

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, 2018

and
INDEPENDENT AUDITOR'S REPORT

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

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS – (Unaudited)	3 - 7
FINANCIAL STATEMENTS	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11 - 25
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability - (Unaudited)	26
Schedule of Contributions - (Unaudited)	26
ADDITIONAL INFORMATION	
Schedule of Expenditures of Federal Awards	27 - 28
Notes to Schedule of Expenditures of Federal Awards	29
SINGLE AUDIT REPORTS	
Summary Schedule of Prior Audit Findings	30
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	31 - 32
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	33 - 35
Schedule of Findings and Questioned Costs	36 - 39

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, 2018, 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, 2018, 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 3-7 and schedules of net pension liability and contributions on pages 26 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, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 11, 2019, 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 O. Jennings CPA

Honolulu, Hawaii
March 11, 2019

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 decreased by \$4,561 thousand or 17.1%.
- Cash and cash equivalents decreased by \$344 thousand or 24.7%
- Net capital assets decreased by \$9 thousand or 0.1%.
- Non-current liabilities decreased by \$2,364 thousand or 20.2% due to the Net Pension Liability decreased.
- Restricted Position (endowment funds) decreased by \$4 thousand or 0.1%.
- Operating revenues increased by \$939 thousand or 11.4%. This is due to increase of revenues in federal grant revenue.
- Operating expenses increased by \$1,134 thousand or 7.9%. This is due to increase of instructional expenses.
- Non-operating revenues decreased by \$946 thousand or 21.7%. This is due to decrease of Government appropriations.
- Operating loss of \$6,274 thousand in 2018 compared to an operating loss in 2017 of 6,079 thousand. This is due to a increase in operating revenues.

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

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
(A Component Unit of American Samoa Government)

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

FINANCIAL ANALYSIS

Condensed Balance Sheet (000's)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current & Restricted Assets	\$ 4,999	\$ 6,507
Noncurrent & Restricted Assets	15,038	15,047
Deferred Outflows of resources – pension	<u>2,093</u>	<u>5,137</u>
Total Assets	<u>\$ 22,130</u>	<u>\$ 26,691</u>
NET POSITION AND LIABILITIES		
Current Liabilities	\$ 3,399	\$ 2,732
Noncurrent Liabilities	9,342	11,706
Investment in Capital Assets	12,038	12,047
Restricted Net Position	3,131	3,135
Unrestricted Net Position	<u>(5,780)</u>	<u>(2,929)</u>
Total Net Position & Liabilities	<u>\$ 22,130</u>	<u>\$ 26,691</u>

Current assets decreased by 1,508 thousand or 23.2%. The decrease is due to decrease of our cash and cash equivalents, Grant receivable, and Other Receivable. 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. The unrestricted net position decreased by \$2,851 thousand or 97.3% mainly due to decrease of Government appropriations. However, these assets continue to earn revenue for growth and the college draws on its income as seed or matching funds for certain qualified programs \$2 million of net assets is not available for future spending, nor used to liquidate any of liabilities.

Current liabilities increased by \$667 thousand or 24.4%. The overall increase is contributed mainly to the increase in accounting payable.

Current liabilities are those obligations payable within one year. The current ratio is at 1.47 in FYE 2018 in comparison to 2.38 in FYE 2017.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

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

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Federal Grants	\$ 5,625	\$ 4,717
Tuition & Fees	3,229	3,264
Auxiliary Enterprises	334	203
Other grant revenue	<u>9</u>	<u>74</u>
Total Operating Revenues	<u>9,197</u>	<u>8,258</u>
Operating Expenses		
Instructional	6,027	5,108
Administrative Support	3,346	3,250
Agricultural Research	2,915	2,927
Student Services	1,133	1,232
Other	1,246	1,200
Depreciation	<u>804</u>	<u>620</u>
Total Operating Expenses	<u>15,471</u>	<u>14,337</u>
Net Operating Revenues (Loss)	(6,274)	(6,079)
Non-operating Revenues	<u>3,408</u>	<u>4,354</u>
Change in Net Position	<u>(2,866)</u>	<u>(1,725)</u>
Net Position, Beginning of Year	<u>12,254</u>	<u>13,978</u>
Net Position, End of Year	<u>\$ 9,388</u>	<u>\$ 12,253</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
(A Component Unit of American Samoa Government)

MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

Two Year Comparison of Financial Ratios

	<u>2018</u>	<u>2017</u>
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	\$ 9,389	\$ 12,253
Total Assets	<u>22,130</u>	<u>26,691</u>
Equity Level	42.43%	45.91%
Working Capital		
<i>The amount of Current Assets in excess of Current Liabilities.</i>		
Current Assets	\$ 4,999	\$ 6,507
Current Liabilities	<u>3,399</u>	<u>2,732</u>
Working Capital	<u>\$ 1,600</u>	<u>\$ 3,775</u>
Current Ratio		
<i>Current Assets compared to Current Liabilities.</i>		
Current Assets	\$ 4,999	\$ 6,507
Current Liabilities	<u>3,399</u>	<u>2,732</u>
Current Ratio	1.47	2.38
Rate of Return		
<i>Net Income (Loss) as a percentage of Net Position.</i>		
Net Income (Loss)	\$ (2,865)	\$ (1,724)
Net Position	<u>9,389</u>	<u>12,253</u>
Rate of Return	-30.51%	-14.07%

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, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 984,283
Tuition and fees receivable, net of allowance of \$3,418,652	1,841,233
Grant receivable	715,150
Other receivable	45,799
Inventories	890,106
Prepaid expenses	391,488
Restricted assets	
Cash and cash equivalents	67,244
Investments	50,789
Interest receivable	13,157
Total current assets	<u>4,999,249</u>
Noncurrent assets	
Restricted assets - endowment investments	3,000,000
Capital assets, net	<u>12,037,746</u>
Total noncurrent assets	<u>15,037,746</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	<u>2,092,924</u>
Total assets and deferred outflows of resources	<u>\$ 22,129,919</u>

LIABILITIES AND NET POSITION
LIABILITIES

Current liabilities	
Accounts payable	\$ 1,341,243
Advances from grantors	121,863
Unearned revenue	916,279
Accrued payroll and other employee benefits	439,747
Accrued compensated absences - current portion	<u>580,473</u>
Total current liabilities	<u>3,399,605</u>
Noncurrent liabilities	
Net pension liability	8,872,001
Accrued compensated absences, net of current portion	<u>469,803</u>
Total noncurrent liabilities	<u>9,341,804</u>
Total liabilities	<u>12,741,409</u>

NET POSITION

Net position	
Invested in capital assets	12,037,746
Restricted for:	
Nonexpendable - endowments	3,000,000
Expendable - land grant programs	131,190
Unrestricted	<u>(5,780,426)</u>
Total net position	<u>9,388,510</u>
Total liabilities and net position	<u>\$ 22,129,919</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, 2018

OPERATING REVENUES

Federal grant revenue	\$ 5,625,314
Tuition and fees	3,228,063
Auxiliary enterprises	334,322
Other revenue	<u>8,611</u>
Total operating revenues	<u>9,196,310</u>

OPERATING EXPENSES

Instructional	6,026,737
Administrative support	3,346,217
Agricultural research	2,914,578
Student services	1,132,753
Other	1,245,833
Depreciation	<u>803,649</u>
Total operating expenses	<u>15,469,767</u>

Operating loss	<u>(6,273,457)</u>
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NONOPERATING REVENUES (EXPENSES)

Government appropriations	3,412,148
Investment income	<u>(3,727)</u>
Net nonoperating revenues	<u>3,408,421</u>
Decrease in net position	<u>(2,865,036)</u>

Net position, October 1, 2017	12,253,546
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Net position, September 30, 2018	<u>\$ 9,388,510</u>
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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, 2018**Cash flows from operating activities:**

Federal grants	\$ 5,926,505
Tuition and fees	3,060,164
Sales and services of auxiliary enterprise	1,248,641
Other grants	8,611
Payments to employees' salary and benefits	(5,335,413)
Payments to suppliers	<u>(7,870,368)</u>
Net cash used in operating activities	<u>(2,961,860)</u>

Cash flows from investing activities:

Investment loss	(3,727)
Purchase of investments	(735,269)
Proceeds from sales of investments	738,819
Realized loss on sales of investments	<u>12</u>
Net cash used in investing activities:	<u>(165)</u>

Cash flows from financing activities:

Governmental appropriations	3,412,148
Acquisition of capital assets	<u>(794,200)</u>
Net cash provided by financing activities:	<u>2,617,948</u>

Net decrease in cash and cash equivalents (344,077)

Cash and cash equivalents at beginning of year 1,395,604

Cash and cash equivalents at end of year \$ 1,051,527

Reconciliation of operating loss to net cash used in operating activities:

Operating Gain/(Loss)	\$ (6,273,457)
Adjustments to reconcile change in operating loss to net cash used for operating activities:	
Depreciation expenses	803,649
Decrease in tuition and fees receivable, net	1,603
Decrease in due from other governments	224,742
Decrease in other receivable, net	914,319
Decrease in inventories	66,310
Increase in prepaid expenses	(47,292)
Increase in deferred outflows	3,044,505
Increase in accounts payable	691,454
Increase in advances from grantors	76,449
Decrease in unearned revenue	(169,502)
Increase in accrued payroll and other employee benefits	56,464
Decrease in accrued compensated absences	(40,122)
Decrease in net pension liability	<u>(2,310,982)</u>

Net cash used in operating activities \$ (2,961,860)

Non-cash investing activity:

Change in fair value of investments	<u>\$ (38,437)</u>
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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, 2018

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
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

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
(A Component Unit of the American Samoa Government)

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

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, 2018.

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, 2018

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 7.57 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, 2018

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, 2018

2. Cash and Certificate of Deposit

The College maintains its cash and cash equivalents at financial institutions in American Samoa. At September 30, 2018, the College's cash balances exceeded FDIC insured limits by approximately \$764,000. Investments are insured by the Securities Investor Protection Corporation up to \$500,000. At September 30, 2018, the uninsured investments balance at one such financial institution totaled approximately \$2,563,000.

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, 2018, activities of the trust consisted of the following:

Balance at September 30, 2017	\$ 3,134,918
Investment income	48,525
Investment appreciation/(depreciation)	(35,753)
Investment management fees	<u>(16,500)</u>
Balance at September 30, 2018	<u>\$ 3,131,190</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.

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

3. Investments – (Continued)

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, 2018:

	<u>Fair value</u>	<u>Cost</u>
U.S. government agencies	\$ 24,671	\$ 24,980
U.S. treasury obligations	2,251,525	2,280,805
Corporate bonds	774,593	789,459
Cash and cash equivalents	67,244	67,244
Accrued income	<u>13,157</u>	<u>13,157</u>
Totals	<u>\$ 3,131,190</u>	<u>\$ 3,175,645</u>

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

4. Capital Assets

Capital assets activity for the year ended September 30, 2018 consisted of the following:

	Balance 09/30/17	Addition	Retirement	Transfers	Balance 09/30/18
Nondepreciable capital asset:					
Construction Work In Progress	\$ 4,491,725	\$ 281,456	\$ -	\$ 4,734,135	\$ 39,046
Land	150,000		-	-	150,000
Total nondepreciable capital assets	<u>4,641,725</u>	<u>281,456</u>	<u>-</u>	<u>4,734,135</u>	<u>189,046</u>
Depreciable capital assets:					
Building and improvements	14,068,017	282,880	-	4,491,724	18,842,621
Furniture and equipment	6,008,529	213,341	-	242,411	6,464,281
Motor vehicles	990,874	-	-	-	990,874
Library books	440,463	16,523	-	-	456,986
Total depreciable capital assets	<u>21,507,883</u>	<u>512,744</u>	<u>-</u>	<u>4,734,135</u>	<u>26,754,762</u>
Total cost	<u>26,149,608</u>	<u>794,200</u>	<u>-</u>	<u>-</u>	<u>26,943,808</u>
Less accumulated depreciation:					
Building and improvements	(7,062,472)	(527,761)	-	-	(7,590,233)
Furniture and equipment	(5,776,495)	(211,266)	-	-	(5,987,761)
Motor vehicles	(905,462)	(45,841)	-	-	(951,303)
Library books	(357,984)	(18,781)	-	-	(376,765)
Total accumulated depreciation	<u>(14,102,413)</u>	<u>(803,649)</u>	<u>-</u>	<u>-</u>	<u>(14,906,062)</u>
Net Capital assets	<u>\$ 12,047,195</u>	<u>\$ (9,449)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,037,746</u>

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

5. Accrued Compensated Absences

Accrued compensated absences liability activity for the year ended September 30, 2018 is summarized as follows:

	Balance 09/30/17	Additions	Reductions	Balance 09/30/18	Current Portion	Long Term Portion
Accrued vested vacation	\$ 563,694	\$ 352,394	\$ (380,950)	\$ 535,138	\$ 379,615	\$ 155,523
Accrued vested sick leave	<u>526,704</u>	<u>188,121</u>	<u>(199,687)</u>	<u>\$ 515,138</u>	<u>\$ 200,858</u>	<u>314,280</u>
Accrued vested vacation and sick leave liability	<u>\$ 1,090,398</u>	<u>\$ 540,515</u>	<u>\$ (580,637)</u>	<u>\$ 1,050,276</u>	<u>\$ 580,473</u>	<u>\$ 469,803</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, 2018

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, 2018, 2017, and 2016 were \$463,639, \$441,595 and \$410,929, 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, 2018, the College reported a liability of \$8,872,001 for its proportionate share of net pension liability. The net pension liability was measured as of September 30, 2017, 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, 2017, the College's proportion was 5.57 percent which was a increase of 0.39 percent from its proportion measured as of September 30, 2016.

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, 2017, and the reporting date, September 30, 2018, 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, 2018

6. Retirement Fund – (Continued)

For the year ended September 30, 2018, the College recognized pension expense of \$733,523. At September 30, 2018, the College reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 316,206
Changes in assumptions	202,934
Net difference between projected and actual investment earnings on pension plan investments	244,884
Change in proportion and difference between employer contributions and appropriate share of contributions	865,261
Contributions made subsequent to measurement date	<u>463,639</u>
Total deferred outflows	<u>\$ 2,092,924</u>

The \$463,639 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, 2018. Other amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended September 30,	
2019	\$ 434,595
2020	416,006
2021	67,335
2022	74,403
2023	186,864
Thereafter	<u>450,082</u>
	<u>\$ 1,629,285</u>

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

6. Retirement Fund – (Continued)

Actuarial Assumptions

The total pension liability was determined as part of an actuarial valuation as of October 1, 2016, and rolled forward using generally accepted actuarial procedures to the measurement date as of September 30, 2017, 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	4.0% - 15.0% based on attained age
Mortality	RP-2000 Combined Mortality Table set forward six years

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, 2017 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, 2017. 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.

As of September 30, 2017, the geometric mean real rates of return of benchmarks for each major investment class in the Fund's portfolio are as follows:

<u>Investment Class</u>	<u>Rate of Return</u>
Domestic equity	7.1%
Fixed income	5.1%
Real estate	5.0%
ASG bond	7.5%
Loans to employers	7.5% - 8.0%

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2018

6. Retirement Fund – (Continued)

Discount Rate

As of September 30, 2017, the blended discount rate of 5.87% used to calculate the Fund's total pension liability is comprised of (a) the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments through fiscal year 2045, the period for which the Fund's fiduciary net position is projected to be sufficient to make projected benefit payments and (b) the 20-year AA municipal bond index rate applied to benefit payments for periods beyond the period in which the Fund's fiduciary net position is not projected to be sufficient. The projection of cash flows used to determine the Fund's discount rate assumes that member and sponsor contributions will continue at current statutory levels. Additionally, cost of living adjustments will be applied to projected benefits at the rate of 0.5% annually after expected retirement dates.

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

The following presents the Employers' net pension liability, calculated using the discount rate of 5.87%, as well as what the Employers' net pension liability would be if it were calculated using a discount rate that is 1% point lower (4.87%) or 1% point higher (6.87%) than the current rate:

	1% Decrease (4.87%)	Current Discount Rate (5.87%)	1% Increase (6.87%)
The College's proportionate share of the net pension liability	\$ 10,965,744	\$ 8,872,001	\$ 7,074,536

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, 2018

7. Related-Party Transactions

The College received \$2,027,914 of general fund appropriations from the American Samoa Government for the year ended September 30, 2018.

As a component unit of the American Samoa Government, the College has related party transactions with other component units. During fiscal year 2018, 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	\$ 681,984	Payroll and excise taxes
American Samoa Government Retirement Office	646,431	retirement plan payments
American Samoa Power Authority	316,948	payments for services
American Samoa Telecommunication	<u>157,387</u>	payments for services
Total	\$ 1,802,750	

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, 2018, the College has \$262,327 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, 2018

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 11, 2019, 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, 2018**

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, 2018	5.57%	8,872,001	5,541,388	160%	55.03%

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, 2018	837,858	443,311	394,547	5,541,388	15.12%

*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, 2018

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		1,198,990
Expanded Food and Nutrition Education Program	10.500		113,143
Subtotal			1,312,133
Payment to Agriculture Experiment Station Under The Hatch Act	10.203		1,158,102
Cooperative Forestry Assistance			
Forestry Health Management	10.664		51,490
Forestry Stewardship Program	10.664		69,832
Urban & Community Forestry	10.664		67,687
Landscape Scale Restoration Internship	10.664		45,149
Subtotal			234,158
Distance Education Grant for Insular Areas	10.322		85,082
Resident Instruction Grant for Insular Areas	10.308		110,480
Subtotal Direct Programs US Department of Agriculture			2,899,955
Pass-through programs from:			
Utah State University			
Sustainable Agriculture Research & Education (SARE)	10.215	2016-38640-25383	16,692
University of Hawaii			
Conservation Innovation Grants Program (NRCS-CIG)	10.912	69-3A 75-17-54	25,054
Subtotal Pass-through programs US Department of Agriculture:			41,745
Subtotal U.S. Department of Agriculture			2,941,701
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	1,757
State University of Portland			
Enhancing Cross Disciplinary Infrastructure and Training at Oregon (EXITO)	93.310	205CRE487 & 205CRE488	26,477
Children's Hospital Los Angeles			
CA-Lend Health Professional Support Program for Children with Congenital Zika Virus (USC/UAP Lend Project)	93.110	TGF010929-A	14,000
University of Hawaii			
Maintenance and Enhancement Awards		5 U77HP08404-10-00	
Area Health Education Centers Point of Services	93.107	5 U77HP08404-11-00	58,826
Disabilities Education Research			
University Center for Excellence in Development Disabilities	93.632	Z10139974	167,669
Subtotal Pass-through programs U.S. Department of Health & Human Services			226,496
Subtotal U.S. Department of Health and Human Services:			268,729
U.S. Department of Small Business Administration			
Direct Programs			
Small Business Development Centers	59.037		199,270
Subtotal Direct programs U.S. Department of Small Business Administration			199,270
Subtotal U.S. Department of Small Business Administration:			199,270

(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, 2018

Federal Grantor/Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Interior			
Direct Programs			
Capital Improvement Project			
Multi Purpose Building Project-2014	15.875		1,628,961
Economics Social and Political Development of the Territories			
ASCC Operation Grant	15.875		1,384,234
DOI Compact Grant Nursing 2013	15.875		5,794
HPIC Fine Arts National Park	15.945		2,365
Subtotal Direct programs U.S. Department of Interior			1,386,599
Subtotal U.S. Department of Interior			3,021,353
U.S. Department of Education			
Direct Programs			
Student Financial Assistance Program (Cluster)			
Federal Pell Grant Program	84.063		4,239,208
Federal Supplemental Education Opportunity Grant	84.007		41,758
Federal Work-Study Program	84.033		60,937
Subtotal Student Financial Assistance Program (Cluster)			4,341,902
Adult Education Basic Grant to States	84.002		132,217
Title III - Integrated Strategies and Services to Improve Math & English	84.382		72,978
Subtotal Direct Programs U.S. Department of Education			4,547,097
Pass-Through programs from:			
American Samoa Government			
American Samoa Bachelor Education Program (ASBEP)	84.027A	C006248	315,820
Subtotal Pass-through programs U.S. Department of Education			315,820
Subtotal U.S. Department of Education			4,862,917
Environmental Protection Agency			
Pass-through programs from:			
Extension Foundation			
Pesticide Safety Education Funds Management Program	66.716	SA-2017-77	7,082
Subtotal Pass-through programs Environmental Protection Agency			7,082
Subtotal Environmental Protection Agency			7,082
National Science Foundation			
Pass-Through programs from:			
NSF-ATE: Partnership for Advanced Marine and Environmental			
Science Training for Pacific Islanders	47-076	Z10149235	15,048
University of Hawaii			
Learn and Serve America Higher Education			
Louis Stokes Alliances for Minority Participation	47.076	HRD-1102524	11,688
Subtotal Pass-through National Science Foundation			26,736
Subtotal National Science Foundation			26,736
U.S. Department of Commerce			
Pass-Through programs from:			
American Samoa Government Department of Commerce			
CRAG	11.473	6103601 & 6103602	3,760
American Samoa Government Department of Marine & Wildlife Resources			
Samoan Swallowtail Butterfly			1,604
Subtotal Pass-through US Department of Commerce			5,364
Subtotal U.S. Department of Commerce			5,364
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			11,333,152

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, 2018

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, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, 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.

C. Indirect Cost Rate

ASCC does not follow the de minimis indirect cost rate of the Uniform Guidance.

D. Subrecipients

ASCC had no subrecipients.

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, 2018

Federal Award Findings and Questioned Costs

Finding 2015-001, 2016-001 and 2017-001 Special Test and Provision

Condition: The Financial Aid Department had the following items related to the verification process that was conducted incompletely.

1. Five student's verification forms indicated receiving SNAP but not on student ISIR.
2. Seven student's verification forms did not have all the sections completed.
3. Three student's verification form for income did not agree with ISIR and tax return.
4. Five student's verification form showed lowered number of family members than on ISIR.
5. One student used the wrong verification form. (Used V6 instead of V1)
6. Two student files did not contain the ISIR.

Recommendation: We recommend that the College implement controls that will ensure that all verification documentation is received, reviewed properly for completeness and against the ISIR and that all discrepancy noted against the ISIR is corrected by student or Financial Aid office before awarding aid.

Current Year Status: The current year findings 2018-001 is reported as a significant deficiency versus a material weakness in prior years.

Finding 2017-002 Activities Allowed – Student Records

Condition: The College Financial aid office did not use all the days in the Spring semester to calculate R2T4 correctly. It should have been 116 days but used 109 days.

Recommendation: We recommend that the College implement controls that will ensure that all R2T4 calculation are completed correctly.

Current Year Status: Recommendation implemented.

**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**

INDEPENDENT AUDITOR'S REPORT

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, 2018, 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 11, 2019.

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

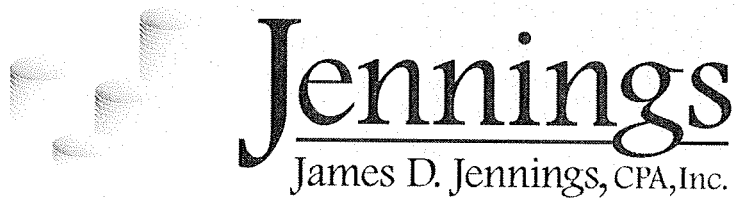
As part of obtaining reasonable assurance about whether American Samoa Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 O. Jennings CPA". The signature is written in a cursive, flowing style.

Honolulu, Hawaii
March 11, 2019



615 Piikoi St., Suite 1507
Honolulu, HI 96814
Tel: (808) 942-8813
Fax: (808) 943-0572
Website: www.jenningscpa.com

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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 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, 2018. 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 requirements of federal statutes, regulations, and terms and conditions of federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 qualified and unmodified opinions 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, 2018*.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. 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 are described in the accompanying *schedule of findings and questioned costs and/or corrective action plan*. 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 the Uniform Guidance, 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

American Samoa Community College's response to the internal control over compliance findings identified in our audit are described in the accompanying *schedule of findings and questioned costs and/or corrective action plan*. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, reading "James Dunning CPA". The signature is written in a cursive, flowing style.

Honolulu, Hawaii
March 11, 2019

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2018

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	None Reported
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 2 CFR 200.516 (a)? Yes
7. The programs tested as major program included:
 1. Student Financial Assistance (Cluster):

Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity	84.007
 2. Economic, Social, and Political Development of the Territories 15.875
8. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
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, 2018

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 2018-001

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 Financial Aid Department had the following items related to the verification process that was conducted incompletely.

1. One student ISIR indicated 2 in college but on the verification, form indicated 1 in college.
2. One student file did not contain the verification forms.

Effect: By the verification process not being completed correctly by the College could be over or under awarding students.

Cause: The Director of the Financial Aid Office stated while at a Department of Education training the instructor said that if verification error would result in no change then no update was needed.

Questioned Cost: Undeterminable.

Context: Of the 944 students receiving financial aid, we tested 165 students file of which 89 were flagged for verification process and 2 of those student’s verification process was not completely correctly.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2018

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

Ref. No. Description of Finding

Finding 2018-001 – (Continued)

Recommendation: We recommend that the College implement controls that will ensure that all verification documentation is received, reviewed properly for completeness and against the ISIR and that all discrepancy noted against the ISIR is corrected by student or Financial Aid office before awarding aid.

Views of responsible officials and planned corrective actions:

Streamline new process to require counselors to use the FAA Access to CPS Online: <https://faaaccess.ed.gov/FOTWWebApp/faa/faa.jsp> to make changes or provide update to a students' ISIR when change or update is prompted by the Verification Form that the student submits.

Ensure that Admin Assistant collects all required documents with Verification form. If incomplete, then DO NOT accept any Verification worksheet unless all signatures and attachments are included in the submission.

Personnel should encourage students and parents to submit documentation electronically (by email) as well for ease of submission and to avoid delays in processing student aid.

ASCC created and established a Financial Aid Office (FAO) Internal Review Committee as of October 2018, to conduct a preliminary review of all Verification worksheets and documentations on a monthly basis to ensure that all student aid are accounted for and administered properly in accordance to Title IV laws and regulations and in accordance with student eligibility as noted on all processed CPS ISIRs received from the Department.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2018

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

Ref. No. Description of Finding

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 2018-002

Activities Allowed – Federal Work Study

Criteria: The Federal Student Aid Handbook, Volume 6 Chapter 2 issued by the U.S. Department of Education, stipulates that the students’ work schedules must not conflict with their class schedules.

Condition: We noted one students tested for fieldwork study worked during their schedule class. A second student was noted to have clocked out from working at the same time their class was starting.

Effect: The College is not in compliance with Federal Work Study allowability requirements.

Cause: The one student that worked during schedule class time was due to class the being cancelled because the Professor had a family emergency, but no documentation could be provided to us to support the cause.

Questioned Cost: Undeterminable.

Context: Of the 132 students awarded federal work study we tested 46 students of which only 2 had had issues of working while they should have been in class.

Recommendation: We recommend that the College implement controls that will ensure students do not work during class, provide training to supervisors of work study students and get documentation for exception.

Views of responsible officials and planned corrective actions:

In accordance with U.S. Ed. FSA Handbook, Volume 6 Chapter 2, FWS students are not permitted to work during scheduled class times. However, exceptions are permitted if an individual class is cancelled or student is excused by the instructor.

Corrective Action Plan in place to ensure this finding will not be repeated is to disallow, without exception, all FWS students to work during a scheduled class and to update FA Student Handbook to ensure this policy is documented as well as to disseminate this policy during FWS orientations, applicant interviews, etc.