

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, 2012

and
INDEPENDENT AUDITOR'S REPORT

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

The 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 \$512 thousand or 2%
- Net capital assets increased by \$1,841 thousand or 19%. The increase of net capital assets is due to the completion of construction in progress with ARRA Funds during fiscal year 2012.
- Restricted assets (endowment funds) increased by \$10 thousand or 0.3%.
- Advances from grantors decreased by \$577 thousand or 55%. This decrease is contributed to management monitoring the grant drawdown.
- Current liabilities decreased by \$3,819 or 43%.
- Net assets increased by \$3,173 thousand or 27%
- Operating revenues decreased by \$3,509 thousand or 19%. This is due to decrease of revenues in ARRA funding during FY2012.
- Operating expenses decreased by \$853 thousand or 5%.
- Non-operating revenues decreased by \$154 thousand or 4%.
- Operating loss of 177 thousand in 2012 compared to an operating gain in 2011 of 2,479 is a decrease of 2,656 thousand or 107%. This is due to a decrease in operating revenue of 5% from the federal ARRA funding.

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 Assets* 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 Assets*. 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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS – (Continued)

FINANCIAL ANALYSIS

Condensed Balance Sheet (000's)

	<u>2012</u>	<u>2011</u>
ASSETS		
Current & Restricted Assets	\$ 5,850	\$ 8,203
Noncurrent & Restricted Assets	<u>14,577</u>	<u>12,736</u>
Total Assets	<u>\$ 20,427</u>	<u>\$ 20,939</u>
NET ASSETS AND LIABILITIES		
Current Liabilities	\$ 4,986	\$ 8,805
Noncurrent Liabilities	649	516
Investment in Capital Assets	11,578	9,736
Restricted Net Assets	3,089	3,079
Unrestricted Net Assets	<u>125</u>	<u>(1,197)</u>
Total Net Assets & Liabilities	<u>\$ 20,427</u>	<u>\$ 20,939</u>

Current assets decreased by 33% or \$2,713 thousand. The increase is due to decrease of our grant receivable and prepaid expenses. Current assets are those assets that mature in less than one year.

Net assets continue 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 assets is not available for future spending, nor used to liquidate any of liabilities.

Current liabilities decreased by \$3,819 thousand or 43%. The overall decrease is contributed mainly to the decrease in unearned revenue, advances from grantors and payroll liabilities.

Current liabilities are those obligations payable within one year. The current ratio is at 1.17 in FYE 2012 and 0.93 in FYE 2011.

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

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

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Federal Grants	\$ 10,036	\$ 14,321
Tuition & Fees	4,208	3,401
Auxiliary Enterprises	669	706
Other grant revenue	<u>6</u>	<u>0</u>
Total Operating Revenues	<u>14,919</u>	<u>18,428</u>
Operating Expenses		
Instructional	7,006	9,060
Administrative Support	2,993	2,559
Agricultural Research	2,908	2,507
Student Services	710	743
Other	299	213
Depreciation	<u>1,180</u>	<u>867</u>
Total Operating Expenses	<u>15,096</u>	<u>15,949</u>
Net Operating Revenues (Loss)	(177)	2,479
Non-operating Revenues	<u>3,351</u>	<u>3,505</u>
Change in Net Assets	3,174	5,984
Net Assets, Beginning of Year (as previously stated)	11,619	5,905
Prior Period Adjustment	<u>0</u>	<u>(270)</u>
Net Assets, End of Year	<u>\$ 14,793</u>	<u>\$ 11,619</u>

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

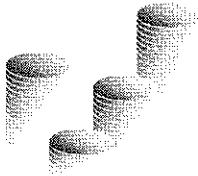
AMERICAN SAMOA COMMUNITY COLLEGE
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Two Year Comparison of Financial Ratios

	2012	2011
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 Assets	\$ 14,793	\$ 11,619
Total Assets	<u>20,427</u>	<u>20,939</u>
Equity Level	72.42%	55.49%
Working Capital		
<i>The amount of Current Assets in excess of Current Liabilities.</i>		
Current Assets	\$ 5,850	\$ 8,203
Current Liabilities	<u>4,986</u>	<u>8,804</u>
Working Capital	<u>\$ 864</u>	<u>\$ (601)</u>
Current Ratio		
<i>Current Assets compared to Current Liabilities.</i>		
Current Assets	\$ 5,850	\$ 8,203
Current Liabilities	<u>4,986</u>	<u>8,804</u>
Current Ratio	1.17	0.93
Rate of Return		
<i>Net Income (Loss) as a percentage of Net Assets.</i>		
Net Income (Loss)	\$ 3,174	\$ 5,984
Net Assets	<u>14,793</u>	<u>11,619</u>
Rate of Return	21.46%	51.50%

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.



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of American Samoa Community College (the College), a component unit of the American Samoa Government, as of September 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

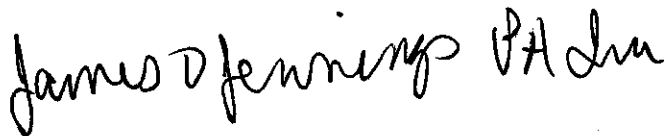
In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the American Samoa Community College as of September 30, 2012, and the respective changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2013 on our consideration of American Samoa Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control of financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the American Samoa Community College's financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the American Samoa Community College's financial statements. The introductory and statistical sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Honolulu, Hawaii
March 25, 2013

AMERICAN SAMOA COMMUNITY COLLEGE

(A Component Unit of the American Samoa Government)

Statement of Net Assets

September 30, 2012

ASSETS

Current assets	
Cash and cash equivalents	\$ 378,588
Tuition and fees receivable, net of allowance of \$2,329,715	2,232,615
Grant receivable	1,343,895
Due from other governments	582,773
Other receivable	72,299
Inventories	638,458
Prepaid expenses	511,595
Restricted assets	
Cash and cash equivalents	173,876
Investments	(95,019)
Interest receivable	10,536
Total current assets	<u>5,849,616</u>
Noncurrent assets	
Restricted assets - investments	3,000,000
Capital assets, net	<u>11,577,616</u>
Total assets	<u>\$ 20,427,232</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Current liabilities	
Accounts payable	\$ 1,863,548
Advances from grantors	475,308
Unearned revenue	1,529,250
Accrued payroll and other employee benefits	716,692
Accrued compensated absences - current portion	391,274
Other liabilities	9,596
Total current liabilities	<u>4,985,668</u>
Noncurrent liabilities	
Accrued compensated absences, net of current portion	<u>649,046</u>
Total liabilities	<u>5,634,714</u>

NET ASSETS

Net assets	
Invested in capital assets	11,577,616
Restricted for:	
Nonexpendable - endowments	3,000,000
Expendable - land grant programs	89,393
Unrestricted	<u>125,509</u>
Total net assets	<u>14,792,518</u>
Total asset and liabilities	<u>\$ 20,427,232</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 Assets
Year Ended September 30, 2012

OPERATING REVENUES	
Federal grant revenue	\$ 10,036,004
Tuition and fees	4,207,990
Auxiliary enterprises	668,672
Other grant revenue	<u>6,463</u>
Total operating revenues	<u>14,919,129</u>
OPERATING EXPENSES	
Instructional	7,006,439
Administrative support	2,993,251
Agricultural research	2,907,664
Student services	710,574
Other	298,615
Depreciation	<u>1,180,161</u>
Total operating expenses	<u>15,096,704</u>
Operating loss	<u>(177,575)</u>
NONOPERATING REVENUES	
Government appropriations	3,306,002
Gain on disposal of capital assets	12,290
Investment income	<u>33,164</u>
Net nonoperating revenues	<u>3,351,456</u>
Change in net assets	3,173,881
Net assets, beginning of year	<u>11,618,637</u>
Net assets, end of year	<u>\$ 14,792,518</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, 2012**

Cash flows from operating activities:	
Federal grants	\$ 10,720,112
Tuition and fees	3,004,051
Sales and services of auxiliary enterprise	672,874
Other grants	6,463
Payments to employees	(9,267,794)
Payments to suppliers	<u>(5,140,995)</u>
Net cash used in operating activities	(5,289)
Cash flows from investing activities:	
Investment income	45,875
Purchase of investments	(3,837,944)
Proceeds from sales of investments	3,949,588
Proceeds from sales of equipment	12,290
Realized gain on sales of investments	<u>5,411</u>
Net cash provided by investing activities:	175,220
Cash flows from financing activities:	
Governmental appropriations	3,306,002
Acquisition of capital assets	<u>(3,021,476)</u>
Net cash provided by financing activities:	284,526
Net Increase in cash and cash equivalents:	454,457
Cash and cash equivalents at beginning of year	<u>98,007</u>
Cash and cash equivalents at end of year	<u>\$ 552,464</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating Gain/(Loss)	(177,575)
Adjustments to reconcile change in operating loss to net cash used for operating activities:	
Depreciation expenses	1,180,161
Decrease in tuition and fees receivable, net	533,323
Decrease in due from other governments	1,260,637
Decrease in other receivable, net	4,202
Increase in inventories	(16,589)
Increase in prepaid expenses	896,459
Decrease in accounts payable	(880,289)
Decrease in advances from grantors	(576,529)
Decrease in unearned revenue	(1,737,262)
Decrease in accrued payroll and other employee benefits	(505,728)
Increase in accrued compensated absences	34,087
Decrease in other liabilities	<u>(20,186)</u>
Net cash used in operating activities	<u>\$ (5,289)</u>
Non-cash investing activity:	
Change in fair value of investments	<u>\$ 33,164</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, 2012

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, 2012

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 assets 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 assets 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 reflected at fair value using quoted market prices. Unrealized gains and losses are included in the Statement of Revenues, Expenses, and Changes in Net Assets.

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 Assets.

AMERICAN SAMOA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

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 represents the portion of tuition revenue received in advance of services being performed. Tuition revenue is recognized in the fiscal year in which the program primarily conducted.

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, 2012

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

Net assets

The College's net assets are classified into the following net assets categories:

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

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

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

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

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Classification of revenues and expenses

The College considers operating revenues and expenses in the statement of revenues, expenses, and changes in net assets 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, 2012

2. Cash and Certificate of Deposit

The College maintains its cash and cash equivalents at financial institutions in American Samoa. At September 30, 2012, 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, 2012, the uninsured investments balance at one such financial institution totaled approximately \$2,465,000.

3. Investments

The Board is responsible for the management of the College's investments. The Board establishes the investment policy and approves the appointment of investment managers.

Proceeds from the original land grant from the U.S. Government and related accumulated earnings are presented as restricted assets in the accompanying statement of net assets. 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, 2012, activities of the trust consisted of the following:

Balance at September 30, 2011	\$ 3,056,229
Investment income	45,875
Investment appreciation	5,485
Investment earnings spent	<u>(18,196)</u>
Balance at September 30, 2012	<u>\$ 3,089,393</u>

Investments are categorized to give an indication of the level of custodial credit risk at year end. Category 1 includes investments that are insured or registered, or securities held by the College or its agent in the College's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty in the College's name or by the counterparty's trust department or agent, but not in the College's name. All of the College's investments meet the criteria of Category 1 as shown on the table below. At September 30, 2012, investments consisted of the following:

	<u>Fair value</u>
U.S. government agencies	\$ 1,420,829
U.S. treasury obligations	804,009
Corporate bonds	680,143
Due from brokers	50,000
Pacific capital cash assets trust	123,876
Accrued income	<u>10,536</u>
	<u>\$ 3,089,393</u>

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

4. Capital Assets

Capital assets activity for the year ended September 30, 2012 consisted of the following:

	Balance 09/30/11	Addition	Retirement	Transfers	Balance 09/30/12
Nondepreciable capital asset:					
Construction Work In Progress	\$ 3,783,508	\$ 505,330	\$ -	\$ (2,388,283)	\$ 1,900,555
Land	150,000	-	-	-	150,000
Total nondepreciable capital assets	<u>3,933,508</u>	<u>505,330</u>	<u>-</u>	<u>(2,388,283)</u>	<u>2,050,555</u>
Depreciable capital assets:					
Building and improvements	8,337,320	1,091,295	-	2,388,283	11,816,898
Furniture and equipment	4,504,333	1,386,508	(145,778)	-	5,745,063
Motor vehicles	733,146	-	-	-	733,146
Library books	348,529	38,342	-	-	386,871
Total depreciable capital assets	<u>13,923,328</u>	<u>2,516,145</u>	<u>(145,778)</u>	<u>2,388,283</u>	<u>18,681,978</u>
Total cost	<u>17,856,836</u>	<u>3,021,475</u>	<u>(145,778)</u>	<u>-</u>	<u>20,732,533</u>
Less accumulated depreciation:					
Building and improvements	(5,001,609)	(235,177)	-	-	(5,236,786)
Furniture and equipment	(2,279,389)	(863,468)	145,778	-	(2,997,079)
Motor vehicles	(635,349)	(55,086)	-	-	(690,435)
Library books	(204,187)	(26,430)	-	-	(230,617)
Total accumulated depreciation	<u>(8,120,534)</u>	<u>(1,180,161)</u>	<u>145,778</u>	<u>-</u>	<u>(9,154,917)</u>
Net Capital assets	<u>\$ 9,736,302</u>	<u>\$ 1,841,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,577,616</u>

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

5. Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012 is summarized as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012	Current Portion	Long Term Portion
Accrued vested vacation	\$ 511,340	\$ 360,283	\$ (322,717)	\$ 548,906	\$ 245,531	\$ 303,375
Accrued vested sick leave	494,894	220,609	(224,089)	491,414	145,743	345,671
Net capital assets	<u>\$ 1,006,234</u>	<u>\$ 580,892</u>	<u>\$ (546,806)</u>	<u>\$ 1,040,320</u>	<u>\$ 391,274</u>	<u>\$ 649,046</u>

6. Retirement Fund

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, 2012

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 assets. These funds are remitted to the Government Retirement Office which administers the retirement fund. Contribution made for the years ending September 30, 2012, 2011, and 2010 were \$384,885, \$394,010 and \$361,228, respectively, which were equal to the annual required contributions.

7. Related-Party Transactions

The College received \$3,306,002 of general fund appropriations from the Government and has a receivable of \$582,773 for the year ended September 30, 2012.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

10. Subsequent Events

In preparing these financial statements, ASCC has evaluated events and transactions for potential recognition or disclosure through March 25, 2013, 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, 2012

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture – Direct Programs			
Cooperative Extension Service			
Smith lever Formula Funds	10.500		\$ 1,306,434
Pest Applicator Training	10.500		4,819
Expanded Food and Nutrition Education Program	10.500		129,582
Integrated Pest Management	10.500		<u>11,431</u>
Subtotal			<u>1,452,266</u>
Payment to Agriculture Experiment Station Under The Hatch Act			
Hatch Multistate Research Fund	10.203		<u>1,226,065</u>
Cooperative Forestry Assistance			
SAM-037	10.664		6,368
Natural Resource Conservation Education	10.664		5,203
Forestry Health Management	10.664		30,936
Forestry Resource Management	10.664		1,000
SNTI/RNGR	10.664		925
Forestry Stewardship Program	10.664		42,690
Urban & Community Forestry	10.664		103,365
PIPTIEM	10.664		3,358
SWARS	10.664		243
NASF Training Program	10.664		12,490
Competitive Forest Stewardship	10.664		<u>12,332</u>
Subtotal			<u>218,910</u>
Sustainable Giant Taro Production (TSTAR)	10.001		<u>66,084</u>
Subtotal Direct Programs US Department of Agriculture			<u>2,963,325</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	12,437
ADAP – Management Services	10.200	2010-38826-20733	15,034
ADAP – Food Security Program	10.200	2010-38826-20733	<u>11,388</u>
Subtotal			<u>38,859</u>
CHIL Grant (Child Obesity)	10.310	P0Z986805	<u>218,592</u>
Operation Military Kids Program	10.500	2010-48713-21882	<u>23,259</u>
Subtotal Pass-through Grants – University of Hawaii			<u>280,710</u>
University of Arizona			
Integrated Programs			
Water Quality Coordination	10.303	Y5508	<u>\$ 13,089</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, 2012

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture - (Continued)			
Pass-through programs from:			
University of Guam			
Resident Instruction Grant for Insular Area Activities CARIPAC	10.308	2010-38416-21874	<u>111,061</u>
University of California, Davis			
Homeland Security Agriculture UC-Davis/WPDN-Western Plant Diagnostic Network	10.304		<u>3,897</u>
University of Wyoming			
SARE	10.500	UTSTUNV46442AS	<u>4,899</u>
University of Puerto Rico			
CARIPAC	10.308	2012-38416-19977	<u>41,853</u>
Subtotal Pass-through US Department of Agriculture			<u>455,509</u>
Subtotal U.S. Department of Agriculture			<u>3,418,834</u>
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>10,014</u>
CSBG – Nursing	93.569	DOC-135	<u>8</u>
CSBG – Adult Education	93.569		<u>25,571</u>
Subtotal CSBG Grant Programs			<u>25,579</u>
University of Hawaii			
Area health Education Centers Point of Services Maintenance and Enhancement Awards AHEC	93.107	2U77HP0844-06-00	<u>31,932</u>
Association of University Center on Disabilities AUCD	93.632	811-650	<u>1,399</u>
University Center for Excellence in Development Disabilities Education Research University Affiliated Program (UCEDD)	93.632	Z10013315	<u>176,587</u>
Subtotal from University for University of Hawaii			<u>209,918</u>
Subtotal U.S. Department of Health and Human Services:			<u>245,511</u>
U.S. Department of Interior			
Direct Programs			
Capital Improvement Project			
Multi-Purpose Building Project	15.875		<u>5,000</u>
Subtotal Direct program U.S. Department of Interior			<u>5,000</u>
Pass-through programs from:			
American Samoa Government – Treasury			
Economics Social and Political Development of the Territories DOI Supplement	15.875		<u>1,358,000</u>
Subtotal Pass-Through Grants			<u>1,358,000</u>
Subtotal U.S. Department of Interior			<u>1,363,000</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, 2012

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Small Business Administration – Direct programs			
Small Business Development Centers	59.037		277,187
Job Act Program	59.037		<u>137,635</u>
Subtotal U.S. Department of Small Business Administration:			<u>414,822</u>
U.S. Department of Education – Direct Programs:			
Student Financial Assistance Program (Cluster)			
Federal Pell Grant Program	84.063		\$ 6,585,812
Federal Supplemental Education Opportunity Grant	84.007		80,700
Federal Work-Study Program	84.033		<u>64,591</u>
Subtotal Student Financial Assistance Program (Cluster)			<u>6,731,103</u>
TRIO (Cluster)			
TRIO – Student Support Services	84.042		278,016
TRIO – Upward Bound	84.047		<u>41,825</u>
Subtotal TRIO (Cluster)			<u>319,841</u>
College Access Challenge Grant Program	84.378		<u>826,732</u>
Gaining Early Awareness and Readiness for Undergraduate Program			
Gear Up Program	84.334		529,926
Gear Up Research Triangle Institute	84.334		<u>35,542</u>
Subtotal Gear Up			<u>565,468</u>
Transition to Teaching	84.350		311,769
Strengthening Minority-Serving Institutions	84.382		299,424
Adult Education Basic Grant to States	84.002		<u>234,404</u>
Subtotal U.S. Department of Education – Direct Programs			<u>9,288,741</u>
Pass-through programs from:			
American Samoa Government – Department of Education			
Special Education Grants to State (IDEA Part B (Cluster))			
ASTEP Precore	84.027	57038	308,839
UAP – DOE Special Ed Work Study Program	84.027	57026	13,540
Teacher Education Co-Hort Program	84.027	57004	<u>5,120</u>
Subtotal from American Samoa Government –Department of Education			<u>327,499</u>
Boys & Girls Club of American Samoa	84.334		<u>28,631</u>
Subtotal from Boys & Girls Club of American Samoa			<u>28,631</u>
University of Hawaii			
Learn and Serve America Higher Education			
Service Learning – HIPPICC	94.005		<u>194</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, 2012

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education – Continued			
American Samoa Government – Treasury - <i>Continued</i>			
ARRA - State Grants Recovery Act - (Cluster)			
State Fiscal Stabilization Fund (SFSF) – Education	84.394A	R00163	\$ (100)
Professional Development Faculty			94,893
ITT Apprentice Program			44,323
Evening Program			(12,067)
ITT – Evening Program			45,917
ITT Instructional Supplies			476,971
Science Department Project			151,359
Distance Learning			195,660
Smart Classrooms			183,313
MIS Upgrade – Datatel			673,127
Classroom Renovation			359,036
Campus Internal Network			27,248
IE Modern and Expansion			93,357
Faculty Instructional Resources			26,362
Academic & Administration Support			300,788
Wifi Project			49,410
Library Acquisitions			<u>2,709,597</u>
Subtotal State Fiscal Stabilization Fund (SFSF) – ARRA			<u>3,065,921</u>
Subtotal Pass-through US Department of Education			<u>12,354,662</u>
Subtotal U.S. Department of Education			
Department of Housing & Urban Development			
Pass Through Program from American Samoa Government– Treasury			
ARRA - State Grants Recovery Act			
CDBG-R Funding (ARRA)	14.254		<u>70,000</u>
U.S Department of Energy			
American Samoa Government – Treasury			
ARRA - State Grants Recovery Act			
Energy Smart Educational Grant	81.128		<u>72,015</u>
National Science Foundation			
Archaeological, Geomorphological, and Ethno- Ecological Investigations of Tokelau			
	47.075		65,575
P.A.M.E.S.	47.076		<u>21,718</u>
Subtotal National Science Foundation			<u>87,293</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, 2012

<u>Federal Grantor/Pass-through Grantor Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S Department of Labor Pass Through Programs From American Samoa Government – Treasury WIA Dislocated Workers - NEG Project	17.260		\$ <u>87,077</u>
U.S Department of Commerce Pass Through Programs From American Samoa Government – Treasury Marine Sanctuary Program	11.429		<u>11,826</u>
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			<u>\$ 18,125,040</u>

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, 2012

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, 2012. 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 assets 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, 2012

Federal Award Findings and Questioned Costs

Ref. No. Description of Finding

11 – 1 Payroll – Material Weakness
10 – 1

Condition: During our audit process and trying to reconcile salary and wages, we noted that all four quarterly reports originally filed were done incorrectly. We also noted that some of the tax payments were made late.

Recommendation: We recommended to the College to make their payroll taxes and file reports on a timely basis as required. The quarterly reports should also be reconciled to the College general ledger.

Current year status:

Recommendation was partially implemented. The quarterly payroll reports were reconciled to the payroll journal and general ledger. However the payroll taxes payments are being made late. See current year finding 2012-1.

11 – 2 Incorrectly Stated Financial Statements & SEFA Due to Numerous Journal Entries – Material Weakness

Condition: We noted in the prior year audit, numerous adjusting and reclassing entries were needed to be recorded to various federal funds to make the Financial Statements materially correct and the SEFA correctly reported.

Recommendation: We recommended that the College review its account posting procedures to ensure that proper review is completed and that transactions are posted to the correct accounts. The College should also ensure that payments for future services are correctly recorded as prepaids rather than expenditures.

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, 2012

Federal Award Findings and Questioned Costs

Ref. No. **Description of Finding**

11 – 3 **Cash Management – Material Weakness**

10 – 3

09 – 2

Condition: We noted in prior years that ASCC had been advanced large amounts from grant programs. There is a possibility that these funds were used to cover the college's operational losses as advances were not included in the College's cash accounts.

Recommendation: We recommended that the College deposit grant advances into separate interest bearing accounts and only use the funds for grant related expenses.

Current year status:

Recommendation was implemented.

11 – 4 **Suspension and Debarment**

Condition: We noted in the prior year audit, that the College's procedure for being in compliance with the Suspension and Debarment compliance requirement is to have the contractor sign a "Certification as to Current History Regarding Disbarment" statement. We noted 3 out of 7 contractors selected for testing did not have this required documentation and there was no evidence of alternative procedures being performed. Two of the vendors were for future, monthly services for the next 24 months and one vendor was to purchase credits for future consulting and training services.

Recommendation: We recommended that the College verify that all parties contracted with for goods or services equal to or in excess of \$25,000 are not suspended, debarred, or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS – <http://www.epls.gov>); collecting a certification from the entity; or adding a clause or condition to the covered transaction with that entity. Supporting evidence of certification verification should also be filed and maintained by the Organization.

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, 2012

Federal Award Findings and Questioned Costs

Ref. No. **Description of Finding**

11 – 5 **Equipment Management – Material Weakness**

10 – 2

09 – 1

08 – 1

07 – 1

Condition: We noted that the College does 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 not implemented. See current year finding 2012-2.

11 – 6 **Withdrawal Students Calculations**

Federal Pell Grant Program 84.063

Condition: We noted in the prior year audit, that students that are overpaid are not being documented in the DOE system as not paying back the College or DOE. The College is not returning the funds within the required time frame.

Recommendation: We recommended that more emphasis be put on communications between registration office, financial aid office and accounting. If a student does not pay back their over payment of financial aid funds the financial aid office needs to report this to the DOE.

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, 2012

Federal Award Findings and Questioned Costs

Ref. No. Description of Finding

11 - 7 Department of Education Liability

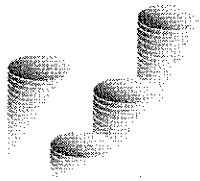
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity	84.007

Condition: We noted in the prior year audit, that ASCC has a liability of approximately \$62,000 of staled dated checks from 2007-2010 of students that have not cashed nor been returned back to Department of Education.

Recommendation: We recommended that more emphasis be put on communications between the financial aid office and the accounting office. The accounting office needs to send over the federal cash account reconciliation or at least the outstanding checks to the financial aid office, so that proper steps can be taken to return non-cashed checks to the Department of Education.

Current year status:

Recommendation was implemented.



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**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 the financial statements of American Samoa Community College as of and for the year ended September 30, 2012, which collectively comprise American Samoa Community College's basic financial statements and have issued our report thereon dated March 25, 2013. 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.

Internal Control Over Financial Reporting

Management of American Samoa Community College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered American Samoa Community College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the American Samoa Community College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Samoa Community College's financial statements are free of 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

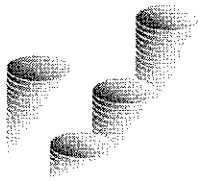
We noted certain other matters that we reported to management of American Samoa Community College in a separate letter dated March 25, 2013.

American Samoa Community College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit American Samoa Community College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the board of higher education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Honolulu, Hawaii
March 25, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited American Samoa Community College's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of American Samoa Community College's major federal programs for the year ended September 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of American Samoa Community College's management. Our responsibility is to express an opinion on American Samoa Community College's compliance based on our audit.

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. Our audit does not provide a legal determination of American Samoa Community College's compliance with those requirements.

As described in item 2012-2 in the accompanying schedule of findings and questioned costs, American Samoa Community College did not comply with requirements regarding equipment management that is applicable to all its grants. Compliance with such requirement is necessary, in our opinion, for American Samoa Community College to comply with the requirement applicable to those programs.

In our opinion, except for the noncompliances described in the preceding paragraph, American Samoa Community College complied, in all material respects, with the 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, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, 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 2012-3.

Internal Control Over Compliance

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

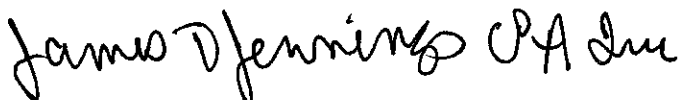
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-2 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-3 to be a significant deficiency.

American Samoa Community College's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit American Samoa Community College's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Honolulu, Hawaii
March 25, 2013

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Section I - Summary of Audit Results:

Financial Statements

1. The auditor's report expresses an unqualified 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 Yes

Federal Awards

4. Internal control over major programs:

Material weakness identified	Yes
Significant deficiency identified	Yes
5. Type of auditor's report issued on compliance for major programs: Qualified
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
State Fiscal Stabilization Fund - ARRA	84.394
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334
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: \$ 743,751
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, 2012

Section II – Financial Statements Findings

Ref. No. Description of Finding

2012 - 1 Payroll – Material Weakness

Criteria: United States employment law requires Employer to remit payroll taxes on a timely matter based on liability usually being paid within 3 days of pay period.

Condition: During our audit process of salary and wages, we noted that some of the tax payments were made late. The College paid approximately \$364,000 related to payroll tax penalties and interest in 2012.

Cause: ASCC paid Employer taxes late due to not having available funds.

Effect: ASCC is not in compliance with employment law and late payments resulted in significant penalties and interest.

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

View of Responsible Officials and Planned Corrective Action:

Management currently submits our tax payments on time and will continue to file our tax returns in a timely manner. This has been implemented since Third Quarter of 2012.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Section III – Federal Award Findings and Questioned Costs

Ref. No. Description of Finding

2012 – 2 Equipment Management – Material Weakness

2011 – 5

2010 – 2

2009 – 1

2008 – 1

2007 – 1

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
State Fiscal Stabilization Fund - ARRA	84.394
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334

Criteria: Under OMB Circular A-133 Compliance Supplement, Part 3: Compliance Requirements, Section F: Equipment and Real Property Management, “equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records”.

Condition: We noted that the College does not reconcile its physical inventory of its equipment to its equipment recorded on the College’s accounting records.

Cause: Fixed asset records are not being properly maintained.

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

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

View of Responsible Officials and Planned Corrective Action:

Management acknowledges the recommendation. The physical inventory of our fixed asset is being done but the following actions have been taken to address the reconciliation requirement. (1) Management has reformatted the Fixed Asset Accounting Report by integrating the inventory information. The fixed asset items are listed one by one, rather than in a summary format. The Accounting information included are the date purchased, GL cost center, description of item whereas the inventory information are ASCC tag #, current location, inventory date, inventory taken by, and condition. This new format enables management to easily trace and reconcile the physical inventory to our general accounting report. (2) The physical count for FY2013 is scheduled to begin April 15th, 2013. The new formatted report will be used. This report must be updated monthly as new fixed asset items are being added.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

Section III – Federal Award Findings and Questioned Costs

Ref. No. Description of Finding

2012 – 3 Activities Allowed or Unallowed

U.S. Department of Education - Federal Work-Study Program 84.033

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 two instances of the 28 students tested for field work study where the student work schedule conflicted with their class schedule.

Cause: The job Supervisor allowed the student to work during his/her scheduled class.

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

Recommendation: We recommend 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.

View of Responsible Officials and Planned Corrective Action:

Management acknowledges this recommendation and has implemented supervisor orientation and training to ensure that this does not occur again.



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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, 2012. 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), the Federal Supplemental Educational Opportunity Grants (CFDA No. 84.007) and the Academic Competitiveness Grant (CFDA No. 84.375). 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, 2012. However, the result of our examination disclosed two instance of noncompliance with the aforementioned requirements, and is described in the preceding schedule of findings and questioned costs of the Single Audit Reports.

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

Honolulu, Hawaii
March 25, 2013