

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, 2013

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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AMERICAN SAMOA COMMUNITY COLLEGE
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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 decreased by \$1,625 thousand or 8%.
- Net capital assets decreased by \$746 thousand or 6%. The decrease of net capital assets is due to the retirement of capital assets.
- Restricted position (endowment funds) decreased by \$8 thousand or 0.3%.
- Advances from grantors decreased by \$376 thousand or 79%. This decrease is contributed to management monitoring the grant drawdown.
- Current liabilities decreased by \$1,156 thousand or 23%.
- Net position decreased by \$422 thousand or 3%
- Operating revenues decreased by \$4,071 thousand or 27%. This is due to decrease of revenues in ARRA funding and auxiliary enterprise during FY2013.
- Operating expenses decreased by \$646 thousand or 4%.
- Non-operating revenues decreased by \$171 thousand or 5%.
- Operating loss of 3,602 thousand in 2013 compared to an operating loss in 2012 of 177 thousand. This is due to a decrease in operating revenue of 27%.

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 position. 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 position 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)

	2013	2012
ASSETS		
Current & Restricted Assets	\$ 4,970	\$ 5,850
Noncurrent & Restricted Assets	<u>13,832</u>	<u>14,577</u>
Total Assets	<u>\$ 18,802</u>	<u>\$ 20,427</u>
 NET POSITION AND LIABILITIES		
Current Liabilities	\$ 3,830	\$ 4,986
Noncurrent Liabilities	601	649
Investment in Capital Assets	10,832	11,578
Restricted Net Position	3,081	3,089
Unrestricted Net Position	<u>458</u>	<u>125</u>
Total Net Position & Liabilities	<u>\$ 18,802</u>	<u>\$ 20,427</u>

Current assets decreased by 15% or \$880 thousand. The decrease is due to decrease of our grant receivables, due from other government, and prepaid expenses. 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. 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 position is not available for future spending, nor used to liquidate any of liabilities.

Current liabilities decreased by \$1,156 thousand or 23%. The overall decrease is contributed mainly to the decrease in accounts payable and advances from grantors.

Current liabilities are those obligations payable within one year. The current ratio is at 1.30 in FYE 2013 in comparison to 1.17 in FYE 2012.

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>2013</u>	<u>2012</u>
Operating Revenues		
Federal Grants	\$ 6,224	\$ 10,036
Tuition & Fees	4,149	4,208
Auxiliary Enterprises	163	669
Other grant revenue	<u>312</u>	<u>6</u>
Total Operating Revenues	<u>10,848</u>	<u>14,919</u>
Operating Expenses		
Instructional	5,087	7,006
Administrative Support	2,991	2,993
Agricultural Research	3,331	2,908
Student Services	712	710
Other	836	299
Depreciation	<u>1,493</u>	<u>1,180</u>
Total Operating Expenses	<u>14,450</u>	<u>15,096</u>
Net Operating Revenues (Loss)	(3,602)	(177)
Non-operating Revenues	<u>3,180</u>	<u>3,351</u>
Change in Net Position	<u>(422)</u>	<u>3,174</u>
Net Position, Beginning of Year	<u>14,793</u>	<u>11,619</u>
Net Position, End of Year	<u>\$ 14,371</u>	<u>\$ 14,793</u>

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

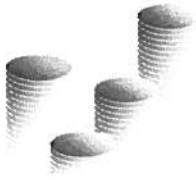
AMERICAN SAMOA COMMUNITY COLLEGE
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Two Year Comparison of Financial Ratios

	2013	2012
Equity Level		
<i>Represents how much the ASG and Federal Government has furnished of the total position as compared to the portion borrowed.</i>		
Net Position	\$ 14,371	\$ 14,793
Total Assets	<u>18,802</u>	<u>20,427</u>
Equity Level	76.43%	72.42%
Working Capital		
<i>The amount of Current Assets in excess of Current Liabilities.</i>		
Current Assets	\$ 4,970	\$ 5,850
Current Liabilities	<u>3,830</u>	<u>4,986</u>
Working Capital	<u>\$ 1,140</u>	<u>\$ 864</u>
Current Ratio		
<i>Current Assets compared to Current Liabilities.</i>		
Current Assets	\$ 4,970	\$ 5,850
Current Liabilities	<u>3,830</u>	<u>4,986</u>
Current Ratio	1.30	1.17
Rate of Return		
<i>Net Income (Loss) as a percentage of Net Position.</i>		
Net Income (Loss)	\$ (422)	\$ 3,174
Net Position	<u>14,371</u>	<u>14,793</u>
Rate of Return	-0.03%	21.46%

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.



Jennings

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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, 2013, 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, 2013, 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.

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 1-5 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 September 30, 2013, 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.

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

Honolulu, Hawaii
February 21, 2014

AMERICAN SAMOA COMMUNITY COLLEGE
(A Component Unit of the American Samoa Government)
Statement of Net Position
September 30, 2013

ASSETS

Current assets	
Cash and cash equivalents	\$ 372,978
Tuition and fees receivable, net of allowance of \$2,648,405	2,215,671
Grant receivable	1,165,571
Other receivable	99,394
Inventories	673,638
Prepaid expenses	361,816
Restricted assets	
Cash and cash equivalents	70,791
Investments	2,372
Interest receivable	8,250
Total current assets	<u>4,970,481</u>
Noncurrent assets	
Restricted assets - investments	3,000,000
Capital assets, net	<u>10,831,666</u>
Total assets	<u>\$ 18,802,147</u>

LIABILITIES AND NET POSITION

LIABILITIES

Current liabilities	
Accounts payable	\$ 1,209,462
Advances from grantors	99,434
Unearned revenue	1,404,891
Accrued payroll and other employee benefits	600,308
Accrued compensated absences - current portion	515,946
Total current liabilities	<u>3,830,041</u>
Noncurrent liabilities	
Accrued compensated absences, net of current portion	<u>600,623</u>
Total liabilities	<u>4,430,664</u>

NET POSITION

Net position	
Invested in capital assets	10,831,666
Restricted for:	
Nonexpendable - endowments	3,000,000
Expendable - land grant programs	81,413
Unrestricted	<u>458,404</u>
Total net position	<u>14,371,483</u>
Total liabilities and net position	<u>\$ 18,802,147</u>

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, 2013

OPERATING REVENUES	
Federal grant revenue	\$ 6,224,073
Tuition and fees	4,148,879
Auxiliary enterprises	163,417
Other revenue	<u>311,465</u>
 Total operating revenues	 <u>10,847,834</u>
 OPERATING EXPENSES	
Instructional	5,087,149
Administrative support	2,990,546
Agricultural research	3,331,315
Student services	711,477
Other	836,273
Depreciation	<u>1,492,625</u>
 Total operating expenses	 <u>14,449,385</u>
 Operating loss	 <u>(3,601,551)</u>
 NONOPERATING REVENUES (EXPENSES)	
Government appropriations	3,188,497
Investment expense	<u>(7,981)</u>
 Net nonoperating revenues	 <u>3,180,516</u>
 Change in net position	 (421,035)
 Net position, beginning of year	 <u>14,792,518</u>
 Net position, end of year	 <u>\$ 14,371,483</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, 2013

Cash flows from operating activities:	
Federal grants	\$ 6,026,523
Tuition and fees	4,041,463
Sales and services of auxiliary enterprise	721,381
Other grants	311,465
Payments to employees	(8,879,768)
Payments to suppliers	<u>(4,666,506)</u>
Net cash used in operating activities	(2,445,442)
Cash flows from investing activities:	
Investment income	35,711
Purchase of investments	(2,062,312)
Proceeds from sales of investments	1,918,772
Realized gain on sales of investments	<u>2,457</u>
Net cash used in investing activities:	(105,372)
Cash flows from financing activities:	
Governmental appropriations	3,188,497
Acquisition of capital assets	(805,575)
Disposal of capital assets	<u>58,900</u>
Net cash provided by financing activities:	2,441,822
Net decrease in cash and cash equivalents	(108,992)
Cash and cash equivalents at beginning of year	<u>552,464</u>
Cash and cash equivalents at end of year	<u>\$ 443,472</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating Gain/(Loss)	\$ (3,601,551)
Adjustments to reconcile change in operating loss to net cash used for operating activities:	
Depreciation expenses	1,492,625
Decrease in tuition and fees receivable, net	16,943
Decrease in due from other governments	178,324
Decrease in other receivable, net	557,964
Increase in inventories	(35,180)
Increase in prepaid expenses	149,779
Decrease in accounts payable	(654,382)
Decrease in advances from grantors	(375,874)
Decrease in unearned revenue	(124,359)
Decrease in accrued payroll and other employee benefits	(116,384)
Increase in accrued compensated absences	76,249
Decrease in other liabilities	<u>(9,596)</u>
Net cash used in operating activities	<u>\$ (2,445,442)</u>
Non-cash investing activity:	
Change in fair value of investments	<u>\$ (29,649)</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, 2013

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.

The College adopted GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, 35, *Basic financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and 38, *Certain Financial Statement Note Disclosures*, as of October 1, 2001.

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.

AMERICAN SAMOA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

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

Basis of accounting and presentation (Continued)

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.

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.

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
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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

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

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.

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. Unearned revenue also includes amounts received in advance of an event, such as advance ticket sales for sporting events.

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.

AMERICAN SAMOA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

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 postemployment benefit 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.

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.

2. Cash and Certificate of Deposit

The College maintains its cash and cash equivalents at financial institutions in American Samoa. At September 30, 2013, the College's cash balances did not exceed FDIC insured limits. Investments are insured by the Securities Investor Protection Corporation up to \$500,000. At September 30, 2013, the uninsured investments balance at one such financial institution totaled approximately \$2,805,900.

AMERICAN SAMOA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

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. For the year ended September 30, 2013, activities of the trust consisted of the following:

Balance at September 30, 2012		\$ 3,089,393
Investment income		35,711
Investment appreciation/(depreciation)		(27,191)
Investment management fees		<u>(16,500)</u>
Balance at September 30, 2013		<u>\$ 3,081,413</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, 2013:

	<u>Fair value</u>	<u>Cost</u>
U.S. government agencies	\$ 1,154,439	\$ 1,147,816
U.S. treasury obligations	1,265,327	1,258,176
Corporate bonds	582,607	572,726
Cash and cash equivalents	70,790	70,790
Accrued income	<u>8,250</u>	<u>8,250</u>
Totals	<u>\$ 3,081,413</u>	<u>\$ 3,057,758</u>

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

4. Capital Assets

Capital assets activity for the year ended September 30, 2013 consisted of the following:

	Balance 09/30/12	Addition	Retirement	Transfers	Balance 09/30/13
Nondepreciable capital asset:					
Construction Work In Progress	\$ 1,900,555	\$ 271,793	\$ -	\$ (1,900,555)	\$ 271,793
Land	150,000	-	-	-	150,000
Total nondepreciable capital assets	<u>2,050,555</u>	<u>271,793</u>	<u>-</u>	<u>(1,900,555)</u>	<u>421,793</u>
Depreciable capital assets:					
Building and improvements	11,816,898	83,011	-	1,900,555	13,800,464
Furniture and equipment	5,745,063	313,484	(393,532)	-	5,665,015
Motor vehicles	733,146	117,952	-	-	851,098
Library books	386,871	17,777	-	-	404,648
Total depreciable capital assets	<u>18,681,978</u>	<u>532,224</u>	<u>(393,532)</u>	<u>1,900,555</u>	<u>20,721,225</u>
Total cost	<u>20,732,533</u>	<u>804,017</u>	<u>(393,532)</u>	<u>-</u>	<u>21,143,018</u>
Less accumulated depreciation:					
Building and improvements	(5,236,787)	(326,376)	-	-	(5,563,163)
Furniture and equipment	(2,997,079)	(1,097,604)	336,191	-	(3,758,492)
Motor vehicles	(690,435)	(39,634)	-	-	(730,069)
Library books	(230,617)	(29,011)	-	-	(259,628)
Total accumulated depreciation	<u>(9,154,918)</u>	<u>(1,492,625)</u>	<u>336,191</u>	<u>-</u>	<u>(10,311,352)</u>
Net Capital assets	<u>\$ 11,577,615</u>	<u>\$ (688,608)</u>	<u>\$ (57,341)</u>	<u>\$ -</u>	<u>\$ 10,831,666</u>

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

5. Accrued Compensated Absences

Accrued compensated absences liability activity for the year ended September 30, 2013 is summarized as follows:

	Balance			Balance	Current	Long Term
	09/30/12	Additions	Reductions	09/30/13	Portion	Portion
Accrued vested vacation	\$ 548,906	\$445,548	\$ (387,285)	\$ 607,169	\$ 369,605	\$ 237,564
Accrued vested sick leave	<u>491,414</u>	<u>239,637</u>	<u>(221,651)</u>	<u>\$ 509,400</u>	<u>\$ 146,341</u>	<u>363,059</u>
Accrued vested vacation and sick leave liability	<u>\$ 1,040,320</u>	<u>\$685,185</u>	<u>\$ (608,936)</u>	<u>\$1,116,569</u>	<u>\$515,946</u>	<u>\$ 600,623</u>

6. Retirement Plans

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.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

6. Retirement Fund – (Continued)

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, 2013, 2012, and 2011 were \$378,557, \$384,885 and \$394,010, respectively, which were equal to the annual required contributions.

7. Related-Party Transactions

The College received \$3,188,497 of general fund appropriations from the Government for the year ended September 30, 2013 and wrote off a \$180,773 receivable from fiscal year 2011 subsidy due to uncollectibility.

As a component unit of the American Samoa Government, the College has related party transactions with other component units. During fiscal year 2013, the College paid \$1,168,590 to American Samoa Power authority (ASPA) for services, in which \$583,778 was related to fiscal year 2013, \$477,844 for fiscal year 2012 and \$106,968 for employee payments that were made through payroll deductions. At September 30, 2013, the College had a payable to ASPA of \$113,512. The college also paid \$118,555 to American Samoa Telecommunication for services, in which \$71,563 was related to fiscal year 2013, \$30,717 for fiscal year 2012 and \$16,275 for employee payments that were made through payroll deductions. At September 30, 2013, the College had a payable to ASPA of \$25,608.

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. Contingencies

Pending 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.

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2013

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 February 21, 2014, the date the financial statements were available to be issued.

ADDITIONAL INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

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		1,451,186
Pest Applicator Training	10.500		2,592
Expanded Food and Nutrition Education Program	10.500		124,942
Subtotal			<u>1,578,720</u>
Payment to Agriculture Experiment Station Under The Hatch Act			
Hatch Multistate Research Fund	10.203		1,146,228
Cooperative Forestry Assistance			
Natural Resource Conservation Education	10.664		2,103
Forestry Health Management	10.664		58,490
Forestry Stewardship Program	10.664		75,439
Urban & Community Forestry	10.664		83,883
NASF Training Program	10.664		838
Competitive Forest Stewardship	10.664		2,798
CIG	10.664		26
Subtotal			<u>223,577</u>
Sustainable Giant Taro Production - Tropical & Sub-tropical Research	10.001		35,321
Subtotal Direct Programs US Department of Agriculture			<u>2,983,846</u>
Pass Through Programs From:			
University of Hawaii			
Grants for Agriculture Research, Special Research Grants			
ADAP - Human Resources Capacity Building	10.200	2010-38826-20733	8,353
Children Healthy Living Grant -Child Obesity	10.310	Z986805	359,762
Reducing Risks / FIA	10.664	Z10008952	1,172
Subtotal Pass-through Grants - University of Hawaii			<u>369,287</u>
University of Arizona			
Integrated Programs			
Water Quality Coordination	10.303	Y5508	16,203
Pass Through Programs From:			
University of California, Davis			
Homeland Security Agriculture			
UC-Davis/WPDN-Wester Plant Diagnostic Network	10.304	2012-37620-19626	2,750
University of Wyoming			
SARE	10.500	UTSTUNV46442AS	4,066
University of Guam			
CARIPAC	10.308	2010-38416-21874	45,189
University of Puerto Rico			
CARIPAC	10.308	2011-38416-31146	58,008
University of Virgin Islands			
CARIPAC	10.308	2011-38416-31146 / 2012-38416-19977	81,191
Subtotal			<u>184,388</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, 2013

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Pass Through Programs From:			
Kansas State University			
Operation Military Kids Program	10.500	2012-03794	<u>25,520</u>
Subtotal Pass-through US Department of Agriculture			<u>602,214</u>
Subtotal U.S. Department of Agriculture			3,586,060
U.S. Department of Health and Human Services:			
Pass Through Programs From:			
American Samoa Government - Treasury			
Development Disabilities Planning Council	93.630	3475-G33444-5325	<u>21,032</u>
Subtotal from ASG Department of Treasury			<u>21,032</u>
AS LBJ Hospital			
American Samoa Cancer Network	93.399	1-U01-CA114590-01	<u>6,808</u>
Subtotal from AS LBJ Hospital			<u>6,808</u>
University of Hawaii			
Maintenance and Enhancement Awards			
Area Health Education Centers Point of Services	93.107	2U77HP0844-06-00	69,330
Disabilities Education Research			
University Center for Excellence in Development Disabilities	93.632	Z10013315	<u>171,601</u>
Subtotal from University for University of Hawaii			<u>240,931</u>
Subtotal U.S. Department of Health and Human Services:			268,771
U.S. Department of Interior			
Direct Programs			
Capital Improvement Project			
Multi Purpose Building Project	15.875		272,117
Economics Social and Political Development of the Territories			
FY2013 ASCC Operations Grants	15.875		1,358,000
Subtotal U.S. Department of Interior			1,630,117
U.S. Department of Small Business Administration			
Direct Programs			
Small Business Development Centers	59.037		213,024
Job Act Program	59.037		64,609
Subtotal U.S. Department of Small Business Administration:			277,633

(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, 2013

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		5,891,872
Federal Supplemental Education Opportunity Grant	84.007		200,000
Federal Work-Study Program	84.033		60,861
Subtotal Student Financial Assistance Program (Cluster)			<u>6,152,733</u>
TRIO (Cluster)			
TRIO - Student Support Services	84.042		279,395
Subtotal TRIO (Cluster)			<u>279,395</u>
College Access Challenge Grant Program	84.378		581,147
Gaining Early Awareness and Readiness for Undergraduate Program			
Undergraduate Program			
Gear Up Program	84.334		75,920
Subtotal Gear Up			<u>75,920</u>
Transition to Teaching	84.350		324,789
Adult Education Basic Grant to States	84.002		208,947
Intergrated Strategy & Services To Improve the Success/Pass Rate of ELI	84.382B		282,645
Subtotal U.S. Department of Education - Direct Programs			<u>7,905,577</u>
Pass Through Programs From:			
American Samoa Government - Department of Education			
Special Education Grants to State (IDEA Part B (Cluster))			
ASTEPP Precore	84.027	CC57038	22,359
School To Work	84.027	CC57196	15,606
Subtotal from American Samoa Government - Department of Education			<u>37,965</u>
Boys & Girls Club of American Samoa	84.334	OJP2010-19148	7,844
Tsunami Relief Fund	84.334		5,653
Subtotal from Boys & Girls Club of American Samoa			<u>13,497</u>
University of Hawaii			
Learn and Serve America Higher Education			
Service Learning - Hawaii / Pacific Island Campus Compact	94.005	ZA18943-02	19,864
Louis Stokes Alliances for Minority Participation	47.076	HRD-1102524	14,974
Research Triangle Institute	84.334	50613L	7,859
Subtotal from University of Hawaii			<u>42,697</u>
State Grants Recovery Act - *ARRA* (Cluster)			
State Fiscal Stabilization Fund - Education	84.394A	R00163	
Distance Learning			30,000
Emergency Back Up			54,785
Faculty Instructional Resources			806
Wifi Project			30,000
Subtotal State Fiscal Stabilization Fund (SFSF) - ARRA			<u>115,591</u>
Subtotal Pass-through US Department of Education			<u>209,750</u>
Subtotal U.S. Department of Education			<u>8,115,326</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, 2013

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Energy			
American Samoa Government - Treasury			
State Grants Recovery Act - *ARRA*			
Energy Retrofit Project	81.128	R03274	90,060
National Science Foundation			
Archaeological, Geomorphological, and Ethno- Ecological Investigations of Tokelau			
Partnership for Advanced Marine and Environmental Science	47.075		1,350
	47.076		18,090
Subtotal National Science Foundation			19,440
U.S. Department of Labor			
Pass Through Programs From:			
American Samoa Government - Treasury			
WIA Dislocated Workers - NEG	17.260	EM19678-10-60-A60	35,715
U.S. Department of Homeland Security			
Pass Through Programs From:			
University of Hawaii			
Training for the National Disaster Preparedness Training Center	97.061	Z10011451	2,000
U.S. Department of Commerce			
Pass Through Programs From:			
National Fish & Wildlife Foundation			
Study of Faga'alu Bay Coral Colonies	11.463	0301.12.034806	2,400
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			14,027,522

(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)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

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, 2013. 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, 2013

Federal Award Findings and Questioned Costs

Ref. No. **Description of Finding**

2012 – 1 **Payroll – Material Weakness**

2011 – 1

2010 – 1

Condition: During our prior years' audit process of salary and wages, we noted that some of the payroll tax payments were made late.

Recommendation: We recommended to the College to pay their payroll taxes on a timely basis as required.

Current year status:

Recommendation was implemented.

2012 – 2 **Equipment Management – Material Weakness**

2011 – 5

2010 – 2

2009 – 1

2008 – 1

2007 – 1

Condition: In prior years, we noted that the College did not reconcile its physical inventory of its equipment to its equipment recorded on the College's accounting records.

Recommendation: We recommended that the College reconcile its periodic physical inventories of its fixed assets to its accounting records.

Current year status:

Recommendation was implemented.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2013

Federal Award Findings and Questioned Costs

Ref. No. **Description of Finding**

2012 - 3 **Activities Allowed or Unallowed**

Federal Work-Study Program 84.033

Condition: We noted in the prior year audit, two instances of the 28 students tested for field work study where the student work schedule conflicted with their class schedule.

Recommendation: We recommended that the School instruct all supervisors to not allow students to work during class time. Students should be made aware that working while supposed to be in class is a direct violation of federal guidelines.

Current year status:

Recommendation was implemented.



Jennings
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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, 2013, 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 February 21, 2014.

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 with a large initial "J".

Honolulu, Hawaii
February 21, 2014



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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:

Compliance

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, 2013. 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended September 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2. Our opinion on each major federal program is not modified with respect to these matters.

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.

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. *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.

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

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.

James D Jennings PAJ

Honolulu, Hawaii
February 21, 2014

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

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	No
Significant deficiency identified	No
5. Type of auditor's report issued on compliance for major programs: Unqualified
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:

Payments to Agricultural Experiment Stations under the HATCH Act	10.203
Cooperative Extension Service	10.500
Economic, Social, and Political Development of the Territories	15.875
College Access Challenge Grant Program	84.378
As a Cluster:	
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: \$ 420,826
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, 2013

Section II – Financial Statements Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

Ref. No. Description of Finding

2013 – 001 Cash Management – (This finding only relates to non-major programs)

Criteria: Under OMB Circular A-133 Compliance Supplement Part 3 Compliance Requirement Section C Cash Management, “When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Condition: We noted that ASCC had \$74,498 of various grant advances that were either from old, closed grants or had been drawdown in previous years and not expended.

Cause: Advances are not being fully reconciled to expenses for all grants and additional amounts are not being returned or offset from subsequent billings.

Effect: The College is not in compliance with federal requirements.

Recommendation: We recommend that the College put procedures in place to perform an analysis of advances and expenses on a regular basis and to either use funds in a timely manner or return the funds to the grantor.

View of Responsible Officials and Planned Corrective Action:

Management acknowledges the recommendation and monthly analysis are currently in place to ensure that use of funds or return of funds to grantors is done in a timely manner.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2013

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

Ref. No. Description of Finding

2013 – 002 Adjustments to Schedule of Federal Awards (SEFA)

Criteria: Under OMB Circular A-133 paragraph .210 Subrecipient and vendor determinations, “payments received for goods or services provided as a vendor would not be considered Federal awards” and would therefore, not be included on the Schedule of Federal Awards.

Condition: During our audit, numerous reclassing entries needed to be recorded to various federal funds with corresponding adjustments made to the SEFA to be corrected reported.

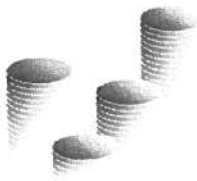
Cause: Staff was not aware of the need to determine if ASCC was a recipient or a vendor and the effects on the SEFA.

Effect: The College is not in compliance with federal requirements.

Recommendation: We recommend that the College train staff on classifying contracts and awards as well as put procedures in place to perform an analysis of the SEFA to ensure that vendor agreement amounts are not included as federal expenditures.

View of Responsible Officials and Planned Corrective Action:

Management acknowledges the recommendation. Monthly analysis and quarterly training are currently in place to ensure that our monthly SEFA report to only reflect federal expenditures.



Jennings
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**REPORT ON COMPLIANCE WITH SPECIFIED
REQUIREMENTS APPLICABLE TO THE STUDENT
FINANCIAL ASSISTANCE PROGRAMS**

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

We have examined the American Samoa Community College's (the College) compliance with the requirements applicable to the student financial assistance programs relating to activities allowed or unallowed and allowable costs/cost principles; cash management; eligibility; matching, level of effort, and earmarking' period of availability of federal funds; reporting; and special tests and provisions enumerated in the U.S. Office of Management and Budget *Circular A-133 Compliance Supplement* during the year ended September 30, 2013. The College's student financial assistance programs include the Federal Pell Grant Program (CFDA No. 84.063), the Federal Work-Study Program (CFDA No. 84.033) and the Federal Supplemental Educational Opportunity Grants (CFDA No. 84.007). The College is a component unit of the American Samoa Government. Management is responsible for the College's compliance with those requirements. Our responsibility is to express an opinion on the College's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standard*, issued by the Comptroller General of the United States, and attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the College's compliance with specified requirements.

In our opinion, the American Samoa Community College complied, in all material respects, with requirements referred to above that are applicable to the student financial assistance programs for the year ended September 30, 2013.

This report is intended solely for the information and use of the Board of Higher Education, management of the College, and the U.S. Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

James D. Jennings CPA Inc

Honolulu, Hawaii
February 21, 2014