generally accepted actuarial procedures to the measurement date as of September 30, 2014, using the following actuarial assumptions:

Actuarial cost method	Entry age normal cost
Investment rate of return	8.0%, net of pension plan investment fees, including inflation
Salary increases	5% - 15% based on attained age
Mortality	RP-2000 Combined Mortality Table

The investment long-term expected rate of return of 8% and projected salary increases include an inflation component of 3.5%.

Mortality rates are based on the RP-2000 combined mortality table set forward six years for pre-retirement and set forward five years for post-retirement.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending September 30, 2013, which resulted in several changes to the assumptions as of September 30, 2014. ERS updates their experience studies every five years.

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

	Long-Term Expected Real Rate of Return
Domestic equity	9.20%
International equity	9.00%
Fixed income	5.10%
Real estate	8.20%
Emerging markets	13.40%
Loans to American Samoa Government	7.70%

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

6. Retirement Fund – (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.10 percent based upon present value as the long-term expected rate of return applied to benefit payments through fiscal year 2045. The projection of cash flows used to determine the discount rate assumed that member and sponsor contributions will continue at statutorily required levels. The 20-year AA municipal bond index rate of 3.45% was used and cost of living adjustments were applied to projected benefits at a rate of 0.5% annually after expected retirement dates. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. There has been no change to the discount rate since the prior measurement date.

Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 6.10 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.10 percent) or one percentage point higher (7.10 percent) than the current rate:

	1% Decrease (5.10%)	Discount Rate (6.10%)	1% Increase (7.10%)
The College’s proportionate share of the net pension liability	\$ 7,878,881	\$ 6,065,597	\$ 4,513,143

Plan Fiduciary Net Position

The pension plan’s fiduciary net position is determined on the same basis used by the pension plan. The ERS’s financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

7. Related-Party Transactions

The College received \$4,358,000 of general fund appropriations from the Government for the year ended September 30, 2015.

As a component unit of the American Samoa Government, the College has related party transactions with other component units. During fiscal year 2015, the amounts the College paid to related parties is as follows:

<u>Agency Name</u>	<u>Amount</u>	<u>Purpose</u>
American Samoa Government Department of Treasury	\$ 656,241	payroll and excise taxes
American Samoa Power Authority	523,390	payments for services
American Samoa Government Retirement Office	521,960	retirement plan payments
American Samoa Telecommunication	113,207	payments for services
American Samoa Government Procurement	6,152	payments for supplies
American Samoa Government Dept of Commerce	3,350	rental fee
Total	<u>\$1,824,300</u>	

The College provides housing to all contract employees either through campus housing or a rent stipend. Employees who occupy campus housing are charged \$100 a month for general maintenance and upkeep as well as grounds maintenance of these units.

8. Commitments and Contingencies

Litigation

The College occasionally becomes involved in various lawsuits and is subject to certain contingencies in the normal course of business. Claims and lawsuits have been filed against the College. The College management intends to vigorously defend any claims which may be asserted. The outcome of these various claims and lawsuits are not presently determinable, and in the opinion of the College's management, the resolution of such matters will not have a material adverse effect on the financial condition of the College.

Construction Commitments

As of September 30, 2015, the College has \$2,434,611 in outstanding commitments on construction contracts that is fully funded by the Department of Interior.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2015

9. Risk Management

The College records a liability for risk financing and insurance-related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated.

The Government administers the College workers' compensation and general liability losses. The estimated losses will be paid by the Government and not by the College, and accordingly, no liability is reflected in the accompanying financial statements.

10. Subsequent Events

In preparing these financial statements, ASCC has evaluated events and transactions for potential recognition or disclosure through March 16, 2016, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (Unaudited)
& SCHEDULE OF CONTRIBUTIONS (Unaudited)
Year Ended September 30, 2015**

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Proportionate Share of the Net Pension Liability

Fiscal Year Ending	Proportionate Share of the Net Pension Liability as a Percentage	Proportionate Share of the Net Pension Liability as an Amount (a)	Annual Covered Payroll (b)	Proportion of the Net Pension Liability as a Percentage of Covered Payroll (a) / (b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
September 30, 2015	4.94%	6,065,596	4,848,513	125%	63.52%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a) - (b)	Covered Annual Payroll (c)	Contribution as a Percentage of Covered Payroll (a) / (c)
September 30, 2015	555,155	387,881	173,825	4,848,513	11.45%

*All years prior to 2015 are not available.

ADDITIONAL INFORMATION

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2015

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Direct Programs			
Cooperative Extension Service			
Smith Lever Formula Funds	10.500		\$ 1,190,771
Expanded Food and Nutrition Education Program	10.500		120,415
Subtotal			<u>1,311,186</u>
Payment to Agriculture Experiment Station Under The Hatch Act			
Hatch Regular	10.203		<u>944,817</u>
Cooperative Forestry Assistance			
Forestry Health Management	10.664		45,219
SNTI/RNGR	10.664		36
Forestry Stewardship Program	10.664		59,901
Urban & Community Forestry	10.664		86,989
NASF Training Program	10.664		-
Subtotal			<u>192,145</u>
Subtotal Direct Programs US Department of Agriculture			<u>2,448,148</u>
Pass-through programs from:			
University of Hawaii			
Grants for Agriculture Research, Special Research Grants			
Children Healthy Living Grant -Child Obesity	10.310	2011-68001-30335	<u>392,523</u>
Subtotal Pass-through Grants - University of Hawaii			<u>392,523</u>
University of Wyoming			
SARE	10.215	1002627	<u>9,965</u>
University of Virgin Islands			
		2012-38501- 19675/2013-70004-	
CARIPAC - Distance Education Grant	10.308	21317	41,075
University of Puerto Rico			
CARIPAC - Resident Instruction Grant	10.308	2013-70004-21018	<u>97,916</u>
Subtotal			<u>138,991</u>
Subtotal Pass-through US Department of Agriculture			<u>541,478</u>
Subtotal U.S. Department of Agriculture			<u>2,989,626</u>

(Continued on next page)

See notes to schedule of expenditures of federal awards

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2015

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-Through programs from:			
American Samoa Government - Treasury			
		3475-G33444-	
Development Disabilities Planning Council	93.630	5325	15,000
EXTTO: Research Enrichment Core	93.310		14,038
Subtotal from ASG Department of Treasury			<u>29,038</u>
University of Hawaii			
Maintenance and Enhancement Awards			
		5 U77HP08404-08-	
Area Health Education Centers Point of Services	93.107	00 5 U77HP08404-	66,779
Disabilities Education Research			
		90DD0692-03-02	
University Center for Excellence in Development Disabilities	93.632	90DD0692	180,792
Subtotal from University for University of Hawaii			<u>247,571</u>
Subtotal U.S. Department of Health and Human Services:			<u>276,609</u>
U.S. Department of Interior			
Direct Programs			
Capital Improvement Project			
Multi Purpose Building Project-2010	15.875		764,738
Multi Purpose Building Project-2012	15.875		1,479,078
Economics Social and Political Development of the Territories			
ASCC Operation Grant	15.875		1,358,000
Nursing Compact Grant	15.875		4,887
The Tutuila Basalt Export Industry	15.945		670
Climate Change Education	15.923		4,733
Subtotal U.S. Department of Interior			<u>3,612,106</u>
U.S. Department of Small Business Administration			
Direct Programs			
Small Business Development Centers	59.037		221,548
Subtotal U.S. Department of Small Business Administration:			<u>221,548</u>

(Continued on next page)

See notes to schedule of expenditures of federal awards

AMERICAN SAMOA COMMUNITY COLLEGE
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2015

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Direct Programs			
Student Financial Assistance Program (Cluster)			
Federal Pell Grant Program	84.063		4,535,127
Federal Supplemental Education Opportunity Grant	84.007		63,558
Federal Work-Study Program	84.033		61,234
Subtotal Student Financial Assistance Program (Cluster)			<u>4,659,919</u>
TRIO (Cluster)			
TRIO - Student Support Services	84.042		224,101
College Access Challenge Grant Program	84.378		491,525
Transition to Teaching	84.350		330,736
Adult Education Basic Grant to States	84.002		214,993
Title III - Integrated Strategies and Services to Improve Math & English	84.382		322,927
Subtotal U.S. Department of Education - Direct Programs			<u>6,244,201</u>
Pass-through programs from:			
University of Hawaii			
Learn and Serve America Higher Education			
Louis Stokes Alliances for Minority Participation	47.076	HRD-1102524	20,101
Subtotal U.S. Department of Education			<u>6,264,302</u>
U.S. Department of Commerce			
Direct Programs			
Marine Education Grant	11.473	NA14NMF452010 1	3,442
Subtotal U.S. Department of Commerce - Direct Programs			<u>3,442</u>
Pass-Through programs from:			
American Samoa Government Department of Commerce			
CRAG	11.473		6,077
University of Hawaii			
Marine Science Project (Quest)	11.473	Z10109729	3,913
Subtotal Pass-through US Department of Commerce			<u>9,990</u>
Subtotal U.S. Department of Commerce			<u>13,432</u>
National Science Foundation			
Archaeological, Geomorphological, and Ethno- Ecological Investigations of Tokelau	47.075		8,887
Partnership for Advanced Marine and Environmental Science	47.076		11,759
Tsunami Archaeology	47.041		7,825
Subtotal National Science Foundation			<u>28,471</u>
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			\$ 13,406,094

See notes to schedule of expenditures of federal awards

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2015

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of American Samoa Community College (ASCC) under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of ASCC, it is not intended to and does not present the financial position, changes in net position or cash flows of ASCC.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, Cost Principles for Educational Institutions, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

SINGLE AUDIT REPORTS

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2015

Federal Award Findings and Questioned Costs

Finding 2014-001 Special Test and Provision

Condition: We noted when reviewing our samples of student's records that a dependent student parent's tax return had Rental Income however on the FAFSA/ISIR had no value for assets. A second student parent's tax return had business income and the FAFSA/ISIR had no asset value listed.

Recommendation: We recommended that the College implement controls that will have the Financial Aid Office verify conflicting information during the verification process as the Department of Education has outlined in the FSA Handbook and 34 CFR 668.54.

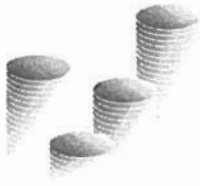
Current Year Status: Implemented

Finding 2014-002 Special Tests and Provisions

Condition: The documentation required to be obtained for verification could not be provided to us for one student.

Recommendation: We recommended that the College implement controls that will ensure that all verification documentation is maintained, so that the College can show proof that they conducted the required verification.

Current Year Status: Implemented



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Higher Education
American Samoa Community College
Pago Pago, American Samoa:

We have audited, in accordance with the 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 American Samoa Community College, a component unit of the American Samoa Government, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise American Samoa Community College's basic financial statements, and have issued our report thereon dated March 16, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Samoa Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Samoa Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of American Samoa Community College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

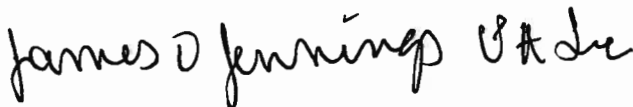
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Samoa Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James D. Jennings CPA". The signature is written in a cursive style.

Honolulu, Hawaii
March 16, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To the Board of Higher Education
American Samoa Community College
Pago Pago, American Samoa:

Report on Compliance for Each Major Federal Program

We have audited American Samoa Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of American Samoa Community College's major federal programs for the year ended September 30, 2015. American Samoa Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of American Samoa Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about American Samoa Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of American Samoa Community College's compliance.

Basis for Qualified Opinion on Federal Pell Grant Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Program (As a Cluster)

As described in the accompanying schedule of findings and questioned costs, American Samoa Community College did not comply with requirements regarding CFDA's 84.063, 84.033, 84.007 (as a cluster) Federal Pell Grant Program, Federal Work Study Program and Federal Supplemental Educational Opportunity Program finding number 2015-001 for Special Tests and Provisions for Verification, and 2015-003 for Student withdraws and R2T4 calculations. Compliance with such requirements is necessary, in our opinion, for American Samoa Community College to comply with the requirements applicable to that program.

Qualified Opinion on Federal Pell Grant Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Program (As a Cluster)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, American Samoa Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Federal Pell Grant Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Program (As a Cluster) for the year ended September 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, American Samoa Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

American Samoa Community College's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. American Samoa Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of American Samoa Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered American Samoa Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of American Samoa Community College's internal control over compliance.

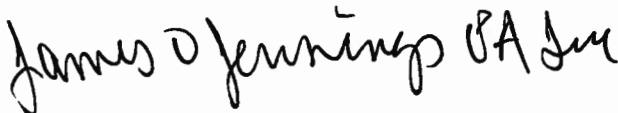
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 and 2015-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

American Samoa Community College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. American Samoa Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Honolulu, Hawaii
March 16, 2016

AMERICAN SAMOA COMMUNITY COLLEGE
 (A Component Unit of the American Samoa Government)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015

Section I - Summary of Audit Results:

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of American Samoa Community College.
2. Internal control over financial reporting:

Material weakness identified	None Reported
Significant deficiency identified	None Reported
3. Noncompliance material to financial statements noted No

Federal Awards

4. Internal control over major programs:

Material weakness identified	Yes
Significant deficiency identified	Yes
5. Type of auditor's report issued on compliance for major programs: Unmodified for all federal programs, except for Federal Pell Grant Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Program (As a Cluster) which was modified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 Yes
7. The programs tested as major program included:

Economic, Social, and Political Development of the Territories As a Cluster:	15.875
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity	84.007
8. Dollar threshold used to distinguish between type A and type B programs: \$ 402,183
9. American Samoa Community College qualify as a low-risk auditee No

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015

Section II – Financial Statements Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

U.S. Department of Education

Direct Program

Program Name: Federal Pell Grant Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Program (As a Cluster)

CFDA#’s: 84.063, 84.033, 84.007 (respectively to program name) (As a Cluster)

Finding 2015-001

MATERIAL WEAKNESS

Special Tests and Provisions

Criteria: The Department of Education requires participating schools to conduct a process called “Verification”. The FSA Handbook and 34 CFR 668.54 provide guidance on this process. During the Verification process the School must confirm the student and parent information on the FAFSA by gathering supporting documentation like tax returns, written statement and other. Chapter 5 Special Cases of the FSA Handbook page AVG 117 and 34 CFR 668.54(a)(2) state that “If an institution has reason to believe that an applicant’s FAFSA information is inaccurate, it must verify the accuracy of that information.”

Condition: The College uses the recommended Verification questioner for the students or parents to complete. The Financial Aid department Counselors are receiving and accepting incomplete forms that either the Student or Parent never answered all of the Forms questions.

Effect: By the Students or Parents not completing the verification form completely the College cannot tell if full disclosure of assets and income was provided which could lead to a student receiving financial aid when they are not eligible.

Cause: The Director of the Financial Aid Office and the Financial Aid Counselor could not provide a reason for accepting incomplete forms.

Questioned Cost: Undeterminable.

Context: Of the 1,290 students receiving financial aid, we tested 85 students for the verification process and 19 of those student’s submitted incomplete verification Forms.

Recommendation: We recommend that the College implement controls that will ensure that all verification documentation are received completely filled out for all applicable questions.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015

Section III – Federal Award Findings and Questioned Costs – (Continued)

Ref. No. Description of Finding

Finding 2015-001 – (Continued)

Views of responsible officials and planned corrective actions:

A total of 701 students were selected by CPS and/or Institution for Verification for Award Year 2015—16. All 701 Verification Worksheets were pulled and were re-verified to ensure that all information reported was filled out correctly and completely by both student and parent. Internal training and development of Verification policy for all staff were conducted since January 2016, and will continue on a monthly basis until the end of the year.

U.S. Department of Education

Direct Program

Program Name: Federal Pell Grant Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Program (As a Cluster)

CFDA#'s: 84.063, 84.033, 84.007 (respectively to program name) (As a Cluster)

Finding 2015-002

Special Tests and Provisions

Criteria: The Department of Education requires participating schools to conduct a process called "Verification". The FSA Handbook and 34 CFR 668.54 provide guidance on this process. During the Verification process the School must confirm the student and parent information on the FAFSA by gathering supporting documentation like tax returns, written statement and other. Chapter 5 Special Cases of the FSA Handbook page AVG 117 and 34 CFR 668.54(a)(2) state that "If an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information."

Condition: The College uses the recommended Verification questioner for the students or parents to complete if flagged for verification process. The Financial Aid department Counselors are not having discrepancies noted during the verification process like a questioner from a student/parent came back saying yes to receiving SNAP but yet the ISIR shows no SNAP benefits. Tax returns and other supporting documents are different than what is shown on the ISIR and no corrections were made.

Effect: By the Student/Parents or College not fixing the discrepancies the student could be receiving financial aid when not entitled.

Cause: The Director of the Financial Aid Office and the Financial Aid Counselor believe the discrepancies would not affect the student award.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015

Section III – Federal Award Findings and Questioned Costs – (Continued)

Ref. No. Description of Finding

Finding 2015-002 – (Continued)

Questioned Cost: Undeterminable.

Context: Of the 1,290 students receiving financial aid, we tested 85 students for the verification process and 5 of those student’s showed discrepancies in documents collected that was not corrected.

Recommendation: We recommend that the College implement controls that will ensure that all discrepancies noted during the verification process are corrected.

Views of responsible officials and planned corrective actions:

All students selected for Verification for Award Year 2015-16 who were awarded any aid in Fall 2015, were pulled out to verify that all documentations are in place and that each line items match what is reported on both the FAFSA and Verification Worksheet, has been completed as of 3/4/16.

U.S. Department of Education

Direct Program

Program Name: Federal Pell Grant Program, Federal Work-Study Program, Federal Supplemental Educational Opportunity Program (As a Cluster)

CFDA#’s: 84.063, 84.033, 84.007 (respectively to program name) (As a Cluster)

Finding 2015-003

MATERIAL WEAKNESS

Special Tests and Provisions

Criteria: The Department of Education requires participating schools to complete a process Known as R2T4 calculation when a student withdrawals from the College. The FSA Handbook and 34 CFR 668.22 provide guidance on this process. This calculation is complete to determine if the student and/or College must return any of the award received.

Condition: The College uses the internal software to calculate the R2T4 calculation and it was not completing the process correctly even though this had been happening for a while the Financial Aid Director did not contact the software vendor nor make the calculation come out correctly. The school was returning funds to the Department of Education when it did not need to return those funds had the calculation been completed correctly.

Effect: By the Financial Aid Director not getting this fixed caused the College to return funds that should not have been sent back.

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2015

Section III – Federal Award Findings and Questioned Costs – (Continued)

Ref. No. Description of Finding

Finding 2015-003 – (Continued)

Cause: The Director of the Financial Aid Director had no reason as to why he hadn't requested this to be fixed.

Questioned Cost: Undeterminable.

Context: The College processes its financial aid awards on a reimbursement basis and usually will know when a student has withdrawn from the College before requesting the funds from Department of Education. Of the 1,290 students receiving financial aid, the school indicated to us only 7 had withdrawn from the College after being awarded their financial aid. Of those 7 we tested 2 and both of them had incorrect R2T4 calculation and the College paid money back to the Department that should not have been paid back.

Recommendation: We recommend that the College implement controls that will ensure that all R2T4 calculation are completed correctly and that the College return funds only when required to.

Views of responsible officials and planned corrective actions:

There are currently only three students that have withdrawn completely from ASCC for this award year, 2015—16. All R2T4 Manual Calculations worksheets for these students have been pulled and routed to Financial Aid Officer for review and revision (where needed).