

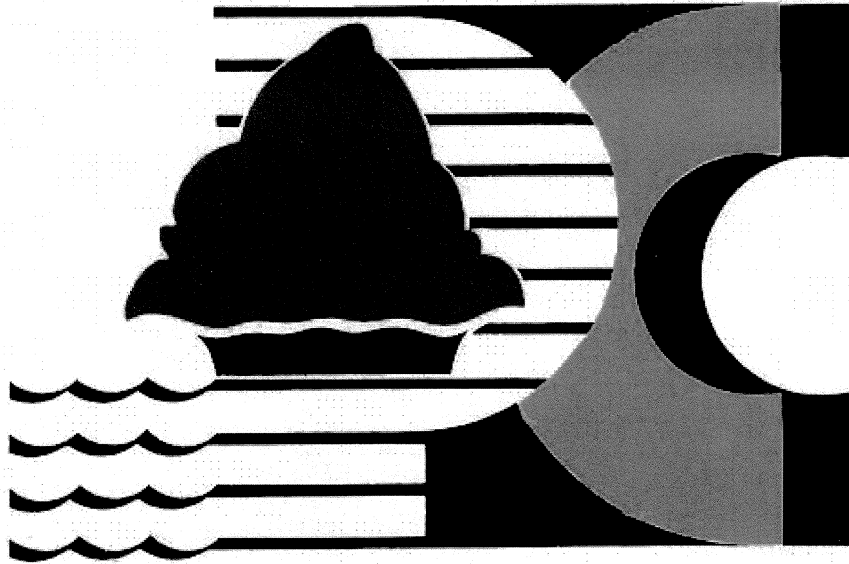
**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**Year Ended September 30, 2010**



PALAU  
COMMUNITY  
COLLEGE

# **PALAU COMMUNITY COLLEGE**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended September 30, 2010**

**Prepared by:  
Administration & Finance Department**

**Jay Olegeriil  
Vice President for Administration & Finance**

**Lorenza Joseph  
Account Supervisor**

**P.O. Box 9  
Koror, Palau 96940**

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
September 30, 2010 and 2009

<u>ITEM(s)</u>	<u>PAGE(s)</u>
I. INTRODUCTORY SECTION	
Table of Contents	I-II
President's Letter	III
Transmittal Letter	IV-IX
Principal Officials	X
Organization Chart	XI
II. FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements	1-2
Management's Discussion and Analysis (required supplementary information)	3-10
Statements of Net Assets	11
Statements of Revenues, Expenses And Changes in Net Assets	12
Statements of Cash Flows	13-14
Statements of Revenues, Expenses, and Changes in Net Assets - Budget and Actual	15
Notes to Financial Statements	16-34
III. SINGLE AUDIT REPORTS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	35-36
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in accordance with OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards	37-39
Introduction to Federal Award Programs	40
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs Summary of Auditor's Results	43-44
Findings relating to the Financial Statements which are required to be reported in accordance with Government Auditing Standards	44
Findings and Questioned Costs relating to Federal Awards	44

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS  
September 30, 2010 and 2009

<u>ITEM(s)</u>	<u>PAGE(s)</u>
IV. PRIOR AUDIT FINDINGS AND QUESTIONED COSTS	44
V. STATISTICAL SECTION	
Net Assets	45
Changes in Net Asset	46
Revenues by Source	47
Expenses by Function	48
Average Number of Employees	49
Tuition Rates and Enrollment Statistics	50
Student Enrollment and Demographic Statistics	51

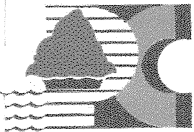
**PALAU COMMUNITY COLLEGE**  
**(A Component Unit of the Republic of Palau)**

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**INTRODUCTORY SECTION**

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**Year Ended September 30, 2010**



PALAU  
COMMUNITY  
COLLEGE

P.O. Box 9, Koror  
Republic of Palau  
PW 96940  
Tel: (680) 488-2470  
Fax: (680)488-2447

June 30, 2011

Ladies and Gentlemen of the Board:

I am pleased to submit to you and leadership of the Republic of Palau the Comprehensive Annual Financial Report for fiscal year 2010. This document presents the record of Palau Community College's financial operations for the year ended September 30, 2010.

As detailed in the financial statements within the report, the College continues to manage its funds with diligence and prudent practices.

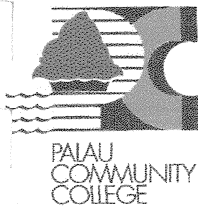
The College has been able to move forward with facilities construction and improvement as a result of continued high student enrollment. As such we have completed construction of the new Tan Siu Lin PCC Library which houses over 40,000 volumes of print material resources. We are also nearing completion of the Multi-species hatchery located in Babeldaob, which will greatly expand our research and program activities.

I am always grateful to the Board of Trustees who governs us, the students who study at PCC and especially the Olbiil Era Kelulau (Palau National Congress) for providing the College with much needed financial support every year. As ever, I am proud of and thankful for all those who work with dedication to make Palau Community College a learning place for all Palauans and citizens from our neighboring countries.

Sincerely,

Patrick U. Tellei, EdD  
President

Accredited by  
WESTERN ASSOCIATION OF  
SCHOOLS AND COLLEGES



P.O. Box 9, Koror  
Republic of Palau  
PW 96940  
Tel: (680) 488-2470  
Fax: (680)488-2447

June 30, 2010

To : President Tellei and  
Members of the Board of Trustees

The Comprehensive Annual Financial Report of Palau Community College for the fiscal year ended September 30, 2010 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the College. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities in relation to its mission have been included.

Accredited by  
WESTERN ASSOCIATION OF  
SCHOOLS AND COLLEGES

## **FINANCIAL STATEMENT**

This letter of transmittal should be read in conjunction with the Management's Discussion and Analysis (pages 3 through 10), which focuses on current activities, accounting changes, and currently known facts.

The College's financial statements, as a component unit of the Republic of Palau, are prepared in accordance with GASB 34. The format and purpose of these financial statements are addressed in the notes to the financial statements (Note 1). We believe this presentation provides better information to the user of the Comprehensive Annual Financial Report (CAFR) of Palau Community College.

## **VISION, MISSION AND VALUES**

The College's mission is to provide an accessible public educational institution to help meet the technical, academic, cultural, social and economic needs of students and communities by promoting learning opportunities and developing excellence.

### **We are the community's college and we believe in:**

- Team Work
- Quality Service
- Open Communication
- Managing with Goals
- Promoting Leadership
- Integrity and Loyalty



- Community Ownership
- Continuous Improvement
- Creativity and Innovation
- People and Respect for Others

**We are a community of learners:**

- We provide education and training for and throughout a lifetime.
- We seek to improve and expand the services we offer in support of the people in the communities we serve.
- We promote a caring community of staff and faculty member, students, administrators, and trustees who, in keeping with our values, work together to fulfill our mission.

**We are a changing community:**

- We recognize that change is inevitable and that education must be for the future.
- We respond to change informed by our values and our responsibility to our students and our communities.
- We challenge our students to be capable citizens, guided by knowledge and ethical principles, which will shape the future.

**GENERAL**

The College maintains its accounts and prepares its financial statement in accordance with accounting principles generally accepted in the United States of America (GAAP) as set forth by Governmental Accounting Standards Boards (GASB). The financial records of the College are maintained on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal obligation to pay. The notes to the financial statements expand and explain the financial statements and the accounting principles applied. The independent public accountants, J. Scott Magliari & Company, have audited the College's financial statements. Their report is included as part of the financial section of this report.

During the fiscal year ended September 30, 2010, the College received and administered several grants from the U.S. Federal Government and these include Student Aids (Pell Grant), Student Support Service (Project Beacon), Upward Bound, Upward Bound Math & Science (UBMS), Talent Search Program and Area Health Education Center (AHEC). These programs were audited and their financial reports are contained in the financial section of this report.

The College also housed several programs that provide services to the general public and the college community. These programs include: Palau Wind Orchestra; Workforce Investment Act (WIA); Child Care; Community Advocacy Program; Health Clinic, Palau Chamber of Commerce; and the Palau Red Cross Society.

## **MAJOR INITIATIVES**

Following a comprehensive institutional planning process, the College adopted a Fifteen-Year Institutional Master Plan with four strategic directions designed to shape departmental, programmatic, and individual action agendas for the future of the College. These strategic directions are briefly discussed below:

### **Strategic Direction 1: Student Success**

PCC will intensify its effort to enhance existing programs and services, as well as develop new ones, all in an effort to improve student success.

### **Strategic Direction 2: Institutional Culture**

The institutional culture of PCC will be one that embraces planned changes to continually improve and links the mission and vision in guaranteeing quality and excellence.

### **Strategic Direction 3: Resources**

The College will diversify and increase resources to provide quality programs and services, facilities, technology, and human resources to support its vision, mission and goals. The College will be prudent in the allocation of resources to support operations and in support of its short, medium and long range plans in line with the strategic directions and mission of the College.

### **Strategic Direction 4: Culture of Evidence**

The College will provide data driven assessment which generates accurate and reliable information, identify specific evidence of its efforts in strategic areas, analyze that evidence, and use its findings to make planning and resource allocation decisions as the basis for continuous improvement.

## FINANCIAL INFORMATION

Internal Control. Management of the College is responsible for establishing and maintaining an internal control structure designed to protect the assets of the College, prevent loss from theft or misuse and to provide that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Controls. The College maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Olbiil Era Kelulau (Palau National Congress) and the College Board of Trustees.

Activities of the following fund groups and individual funds are included in the annual budget.

<u>Fund Group</u>	<u>Fund</u>
Current Unrestricted	Education Operations and Maintenance of Plant Auxiliary Enterprises
Current Restricted	Restricted Purposes U.S. Federal Grants Small Grants

The level of budgetary control (i.e., the level at which expenditures cannot exceed the appropriated amount) is established for each individual fund. The College does not practice encumbrance accounting and therefore, payments of expenses are made within a 30-day period after expenses are incurred. This process has allowed the College to close its books and begin a new fiscal year with little difficulties.

### Property Taxes

As a Public Corporation created by Republic of Palau Public Law 4-2, the College is exempted from property taxes of the Republic of Palau.

### **PROSPECTS FOR THE FUTURE**

The College's financial outlook for the future continues to be positive, albeit with some caution. The College's student and adult continuing education enrollments fluctuate but have shown gains in the last few years. Increase in student enrollment would mean increase in revenue for the College. The current facilities and structures can accommodate up to about 1,000 students. While there has been the completion of additional classrooms, the College will have to plan and prepare for continued increase in enrollment in terms of classroom facilities.

The following table illustrates enrollments over the last ten years.

<u>Enrollment</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Full Time Total	1,816	1,569	1,597	1,570	1,571	1,710	1,634	1,884	1,788
Continuing Education and Other Training	<u>7,036</u>	<u>5,827</u>	<u>4,430</u>	<u>5,399</u>	<u>3,039</u>	<u>3,089</u>	<u>1,877</u>	<u>863</u>	<u>1,658</u>
Total*	<u>8,852</u>	<u>7,396</u>	<u>6,027</u>	<u>6,969</u>	<u>4,610</u>	<u>4,799</u>	<u>3,511</u>	<u>2,747</u>	<u>3,446</u>

\*Total Enrollment, Continuing Education and Specialized training enrollment included CRE and OMIP.

### **PCC ENDOWMENT FUND MANAGEMENT**

The fiduciary responsibility for College investments is entrusted to the College Board of Trustees. In keeping with this responsibility, the Board invests the College's endowment funds in most prudent, conservative and secured manner and in accordance with the guidelines detailed in the College Investment Policy. The Board of Trustees approves designation of money managers of College funds.

In the fiscal year ended September 30, 2010, the College's investments from current funds generated net investment income of \$172,832 from endowment fund investments. The College invests endowment fund in Money Market funds managed by Morgan Stanley Smith Barney.

## **RISK MANAGEMENT**

In fiscal year 2010, the College paid approximately \$6,295 for Worker's Compensation and \$3,841 for General Liabilities insurance coverage as protection against risks. The College also paid \$10,963 for automobile insurance to provide coverage in case of accidents involving College vehicles.

The primary purpose of insurance coverage is to provide some protection to the College's properties and staff in case of accidents, injuries and other catastrophic events. The College is self-insured with insurance coverage provided by local underwriter.

## **OTHER INFORMATION**

*Community Service.* The College continues to be actively involved in community functions and activities. Our students and staff were most active and deeply involved in activities such as the Annual Mechesil Belau Conference, National Earth Day Activities, among others. The College has been a host to many community meetings, seminars and conferences.

Many College employees are active members of national committees, boards and working groups including Civil Service Pension Plan, Palau International Coral Reef Center, Palau National Scholarship Board, and National Development Bank of Palau. The involvement of the College in community functions is further proof of our commitment to becoming a true community college.

*Independent Audit.* The Republic of Palau and U.S. Federal statutes require an annual audit by independent certified public accountants. The College selected the accounting firm of J. Scott Magliari & Company. The auditor's report on the financial statements and schedules are included in the financial section of this report.

## **ACKNOWLEDGEMENT**

The timely preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Business Office. Each member of the Office has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Jay Olgert  
Vice President of Administration & Finance

PALAU COMMUNITY COLLEGE

PRINCIPAL OFFICIALS

Year ended September 30, 2010

BOARD OF TRUSTEES

Mrs. Bilung Gloria G. Salii	Chairperson
Mr. Masa-Aki N. Emesiochl	Vice Chairman
Mrs. Valeria Toribiong	Secretary/Treasurer
Dr. Emais Robert	Trustee
Mr. Buk Emil Ramarui	Trustee
Mr. Carmel Hanser	Student Trustee

OFFICERS OF THE COLLEGE

Dr. Patrick U. Tellei, Ed.D.	President
Mr. Jay Olegeriil	Vice President for Administration and Finance
Mr. Thomas Taro	Vice President for Cooperative Research & Extension
Mrs. Alvina Timarong	Dean of Academic Affairs
Mr. William O. Wally	Dean of Continuing Education
Mrs. Marencia Edwards	Dean of Students
Mr. Armstrong Debelbot	Director of Development
Ms. Victoria Maui	Faculty Senate President
Ms. Sasha Lirow	ASPCC President

OFFICIALS ISSUING REPORT

Mr. Jay Olegeriil	Vice President for Administration and Finance
Ms. Lorenza Joseph	Accounting Supervisor

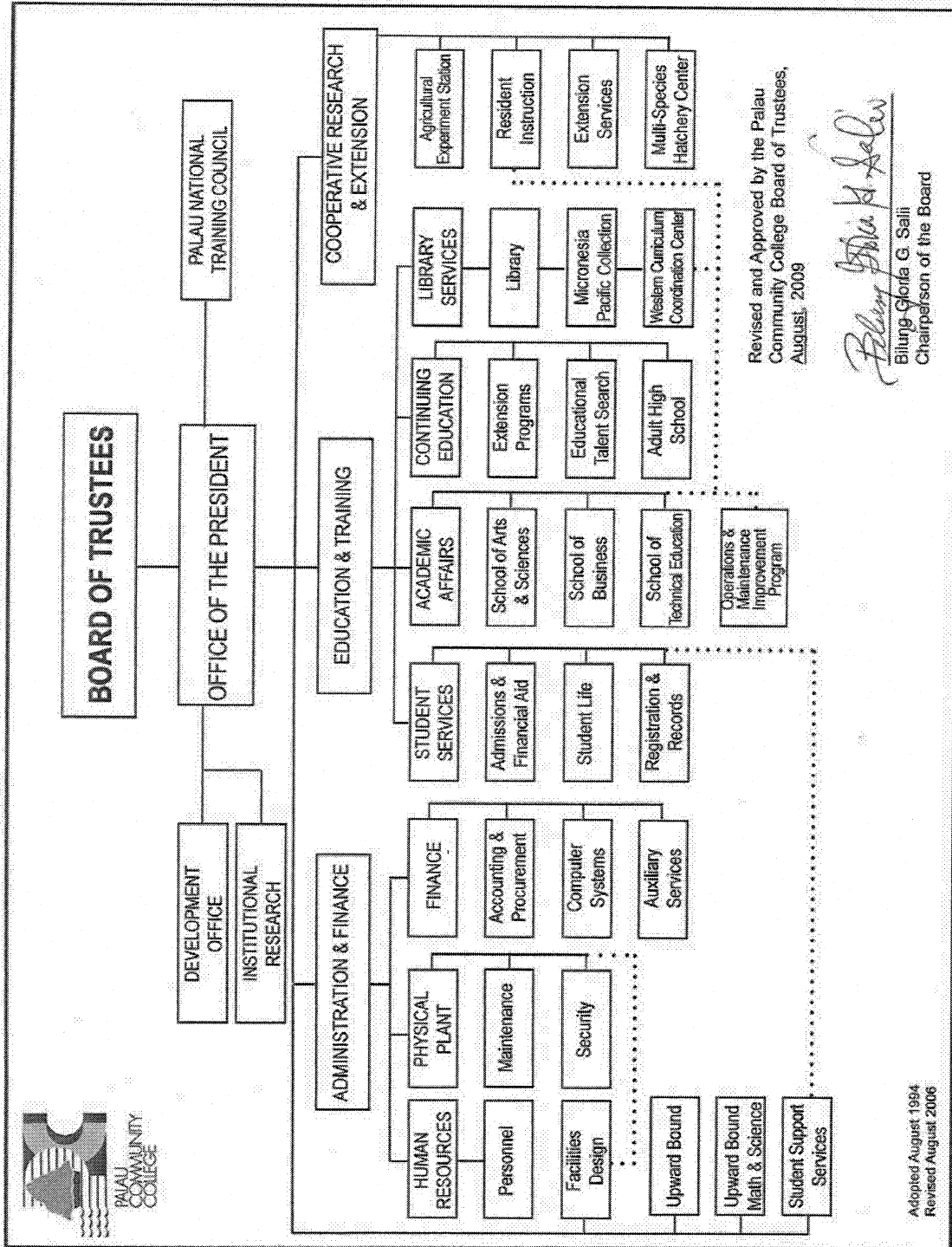
DIVISION ISSUING REPORT

Finance

# PALAU COMMUNITY COLLEGE

## ORGANIZATION CHART

Year ended September 30, 2010



Revised and Approved by the Palau  
Community College Board of Trustees,  
August, 2009

*Bilung Gloria G. Sali*  
Bilung Gloria G. Sali  
Chairperson of the Board

Adopted August 1994  
Revised August 2006

**PALAU COMMUNITY COLLEGE**  
**(A Component Unit of the Republic of Palau)**

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**FINANCIAL SECTION**

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**Years Ended September 30, 2010 and 2009**



**PALAU COMMUNITY COLLEGE**  
**(A Component Unit of the Republic of Palau)**

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**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

---

**September 30, 2010 and 2009**

J. Scott Magliari  
& COMPANY

CERTIFIED PUBLIC ACCOUNTANT

**SAIPAN**

Family Building, Suite 201  
PMB 297 PPP Box 10000  
Saipan, MP 96950  
Tel. No. (670) 233-1837/0456  
Fax. No. (670) 233-8214

**GUAM**

Reflection Center, Suite 204  
P.O. Box 12734  
Tamuning, GU 96931  
Tel. No. (671) 472-2680/2687  
Fax. No. (671) 472-2686

**PALAU**

PDIC Apartment No. 11  
P.O. Box 1266  
Koror, PW 96940  
Tel. No. (680) 488-8615  
Fax. No. (670) 488-8616

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Palau Community College  
Koror, Republic of Palau

I have audited the accompanying basic financial statements of the Palau Community College (PCC), a component unit of the Republic of Palau (ROP), as of and for the years ended September 30, 2010 and 2009. These financial statements are the responsibility of PCC's management. My responsibility is to express an opinion on these basic financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PCC's internal control over financial reporting. Accordingly, I do not express such an opinion. 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. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of PCC as of September 30, 2010 and 2009, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 15, respectively, are not required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the management of PCC. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The introductory section and statistical section have not been subjected to the auditing procedures applied to the basic financial statements and, accordingly, I express no opinion on them.

My audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 41 is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This supplementary information is the responsibility of the management of PCC. Such information has been subjected to the auditing procedures applied in my audits of the basic financial statements and, in my opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2011 on my consideration of PCC's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audits.

*J. Scott Magliani & Company*  
Coror, Republic of Palau  
June 30, 2011

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

**Management's Discussion and Analysis**

This section of Palau Community College's Comprehensive Annual Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended September 30, 2010. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the transmittal letter (pages IV-IX), College's financial statements (pages 11 through 15) and footnotes (pages 16 through 34). This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and-Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statement Nos. 37 and 38. Responsibility for the completeness and fairness of this information rests with the College.

**Financial Highlights**

The College's assets totaled \$6.6 million at September 30, 2010. This balance reflects \$0.20 million increase from the 2009 fiscal year mainly from receipts of endowment contributions of \$.23 million from private donors.

The College's operating revenues totaled \$8 million for the fiscal year 2010, representing a 30% increase over fiscal year 2009 operating revenues due to an increase in federal grants, tuition and fees, and other grants. Operating expenses totaled \$10.5 million for the fiscal year 2010, representing an increase of 11.0% over the 2009 fiscal year due mainly to increases in salaries, employee benefits, federal student aid, supplies and utilities.

**Using This Annual Report**

The College's financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Assets is designed to be similar to bottom line results for the College. This Statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets focus on both the gross costs and the net costs of College activities, which are supported mainly by appropriations from Olbiil Era Kelulau-Palau National Congress (OEK) and by student tuition and other revenues. This approach is intended to summarize and simplify the user's analysis of cost of various College services to students and the public.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

**Overview of Financial Statements**

The Financial Section of this report presents the College's financial statements as two components: basic financial statements and notes to the financial statements.

*Basic Financial Statements*

The *Statement of Net Assets* reflects the financial position of the College as of September 30, 2010. It shows the assets owned or controlled, related liabilities and other obligations, and the categories of net assets. Net assets is an accounting concept defined as total assets less total liabilities, and as such, represents institutional equity or ownership in the total assets of the College.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects the results of operations and other changes for the year ended September 30, 2010. It shows revenues and expenses, both operating and non-operating, reconciling the beginning net assets amount to the ending net assets amount, which is shown on the *Statement of Net Assets* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended September 30, 2010. It shows the cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the *Statement of Net Assets*, described above. In addition, this Statement reconciles cash flows from operating activities to operating loss on the *Statement of Revenues, Expenses, and Changes in Net Assets* described above.

*Notes to the Financial Statements*

Various notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are found immediately following the financial statements to which they refer.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

**Overview of Financial Statements, Continued**

**Financial Analysis of the College as a Whole**  
**Net Assets**  
**As of September 30, 2010, 2009, and 2008**

	2010	2009	2008
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 545,486	\$ 655,518	\$ 482,461
Accounts receivable, net	1,453,615	1,305,194	2,407,366
Appropriations receivable	779,607	513,399	610,503
Inventory	239,239	200,630	174,895
Deposit	-	48,644	-
<b>Total current assets</b>	<b>3,017,947</b>	<b>2,723,385</b>	<b>3,675,225</b>
Noncurrent assets			
Restricted cash	74,428	323,091	798,500
Endowment investments	1,841,349	1,568,517	1,381,013
Capital assets, net	1,657,923	1,756,422	810,747
<b>Total noncurrent assets</b>	<b>3,573,700</b>	<b>3,648,030</b>	<b>2,990,260</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,591,647</b>	<b>\$ 6,371,415</b>	<b>\$ 6,665,485</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 834,479	\$ 751,952	\$ 280,824
Deposits	-	-	50,000
Accrued liabilities	211,583	176,927	151,976
Deferred tuition and fees revenue	771,389	640,918	336,000
Other deferred revenue	94,109	100,049	128,166
Compensated absences, current portion	71,010	61,521	62,660
<b>Total current liabilities</b>	<b>1,982,570</b>	<b>1,731,367</b>	<b>1,009,626</b>
Noncurrent liabilities			
Compensated absences, net of current portion	83,361	69,850	72,195
<b>TOTAL LIABILITIES</b>	<b>2,065,931</b>	<b>1,801,217</b>	<b>1,081,821</b>
<b>NET ASSETS (DEFICIT)</b>			
Invested in capital assets	1,657,923	1,756,422	810,747
Restricted			
Expendable	(335,936)	(392,729)	403,625
Nonexpendable	1,972,570	1,558,285	1,381,414
Unrestricted	1,231,159	1,648,220	2,987,878
<b>TOTAL NET ASSETS</b>	<b>\$ 4,525,716</b>	<b>\$ 4,570,198</b>	<b>\$ 5,583,664</b>

This schedule is prepared from the College's Statements of Net Assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

**Overview of Financial Statements, Continued**

Total net assets in fiscal year 2010 decreased to \$4.5 million from \$4.6 million in fiscal year 2009. Endowment investments increased in fiscal year 2010 to \$1.8 million from \$1.6 million in fiscal year 2009.

Current liabilities increased in fiscal year 2010 to \$2.0 million from \$1.7 million in fiscal year 2009 attributed by increased in deferred revenue tuition fees.

**Revenues for the Years Ended  
September 30, 2010, 2009, and 2008**

	2010	2009	2008
<b>Operating revenues:</b>			
U.S. federal grants	\$ 4,150,457	\$ 3,462,059	\$ 3,412,959
Tuition and fees, net	1,970,057	1,258,685	1,468,915
Auxiliary enterprise sale and charges	187,697	313,116	778,075
Other grants	1,105,642	740,835	338,397
Other	529,460	268,739	311,499
<b>Total operating revenues, net</b>	<b>7,943,313</b>	<b>6,043,434</b>	<b>6,309,845</b>
<b>Non-operating revenues (expenses):</b>			
Republic of Palau appropriations	2,384,100	2,341,505	2,333,501
Investment income (loss), net	172,832	81,118	(237,653)
Loss on disposal of capital assets	(22,603)	-	-
<b>Total non-operating revenues</b>	<b>2,534,329</b>	<b>2,422,623</b>	<b>2,095,848</b>
<b>Total Revenues</b>	<b>\$ 10,477,642</b>	<b>\$ 8,466,057</b>	<b>\$ 8,405,693</b>

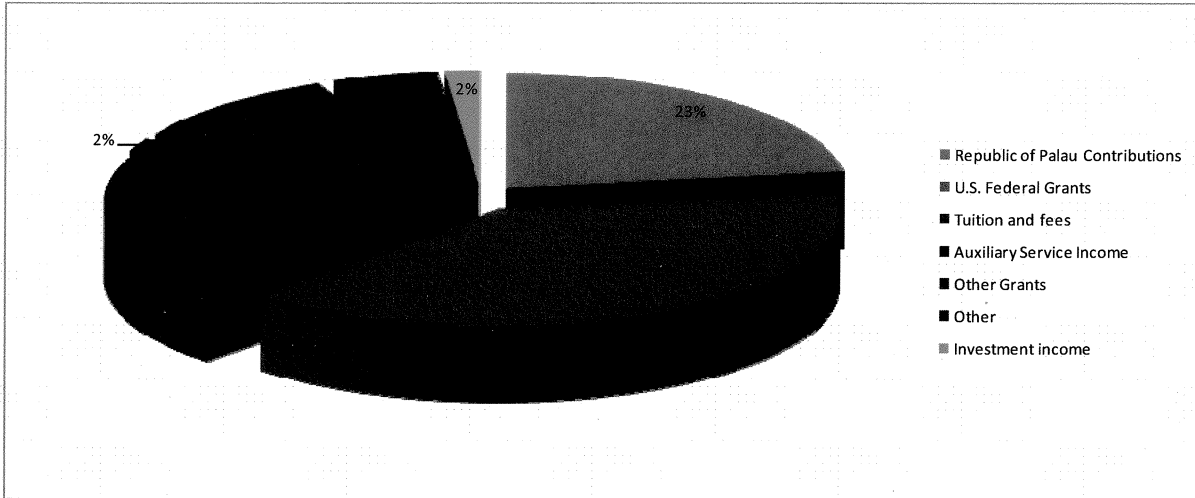
The schedule indicates total revenues realized by the College in fiscal year 2010 of \$10.5 million. The largest portion of revenues (\$4.2 million) was contributed by the U.S. Federal Government through grants. Approximately \$2.4 million was contributed by the Olbiil Era Kelulau (Palau National Congress). The following chart exhibits the breakdown of revenues for Palau Community College in fiscal year 2010:

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

**Overview of Financial Statements, Continued**

**Revenues Breakdown  
For The Year Ended September 30, 2010**



**Operating Expenses  
For The Years Ended September 30, 2010, 2009, and 2008**

	2010	2009	2008
<b>Expenditures and mandatory transfers</b>			
<b>Educational and general</b>			
Student aid	\$ 3,182,049	\$ 2,508,681	\$ 2,423,962
Instruction	2,263,025	2,140,738	2,054,633
Administration	1,784,794	1,603,966	1,373,080
Student services	962,741	1,273,082	885,845
Operations and maintenance	910,221	835,596	664,761
Academic support	494,246	347,371	290,500
Depreciation	314,199	288,710	489,542
<b>Total educational and general expenditures</b>	<b>9,911,275</b>	<b>8,998,144</b>	<b>8,182,323</b>
<b>Mandatory transfers</b>			
Auxiliary enterprises expenditures	610,849	481,379	641,878
<b>Total expenditures and mandatory transfers</b>	<b>\$ 10,522,124</b>	<b>\$ 9,479,523</b>	<b>\$ 8,824,201</b>



**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

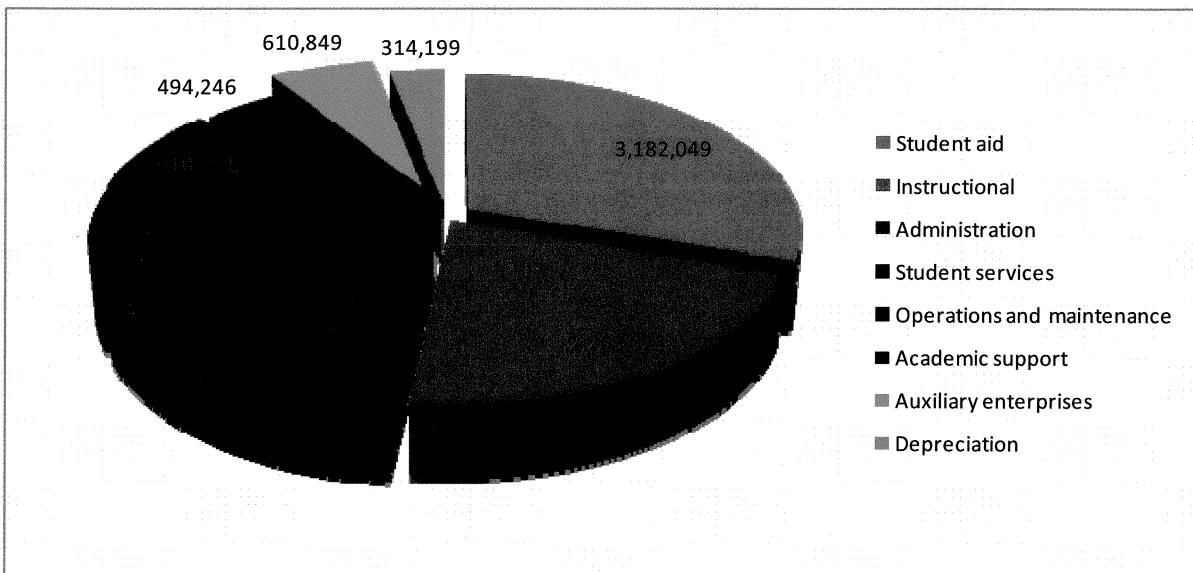
**Overview of Financial Statements, Continued**

GASB Statement No. 35 gives financial reporting entities the choice of reporting operating expenses. The College has chosen to report the expenses in their functional classification on the Statement of Revenues, Expenses, and Changes in Net Assets and has displayed the natural classification in the notes to financial statements.

The above schedule shows the total operating expenses of \$10.5 million in fiscal year 2010. Total operating expenses increased by \$1,042,601 or 11% from fiscal year 2009 to fiscal year 2010. The following expenses by function comprise a significant portion of this total increase:

- Increase of \$673,368 in student aid, attributed by increased enrollment of students in federal financial aid grants, and increase of instruction materials by \$122,287.
- Increase of \$180,828 in administration, is primarily related to salaries increment of eligible employees and increase in employee benefits, supplies and utilities.
- Auxiliary services increased by \$129,470 attributed by improved facilities in cafeteria and bookstore operations.

**Expenses Breakdown  
For The Year Ended September 30, 2010**



**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

**Overview of Financial Statements, Continued**

**Changes in Net Assets**  
**For The Years Ended September 30, 2010, 2009, and 2008**

	2010	2009	2008
Net assets, beginning of the year	\$ 4,570,198	\$ 5,583,664	\$ 6,002,172
Decrease in net assets	(44,482)	(1,013,466)	(418,508)
Net assets, end of the year	\$ 4,525,716	\$ 4,570,198	\$ 5,583,664

Net assets decreased by \$44,482 primarily due to loss incurred during the year.

**CAPITAL ASSETS**

At September 30, 2010, the College had \$8.4 million in capital assets, less accumulated depreciation of \$6.8 million, for net capital assets of \$1.7 million. The current year additions of \$238,303 in capital assets were mainly acquisition of equipment for the new library building facility, and the new computer equipment for various functional divisions. During the year a physical count of capital assets was conducted and an evaluation of the results of the count resulted to the recording of loss on disposal of obsolete and damage equipment that no longer contribute to benefit the College in the amount of \$22,603. The obsolete and damaged equipment, most of which were fully depreciated since in prior years, were removed from the fixed assets register with recorded cost of \$755,303 and accumulated depreciation of \$752,700 as presented in the schedule below. Depreciation charges for the current fiscal year totaled \$0.3 million.

The following table summarizes the College's capital assets for the fiscal year 2010:

	Balance at 09/30/09	Additions	Transfers/ Deletions	Balance at 09/30/10
Buildings and improvements	\$ 7,382,673	\$ 23,894	\$ -	\$ 7,406,567
Furniture, vehicles and equipment	1,563,648	214,409	(775,303)	1,002,754
Total depreciable assets	8,946,321	238,303	(775,303)	8,409,321
Accumulated depreciation	(7,189,899)	(314,199)	752,700	(6,751,398)
Capital assets, net	\$ 1,756,422	\$ (75,896)	\$ (22,603)	\$ 1,657,923

Additional information on the College's capital assets can be found in Notes 1 and 5 of the accompanying financial statements.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2010

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic condition of Palau Community College is directly tied to that of the Republic of Palau (Government). The Government over the past 17 years has provided level funding to the College. Anticipating declining revenues, the College Board of Trustees approved an increase in tuition rate (\$10 per credit) for four consecutive years effective fall semester 2008 thru fall semester 2011.

The College has also boosted its recruitment efforts by increasing travel grants to increase student enrollment. Annual fund raising efforts to boost the PCC Endowment Fund will continue, with the ultimate goal of reaching the \$10 million goal whereby the College can then begin to use interest earned to support programs and services.

In fiscal year 2011, the College has seen an 11% budget cut in its Palau government-appropriated budget. This will mean that PCC needs to make up for this loss by identifying new or additional revenue sources to maintain at least level funding.

Requests for Information

This report is intended to provide a summary of the financial condition of the Palau Community College. Questions or requests for additional information should be addressed to:

Jay Olegeriil  
Vice President for Administration & Finance  
PO Box 9  
Koror, Palau 96940

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

STATEMENTS OF NET ASSETS  
September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets		
Cash	\$ 545,486	\$ 655,518
Accounts receivable, net	1,453,615	1,305,194
Appropriations receivable	779,607	513,399
Inventory	239,239	200,630
Deposits	<u>-</u>	<u>48,644</u>
Total current assets	<u>3,017,947</u>	<u>2,723,385</u>
Noncurrent assets		
Restricted cash	74,428	323,091
Endowment investments	1,841,349	1,568,517
Capital assets, net	<u>1,657,923</u>	<u>1,756,422</u>
Total noncurrent assets	<u>3,573,700</u>	<u>3,648,030</u>
Total Assets	<u>\$ 6,591,647</u>	<u>\$ 6,371,415</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 834,479	\$ 751,952
Accrued liabilities	211,583	176,927
Deferred tuition and fees revenue	771,389	640,918
Other deferred revenue	94,109	100,049
Compensated absences, current portion	<u>71,010</u>	<u>61,521</u>
Total current liabilities	1,982,570	1,731,367
Noncurrent liabilities		
Compensated absences, net of current portion	<u>83,361</u>	<u>69,850</u>
Total liabilities	<u>2,065,931</u>	<u>1,801,217</u>
<u>Commitment and Contingencies</u>		
<u>Net Assets (Deficiency):</u>		
Invested in capital assets	1,657,923	1,756,422
Restricted		
Expendable	(335,936)	(392,729)
Nonexpendable	1,972,570	1,558,285
Unrestricted	<u>1,231,159</u>	<u>1,648,220</u>
Total net assets	<u>4,525,716</u>	<u>4,570,198</u>
Total Liabilities and Net Assets	<u>\$ 6,591,647</u>	<u>\$ 6,371,415</u>

See accompanying notes to financial statements.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Federal grants	\$ 4,150,457	\$ 3,462,059
Tuition and fees (net of scholarship discounts and allowances of \$1,148,267 and \$1,009,515, respectively)	2,067,541	1,410,730
Auxiliary enterprise sales and charges (net of scholarship discounts and allowances of \$257,887 and \$192,062, respectively)	187,697	313,116
Other grants	1,105,642	740,835
Other operating revenues	529,460	268,739
Provision for bad debts	<u>(97,484)</u>	<u>(152,045)</u>
 Total operating revenues	 <u>7,943,313</u>	 <u>6,043,434</u>
 Operating expenses:		
Education and general:		
Student aid	3,182,049	2,508,681
Instruction	2,263,025	2,140,738
Administration	1,784,794	1,603,966
Student services	962,741	1,273,082
Operations and maintenance	910,221	835,596
Auxiliary enterprises	610,849	481,379
Academic support	494,246	347,371
Depreciation	<u>314,199</u>	<u>288,710</u>
 Total operating expenses	 <u>10,522,124</u>	 <u>9,479,523</u>
 Operating loss	 <u>(2,578,811)</u>	 <u>(3,436,089)</u>
 Non-operating revenues (expenses)		
Republic of Palau appropriations	2,384,100	2,341,505
Loss on disposal of capital assets	(22,603)	-
Investment income (loss), net	<u>172,832</u>	<u>81,118</u>
 Total non-operating revenues	 <u>2,534,329</u>	 <u>2,422,623</u>
 Decrease in net assets	 (44,482)	 (1,013,466)
 Net assets, beginning of year	 <u>4,570,198</u>	 <u>5,583,664</u>
 Net assets, end of year	 <u>\$ 4,525,716</u>	 <u>\$ 4,570,198</u>

See accompanying notes to financial statements.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from students for tuition and fees	\$ 1,902,671	\$ 1,949,176
Cash received from auxiliary activities	187,697	313,116
Cash received from federal grants	4,141,784	4,127,476
Cash received from other grants	1,687,271	1,129,743
Cash paid to employees	(3,750,757)	(3,629,205)
Cash paid to suppliers	<u>(6,306,950)</u>	<u>(5,193,392)</u>
Net cash used in operating activities	<u>(2,138,284)</u>	<u>(1,303,086)</u>
Cash flows from noncapital financing activities:		
Appropriations received from the Republic of Palau	<u>2,117,892</u>	<u>2,341,505</u>
Net cash provided by noncapital financing activities	<u>2,117,892</u>	<u>2,341,505</u>
Cash flows from capital and related financing activities:		
Additions to capital assets	<u>(238,303)</u>	<u>(1,234,385)</u>
Net cash used in capital and related financing activities	<u>(238,303)</u>	<u>(1,234,385)</u>
Cash flows from investing activities:		
Investment income (loss), net	172,832	81,118
Library fund investments	248,663	475,409
Endowment fund investments	<u>(272,832)</u>	<u>(187,504)</u>
Net cash provided by investing activities	<u>148,663</u>	<u>369,023</u>
Net increase (decrease) in cash	(110,032)	173,057
Cash, beginning of year	<u>655,518</u>	<u>482,461</u>
Cash, end of year	<u>\$ 545,486</u>	<u>\$ 655,518</u>

See accompanying notes to financial statements.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**STATEMENTS OF CASH FLOWS**  
For the Years Ended 30, 2010 and 2009

	2010	2009
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (2,578,811)	\$ (3,436,089)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Provision for uncollectable accounts	97,484	152,045
Depreciation	314,199	288,710
Changes in net assets:		
Accounts receivable, net	(245,905)	950,127
Appropriations receivable	-	97,104
Inventory	(38,609)	(25,735)
Deposits	48,644	(48,644)
Accounts payable	82,527	471,128
Deposit payable	-	(50,000)
Accrued liabilities	34,656	24,951
Deferred tuition and fees revenue	130,471	304,918
Other deferred revenue	(5,940)	(28,117)
Compensated absences	23,000	(3,484)
Net cash used in operating activities	\$ (2,138,284)	\$ (1,303,086)

See accompanying notes to financial statements.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - BUDGET AND  
ACTUAL (GAAP-BASIS)**  
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>Variance</u>
Operating revenues	<u>\$ 2,294,691</u>	<u>\$ 2,294,691</u>	<u>\$ 7,943,313</u>	<u>\$ 5,648,622</u>
Operating expenses:				
Supplies, materials, other operating expenses and services	1,694,342	1,694,342	6,005,915	(4,311,573)
Salaries	2,140,643	2,140,643	3,226,046	(1,085,403)
Depreciation	314,199	314,199	314,199	-
Employee benefits	240,007	240,007	524,711	(284,704)
Utilities	<u>289,600</u>	<u>289,600</u>	<u>451,253</u>	<u>(161,653)</u>
Total operating expenses	<u>4,678,791</u>	<u>4,678,791</u>	<u>10,522,124</u>	<u>(5,843,333)</u>
Operating loss	<u>(2,384,100)</u>	<u>(2,384,100)</u>	<u>(2,578,811)</u>	<u>(194,711)</u>
Non-operating revenues:				
Republic of Palau appropriations	2,384,100	2,384,100	2,384,100	-
Loss on disposal of capital assets	-	-	(22,603)	(22,603)
Investment income, net	<u>-</u>	<u>-</u>	<u>172,832</u>	<u>172,832</u>
Total non-operating revenues, net	<u>2,384,100</u>	<u>2,384,100</u>	<u>2,534,329</u>	<u>150,229</u>
Decrease in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,482)</u>	<u>\$ (44,482)</u>

See accompanying notes to financial statements.



**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

Reporting Entity

Palau Community College (PCC) is an institution of higher education created by Republic of Palau Public Law (RPPL) 4-2 and is considered to be a component unit of Republic of Palau. Accordingly, PCC is included in the Republic of Palau's financial statements as a discrete component unit. Transactions with the Republic of Palau relate primarily to appropriations for operations and capital improvements and grants from various federal agencies.

Basis of Presentation

The financial statements of PCC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis for Colleges and Universities*, issued in 1999, and as amended by GASB Statements No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, an Amendment of GASB Statements No. 21 and No. 34, and No. 38, *Certain Financial Statement Note Disclosures*.

The basic financial statements consist of the following:

The *Statement of Net Assets* reflects the financial position of PCC at September 30, 2010. It shows the various assets owned or controlled by PCC, related liabilities and other obligations, and the various categories of net assets. Net assets is defined as total assets less total liabilities, and as such, represents the institutional equity or ownership in the total assets of PCC.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects the results of operations and other changes for the year ended September 30, 2010. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net assets balance to the ending net assets balance, shown on the Statement of Net Assets described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended September 30, 2010. It indicates the various cash activities by type, reconciling the beginning cash and cash equivalents balance to the ending cash and cash equivalents balance, shown on the Statement of Net Assets described above. In addition, this Statement reconciles cash flows used for operating activities to operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets described above.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

For financial reporting purposes, PCC is considered a special-purpose government engaged only in business-type activities. Under this model, PCC's financial statements provide a comprehensive look at its financial activities. Accordingly, PCC's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flow. Revenue from grants, government appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted and matching requirements, in which the resources are provided to PCC on a reimbursement basis.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting- as amended*, PCC is required to follow all applicable GASB pronouncements. In addition, PCC should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Budgetary Information

Accounting principles used in developing data on a budgetary basis differ from those used in preparing financial statements in conformity with accounting principles generally accepted in the United States of America. Amounts included in the Statement of Revenues, Expenditures and Changes in Net Assets - Budget and Actual which are presented on a non-GAAP budgetary basis reconcile to the increase in net assets on the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

PCC has no authority to impose taxes to generate revenue. PCC, as an autonomous agency of the Republic of Palau, receives annual appropriation from the legislative branch, the Olbiil Era Kelulau (Palau National Congress). The Palau National Congress legislative budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted by the Legislature for PCC through an Annual Appropriations Act.

Cash

Cash include cash on hand and in bank accounts.

Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable and Allowance for Uncollectable Accounts

PCC's accounts receivable include tuition and fee charges to students and amounts due from federal grantor agencies. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectability of these accounts and prior collection experience. The allowance is established through a provision for uncollectable accounts charged to tuition and fees. For the years ended September 30, 2010 and 2009, the tuition and fees in the Statements of Revenues, Expenses, and Changes in Net Assets is reported net of the provision for uncollectable accounts of \$97,484 and \$152,045, respectively.

Inventory

Inventory is stated at the lower of cost or market using the retail method of accounting for books and merchandise for resale, and the first-in, first-out method for all other inventory.

Capital Assets

All buildings and equipment transferred to PCC were recorded at management's estimate of fair market value at the date of transfer. PCC did not capitalize the value of land at the date of transfer or public domain assets (sidewalks, curbs, gutters, etc). Subsequent additions have been recorded at cost and/or realizable value, as estimated and provided by PCC. Building additions and improvements with a cost in excess of \$1,000 are capitalized if the life of the building is extended. Furniture and equipment with a cost in excess of \$1,000 with a useful life greater than 1 year is capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Classification</u>	<u>Life</u>
Buildings and improvements	5 - 15 years
Furniture, vehicles and equipment	5 - 10 years

Deferred Revenues

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

Compensated Absences

Compensated absences represent the accumulated liability to be paid under PCC's current annual leave policy. PCC recognizes cost for accrued annual leave at the time such leave is earned. Unpaid accrued leave is recorded as accrued liabilities in the accompanying financial statements. The accrued leave at September 30, 2010 and 2009 were \$154,371 and \$131,371, respectively.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Net Assets

PCC's net assets are classified as follows:

*Invested in capital assets:* This represents PCC's total investment in capital assets, net of accumulated depreciation.

*Restricted net assets – expendable:* This includes resources in which PCC is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

*Restricted net assets – nonexpendable:* This consists of endowment funds in which donors or other outside sources have stipulated, as condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The related cash account is also restricted.

*Unrestricted net assets:* This includes resources derived from student tuition and fees, government appropriations, and auxiliary service income. These resources are used for transactions relating to the educational and general operations of PCC and may be used at the discretion of the governing board to meet current expenses for any purpose.

When both restricted and unrestricted resources are available for use, it is PCC's policy to use restricted revenues first, then unrestricted resources as they are needed.

Classification of Revenues

PCC has classified its revenues as either operating or non-operating according to the following criteria:

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

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

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Estimates

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by PCC, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in PCC's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, PCC has recorded a scholarship discount and allowance. The scholarship discounts and allowances for tuition and fees for the years ended September 30, 2010 and 2009 were \$1,148,267 and \$1,009,515, respectively. The scholarship discounts and allowances for auxiliary enterprise sales and charges for the years ended September 30, 2010 and 2009 were \$257,887 and \$192,062, respectively.

Deposits and Investments

Deposits

GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, disclosure is required of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 40 also requires disclosure of formal policies related to deposit and investment risks.

GASB Statement No. 3 previously required government entities to present deposit risks in terms of whether the deposits fell into the following categories:

Category 1 - Deposits that are federally insured or collateralized with securities held by the College or its agent in the College's name.

Category 2 - Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution's trust department or agent in the College's name.

Category 3 - Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the College's name and non-collateralized deposits.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Deposits, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for deposits falling into categories 1 and 2 but retained disclosures for deposits falling under category 3. Category 3 deposits are those deposits that have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, PCC's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name.

As of September 30, 2010 and 2009, the carrying amount of PCC's total cash was \$545,486 and \$655,518, respectively, and restricted cash was \$74,428 and \$323,091 respectively. The corresponding bank balances as of September 30, 2010 and 2009 were \$789,276 and \$1,221,759 respectively. These are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. From these deposits, \$500,000 in each fiscal year 2010 and 2009, were subject to coverage by FDIC with the remaining balance exceeding insurable limits. The uninsured bank balance as of September 30, 2010 and 2009 was \$464,840 and \$963,719, respectively. PCC does not require collateralization of bank accounts, and therefore, amounts in excess of insurable limits are uncollateralized and are subject to custodial credit risk.

In 2007, the Republic of Palau issued an order to freeze all assets of Pacific Savings Bank (a local Bank) and subsequently placed the bank under receivership as ordered by the Republic of Palau Financial Institutions Commission. As of September 30, 2010 and 2009, PCC had cash on deposits with the local Bank in the amount of \$100,136 and is included in other accounts receivable, due to the uncertainty of its recoverability. At September 30, 2010 and 2009, an allowance for impairment of deposit for the entire amount has been recorded and is reported as a component of the allowance for uncollectible accounts disclosed in Note 2.

Investments

GASB Statement No. 3 previously required government entities to present investment risks in terms of whether the investments fell into the following categories:

Category 1 – Investments that are insured or registered, or securities held by the College or its agent in the College's name.

Category 2 – Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the College's name.

Category 3 – Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the College's name.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

GASB Statement No. 40 amended GASB Statement No. 3 to in effect eliminate disclosure for investments falling into categories 1 and 2, and provided for disclosure requirements addressing other common risks of investments such as credit risk, interest rate risk, concentration of credit risk, and foreign currency risk. GASB Statement No. 40 did retain and expand the element of custodial credit risk in GASB Statement No. 3.

PCC's investments are held by a bank-administered trust company under PCC's name.

At September 30, 2010 and 2009, PCC's investments stated at fair value consisted of the following:

<u>2010</u>	<u>Allocation</u>		<u>Market Value</u>
	<u>Actual</u>	<u>Per Policy</u>	<u>9/30/2010</u>
Fixed income	31%	30-40%	\$ 559,323
U.S. Equities - Large Cap Value	20%	20%	357,310
U.S. Equities - Large Cap Growth	19%	20%	373,262
International Equities	16%	15%	289,576
U.S. Equities - Small Cap Core	14%	15%	<u>261,878</u>
			<u>\$ 1,841,349</u>

At September 30, 2010, the maturities of PCC's fixed-income (money market funds) investments by percentage of its portfolio, are as follows:

<u>Investment</u>	<u>Percentage</u>
<u>Maturities</u>	<u>of Portfolio</u>
Less than 1 year	17.0%
1 - 3 years	14.0%
4 - 5 years	19.0%
5 - 7 years	3.0%
7 - 9 years	26.0%
9 or more years	<u>21.0%</u>
Total	<u>100.0%</u>

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

<u>2009</u>	<u>Allocation</u>		<u>Market Value</u>
	<u>Actual</u>	<u>Per Policy</u>	<u>9/30/2009</u>
Fixed income	38%	30-40%	\$ 598,313
U.S. Equities - Large Cap Value	19%	20%	289,753
U.S. Equities - Large Cap Growth	19%	20%	300,401
International Equities	12%	15%	193,319
U.S. Equities - Small Cap Core	12%	15%	<u>186,731</u>
			<u>\$ 1,568,517</u>

At September 30, 2009, the maturities of PCC's fixed-income (money market funds) investments by percentage of its portfolio, are as follows:

<u>Investment</u> <u>Maturities</u>	<u>Percentage</u> <u>of Portfolio</u>
Less than 1 year	9.0%
1 - 3 years	1.1%
4 - 5 years	21.6%
5 - 7 years	8.4%
7 - 9 years	2.4%
9 or more years	<u>57.5%</u>
Total	<u>100.0%</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The PCC's investment policy does not limit investment maturities except with respect to cash equivalents, which must have a maximum average maturity of less than one year and no single issue shall have a maturity of greater than two (2) years. PCC manages the risk of exposure to declines in fair value by limiting its average maturity to two years.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. PCC utilizes investment managers to manage its portfolio.



**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

PCC's investment policy specifies the following regarding fixed income investments held in its portfolio:

- All individual fixed income securities held in the portfolio shall have a Moody's, Standard & Poor's or Fitch credit quality rating of no less than "BBB". U.S. Treasury and U.S. Government agencies, which are unrated securities, are qualified for inclusion in the portfolio and will be considered to be of the highest rating.
- Total portfolio quality (capitalization weighted) shall maintain an "A" minimum rating.

PCC's portfolio per investment managers are regularly reviewed to ensure compliance to abovementioned requirements.

PCC's fixed-income investments at September 30, 2010 and 2009 were rated as follows:

<u>Rating</u>	<u>Percent of Portfolio 09/30/2010</u>	<u>Percent of Portfolio 09/30/2009</u>
Government Agency	55.8%	44.4%
AAA	-	1.1%
AA	14.0%	8.4%
A	15.1%	10.2%
BAA	15.1%	15.2%
BA	-	1.2%
BBB	-	2.5%
Other	-	17.0%
	<u>100.0%</u>	<u>100.0%</u>

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2010 and 2009, PCC had no single issuer that exceeded 5% of its total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, PCC would not be able to recover the value of its deposits, investments, or securities. As of September 30, 2010 and 2009, 100% of PCC's investments were held in PCC's name, and PCC is not exposed to custodial credit risk related to these investments.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held for less than 30 days in foreign accounts until it can be repatriated or expended.

For the years ended September 30, 2010 and 2009, PCC did not have investments in foreign currency.

Investment income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

Federal Financial Assistance Programs

PCC participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study Grants, Upward Bound and Basic/Core Area Health and Education Centers Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, and the Compliance Supplement.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this Statement are effective for periods beginning after June 15, 2010. The PCC does not believe that the implementation of this Statement will have a material effect on its financial statements.

In March 2009, GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is to improve financial reporting by contributing to the GASB efforts to codify all generally accepted accounting principles (GAAP) for State and Local governments so that they derive from a single source. This Statement is effective upon issuance. The management of PCC believes that the implementation of this Statement does not materially affect its financial statements.

In March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for State and Local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations and subsequent events. This Statement is effective upon issuance. The management of PCC believes that the implementation of this Statement does not materially affect its financial statements.

In December 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, which provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. This Statement is effective beginning after June 15, 2009 with retroactive application for all periods presented during which a government was in bankruptcy. The management of PCC believes that the implementation of this Statement does not materially affect its financial statements.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010, with earlier application encouraged. The effect of the implementation of this Statement on the financial statements of PCC has not been determined.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(2) Accounts Receivable

Accounts receivable consists of the following at September 30, 2010 and 2009:

	2010	2009
Tuition and fees	\$1,063,737	\$ 766,396
Due from grantor agencies	667,671	669,392
Accounts receivable, others	409,234	295,794
College of Micronesia	-	135,217
Employees and Board of Trustees	16,140	42,078
	2,156,782	1,908,877
Allowance for uncollectable accounts	(703,167)	(603,683)
Accounts receivable, net	<u>\$1,453,615</u>	<u>\$1,305,194</u>

The accounts receivable, others includes an amount of \$100,137 cash deposits in a local bank which operations was placed under receivership in 2007 by the Republic of Palau Financial Institution Commission. Due to the uncertainty of the recoverability of the cash deposits from the local bank, PCC provided an allowance for impairment of cash deposits of \$100,137 for the fiscal years ended September 30, 2010 and 2009, respectively, and is included as a component of the allowance for uncollectible accounts.

(3) Inventory

Inventory consists of the following at September 30, 2010 and 2009:

	2010	2009
Bookstore	\$ 226,942	\$ 197,844
Cafeteria	12,297	2,786
Total	<u>\$ 239,239</u>	<u>\$ 200,630</u>

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(4) Restricted Cash

Restricted cash consists of the following at September 30, 2010 and 2009:

	2010	2009
Library fund	\$ 34,973	\$ 283,727
Endowment fund	39,455	39,364
Total	\$ 74,428	\$ 323,091

(5) Capital Assets

A schedule of changes in capital assets for the fiscal years ended September 30, 2010 and 2009 is shown below:

Capital assets activity for the fiscal year ended September 30, 2010:

	Balance at 9/30/09	Additions	Transfers/ Deletions	Balance at 9/30/10
Buildings and improvements	\$7,382,673	\$ 23,894	\$ -	\$7,406,567
Furniture, vehicles and equipment	1,563,648	214,409	(775,303)	1,002,754
	8,946,321	238,303	(775,303)	8,409,321
Accumulated depreciation	(7,189,899)	(314,199)	752,700	(6,751,398)
Capital assets, net	\$1,756,422	\$ (75,896)	\$ (22,603)	\$1,657,923

Capital assets activity for the fiscal year ended September 30, 2009:

	Balance at 9/30/08	Additions	Transfers/ Deletions	Balance at 9/30/09
Buildings and improvements	\$6,270,758	\$ 1,111,915	\$ -	\$7,382,673
Furniture, vehicles and equipment	1,933,235	122,470	( 492,057)	1,563,648
	8,203,993	1,234,385	( 492,057)	8,946,321
Accumulated depreciation	(7,393,246)	(288,710)	492,057	(7,189,899)
	810,747	945,675	-	1,756,422
Construction in progress	-	1,072,695	(1,072,695)	-
Capital assets, net	\$ 810,747	\$ 2,018,370	\$(1,072,695)	\$1,756,422

Capital assets essentially serve all functions. The depreciation expense of \$314,199 and \$288,710, respectively, for the years ended September 30, 2010 and 2009, is unallocated.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(6) Long-term Liabilities

At September 30, 2010 and 2009, the summary of changes in the long-term liabilities is as follows:

<u>2010</u>	<u>Balance</u> <u>10/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/10</u>	<u>Current</u> <u>Portion</u>	<u>Noncurrent</u> <u>Portion</u>
Compensated absences	\$ <u>131,371</u>	\$ <u>84,806</u>	\$ <u>61,806</u>	\$ <u>154,371</u>	\$ <u>71,010</u>	\$ <u>83,361</u>

<u>2009</u>	<u>Balance</u> <u>10/1/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/09</u>	<u>Current</u> <u>Portion</u>	<u>Noncurrent</u> <u>Portion</u>
Compensated absences	\$ <u>134,855</u>	\$ <u>99,840</u>	\$ <u>103,324</u>	\$ <u>131,371</u>	\$ <u>61,521</u>	\$ <u>69,850</u>

(7) National Government Contributions

At September 30, 2010 and 2009, the Republic of Palau appropriated and contributed the following to PCC:

	<u>2010</u>	<u>2009</u>
For operational costs of PCC and its Board of Trustees	<u>\$2,384,100</u>	<u>\$2,341,505</u>

At September 30, 2010 and 2009, amounts due from Republic of Palau representing unremitted balances of appropriations due to PCC was \$779,607 and \$513,399, respectively, and is reported in the Statements of Revenues, Expenses, and Changes in Net Assets as appropriations receivable.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(8) Functional Expenses Classifications

The functional expenses classifications for fiscal years ended 2010 and 2009 are as follows:

2010

	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Utilities	Depreciation	Total
Student aid	\$ 23,278	\$ 572	\$ 3,158,199	\$ -	\$ -	\$ 3,182,049
Instructional	1,289,565	185,532	787,048	880	-	2,263,025
Administration	657,533	154,312	972,348	601	-	1,784,794
Student services	549,565	106,287	304,489	2,400	-	962,741
Operations and maintenance	285,684	22,187	183,339	419,011	-	910,221
Auxiliary enterprises	171,159	25,058	387,951	26,681	-	610,849
Academic support	249,262	30,763	212,541	1,680	-	494,246
Depreciation	-	-	-	-	314,199	314,199
	<u>\$ 3,226,046</u>	<u>\$ 524,711</u>	<u>\$ 6,005,915</u>	<u>\$ 451,253</u>	<u>\$ 314,199</u>	<u>\$ 10,522,124</u>

2009

	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Utilities	Depreciation	Total
Student aid	\$ 116,193	\$ -	\$ 2,392,488	\$ -	\$ -	\$ 2,508,681
Instruction	1,136,593	218,178	784,927	1,040	-	2,140,738
Administration	674,226	88,156	825,247	16,337	-	1,603,966
Student services	573,723	101,217	593,704	4,438	-	1,273,082
Operations and maintenance	285,212	37,816	147,034	365,534	-	835,596
Auxiliary enterprises	147,932	23,975	297,712	11,760	-	481,379
Academic support	222,874	24,576	99,921	-	-	347,371
Depreciation	-	-	-	-	288,710	288,710
	<u>\$ 3,156,753</u>	<u>\$ 493,918</u>	<u>\$ 5,141,033</u>	<u>\$ 399,109</u>	<u>\$ 288,710</u>	<u>\$ 9,479,523</u>



**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(9) Retirement Plan

PCC contributes to the Palau Civil Service Pension Trust Fund (the Fund), a defined benefit, cost-sharing, multi-employer pension plan established and administered by the Republic of Palau. The Fund issues a stand-alone financial report which is available at its office site.

The Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the Republic of Palau State Governments and Republic of Palau agencies, funds and public corporations, which are paid monthly and are two percent of each member's average monthly salary. Normal benefits are the credited total service up to a maximum of thirty years total service. Generally, benefits vest after three years of credited service. Members, who retire at or after age 60, or with 30 years of vesting service, are entitled to retirement benefits. Republic of Palau Public Law 2-26 is the authority under which benefit provisions and contributions rates are established. Member contribution rates are established by Republic of Palau Public Law 2-26 at six percent (6%) of total payroll and are matched dollar for dollar by the employer. PCC contributed \$180,313 and \$199,401 for fiscal years 2010 and 2009, respectively.

Under the provisions of the Republic of Palau Public Law 2-26, the Fund's Board of Trustees adopted a Trust Fund Operation which has the force and effect of law, and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code.

The Fund utilizes the actuarial cost method termed "level aggregate cost method" with actuarial assumptions used to compute the pension benefit obligation. The following is the statement of actuarial assumptions as of October 1, 2009 applicable to the plan year ending September 30, 2009 of the ROP Civil Service Pension Plan:

Actuarial Cost Method: Normal costs are calculated under the level aggregate method.

Investment Income	:	8.5% per year
Expenses	:	\$300,000 each year
Salary Increase	:	3% per year
Mortality	:	1984 Unisex Pension Mortality Table
Disabled Mortality	:	PBGC Mortality Table for Disabled Persons Receiving Social Security
Retirement Age	:	Earlier of age 60 or 30 Years of Total Service

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the affects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employment service to date. The measure is intended to assist users to evaluate the Fund's funding status on a going-concern basis, and evaluate progress made in accumulating adequate assets to pay benefits when due.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(9) Retirement Plan, Continued

Based on the actuarial valuation of the Fund as of October 1, 2009 issued in August 2010, the actuarial valuation determined the unfunded pension benefit obligation as follows:

Present value of accrued benefits as of October 1, 2009:	
Active participants	\$ 56,060,970
Inactive participants with vested deferred benefits	1,779,610
Participants in pay status	<u>47,666,805</u>
Total pension benefit obligation	105,507,385
Market value of assets	<u>41,254,319</u>
Unfunded benefit obligation	<u>\$ 64,253,066</u>
Funded Ratio as of 10/1/2009 (ratio of assets to liabilities)	<u>39.1%</u>

(10) Commitment and Contingencies

Encumbrances

PCC reserves its fund balance for internal purposes, for those portions legally segregated for specific future use. At September 30, 2010 and 2009, the reserve for encumbrances was \$142,948 and \$72,804, respectively, within the unrestricted fund.

Sick Leave

It is the policy of PCC to record the expenditures for sick leave when leave is actually taken. Sick leave is compensated time for absence during working hours arising from employee illness or injury. The accumulated sick leave at September 30, 2010 and 2009 was \$1,217,439 and \$1,071,541, respectively.

Risk Management

PCC 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. PCC has elected for self-insurance related to these risks. No self-insurance provision has been made in the accompanying financial statements and management is of the opinion that no material losses have occurred as a result. PCC does not maintain adequate insurance coverage for its fixed assets. In the event of a catastrophe, PCC would be self-insured to a material extent.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2010 and 2009

(11) Economic Dependency

PCC derives 62% and 69% of its total revenues for the years ended September 30, 2010 and 2009, respectively from Federal grants and appropriations from the Republic of Palau. Significant decrease in assistance could adversely affect the operations of PCC.

(12) Impairment of Fixed Assets

PCC reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

(13) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

(14) Subsequent Events

PCC has evaluated subsequent events from September 30, 2010 through June 30, 2011, the date of financial statements were available to be issued. PCC did not note any subsequent events requiring disclosure or adjustment to the accompanying financial statements.

**PALAU COMMUNITY COLLEGE**  
**(A Component Unit of the Republic of Palau)**

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**SINGLE AUDIT REPORTS**

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**Year Ended September 30, 2010**

J. Scott Magliari  
&  
COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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

Board of Trustees  
Palau Community College

I have audited the financial statements of Palau Community College (PCC) as of and for the year ended September 30, 2010, and have issued my report thereon dated June 30, 2011. I conducted my 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

In planning and performing my audit, I considered PCC's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PCC's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of PCC'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 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PCC's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of PCC in a separate letter dated June 30, 2011.

This report is intended solely for the information and use of management of PCC, the Board of Trustees, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

*J. Scott Maglian & Company*  
Erser, Republic of Palau  
June 30, 2011

J. Scott Magliari  
& COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND ON THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS**

Board of Trustees  
Palau Community College

Compliance

I have audited the compliance of Palau Community College (PCC), a component unit of the Republic of Palau, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. PCC's major federal programs are identified in the Summary of Auditor's Results section on page 44 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 PCC's management. My responsibility is to express an opinion on PCC's compliance based on my audit.

I conducted my 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 I 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 PCC's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of PCC's compliance with those requirements.

In my opinion, PCC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

### Internal Control Over Compliance

The management of PCC 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 my audit, I considered PCC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the PCC'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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

I have audited the basic financial statements of PCC as of and for the year ended September 30, 2010, and have issued my report thereon dated June 30, 2011. My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 41 is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of PCC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



This report is intended for the information and use of management, the Board of Trustees, federal awarding agencies, pass-through entities, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is also a matter of public record.

*J. Scott Maglian & Company*  
Koror, Republic of Palau  
June 30, 2011

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Introduction to Federal Award Programs  
Year Ended September 30, 2010

United States Department of Education

Student Award Programs

The Palau Community College (PCC) administers student financial aid (SFA) programs within the Republic of Palau. During the year ended September 30, 2010, PCC received directly from the U.S. Department of Education funds related to the Pell Grant Program, the Supplemental Educational Opportunity Grant Program (SEOG) and Federal Work-Study Program (FWS) and Academic Competitiveness Grant (ACG). PCC's institutional matching share for the SEOG and FWS was initially waived during the award year ended June 30, 2003 and continues to be in effect.

Direct Grants

PCC receives other grants directly from the U.S. Department of Education. Projects to which the individual grants relate are as follows:

- Upward Bound Program
- Upward Bound Math and Science
- Talent Search
- Student Support Services Program
- Teachers Technology
- Minority Science

United States Department of Health and Human Services

Direct Grants

PCC receives grants from the U.S. Department of Health and Human Services (DHHS)/Health Resources and Services Administration (HRSA) through the University of Hawaii John A. Burns Schools of Medicine (JABSOM). The purpose of this grant is to fund the Palau Area Health Education Center whose core mission is to train up to 20 Micronesian physicians in the Postgraduate Diploma principles and practice of Family Practice.

United States Department of the Interior

Grant Passed Through to PCC

During the year ended September 30, 2010, PCC received from the U.S. Department of the Interior through the Republic of Palau National Government, grants to provide Joint Training to the employees of the Republic of Palau National Government and Palau Community College, and grants related to the Compact of Free Association.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2010

Federal Grantor/Pass- Through Grantor's Program Title	CFDA Number	Program or Award Amount	Receivable from Grantor (Deferred Revenue) at October 1, 2009	Cash Receipts FY10	Expenditures FY10	Receivable from Grantor (Deferred Revenue) at September 30, 2010
<u>U.S Department of Education</u>						
<u>Direct Programs</u>						
Student Financial Aid Programs:						
Supplemental Educational						
Opportunity Grant	84.007	\$ 35,340	\$ 79,044	\$ 64,942	\$ 60,685	\$ 74,787
Federal Work-Study	84.033	127,850	5,705	145,696	143,155	3,164
Pell Grant	84.063	3,129,697	322,603	2,959,459	2,826,070	189,214
Academic Competitiveness Grant	84.375	164,718	82,821	102,266	122,273	102,828
		<u>3,457,605</u>	<u>490,173</u>	<u>3,272,363</u>	<u>3,152,183</u>	<u>369,993</u>
Sub-total Student Financial Aid Programs						
TRIO Cluster:						
Student Support Services Program	84.042A	257,584	16,751	196,125	217,134	37,760
Upward Bound Program	84.047A	339,381	4,771	327,898	334,331	11,204
Upward Bound Math and Science	84.047M	250,000	6,663	219,820	223,905	10,748
Talent Search	84.044A	226,600	10,216	212,380	222,904	20,740
		<u>1,073,565</u>	<u>38,401</u>	<u>956,223</u>	<u>998,274</u>	<u>80,452</u>
Sub-total TRIO Cluster						
Sub-total U.S. Department of Education						
		<u>4,531,170</u>	<u>528,574</u>	<u>4,228,586</u>	<u>4,150,457</u>	<u>450,445</u>
<u>U.S. Department of Health and Human Services</u>						
Basic/Core Area Health and Education Center	93.824	60,000	66,092	63,957	62,386	64,521
<u>U.S. Institute of Museum and Library Services</u>						
	45.301	137,546	(1,761)	-	-	(1,761)
<u>U.S. Department of Agriculture</u>						
	10.303	3,500	1,604	1,604	-	-
<u>U.S. Department of the Interior</u>						
<u>Indirect Program</u>						
Agreement between the Government of the United States and the Government of the Republic of Palau for the Implementation of Section 221(b)(1) of the Compact of Free Association						
	15.875	2,000,000	-	2,000,000	2,000,000	-
PCC-ROPNG Joint Training						
OMIP-ROP-2009		100,000	4,799	24,694	32,871	12,976
		<u>2,100,000</u>	<u>4,799</u>	<u>2,024,694</u>	<u>2,032,871</u>	<u>12,976</u>
Sub-total U.S. Department of the Interior						
		<u>2,100,000</u>	<u>4,799</u>	<u>2,024,694</u>	<u>2,032,871</u>	<u>12,976</u>
Total Federal Programs						
		<u>\$ 6,832,216</u>	<u>\$ 599,308</u>	<u>\$ 6,318,841</u>	<u>\$ 6,245,714</u>	<u>\$ 526,181</u>

See accompanying notes to financial statements.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Notes to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2010

(1) Scope of Review

The Palau Community College (PCC) is a non-profit corporation, established by Republic of Palau Public Law 4-2. PCC was inaugurated on June 3, 1993. Prior to June 3, 1993, PCC was known as the Micronesian Occupational College, and was a separately accredited constituent campus of the College of Micronesia. The College of Micronesia began operations as a Public Corporation on October 1, 1977.

The purpose of PCC is to provide post secondary educational opportunities to the people of the Republic of Palau, Federated States of Micronesia, Republic of the Marshall Islands, as well as other students. The accompanying Schedule of Expenditures of Federal Awards relates solely to those grants administered by PCC, and do not incorporate any grants that may still be administered by the College of Micronesia central office. The U.S. Department of the Education has been designated as PCC's cognizant agency.

a. Programs Subject to OMB Circular A-133

The Schedule of Expenditures of Federal Awards presents each Federal Award related to the U.S. Department of Education, U.S. Department of Health and Human Services and U.S. Department of the Interior, which are subject to OMB Circular A-133. Certain accounting procedures were followed, which help illustrate the program award amount and expenditures of the individual programs.

(2) Summary of Significant Accounting Policies

a. Basis of accounting

For purposes of preparation of the accompanying Schedule of Expenditures of Federal Awards, certain accounting procedures were followed, which help illustrate the program award amount and expenditures of the individual programs. The accompanying Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting. All program award amounts represent the total allotment or grant award approved. All expenses and capital outlays are reported as expenditures.

b. Cost Allocation

PCC does not currently have an approved cost allocation plan.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2010

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(ies) evaluated as Material Weaknesses? \_\_\_\_\_ yes   x   none reported

Noncompliance material to Financial Statements noted?

\_\_\_\_\_ yes   x   no

**Federal Awards**

Internal control over major programs

- Significant deficiency(ies) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(ies) evaluated as Material Weaknesses? \_\_\_\_\_ yes   x   none reported

Type of auditor's report issued on compliance for major federal programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?

\_\_\_\_\_ yes   x   no

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Schedule of Findings and Questioned Costs  
Year Ended September 30, 2010

**SECTION I - SUMMARY OF AUDITOR'S RESULTS, Continued**

**Federal Programs**

**Identification of major programs:**

<u>CFDA Number</u>	<u>Description</u>	<u>Federal Expenditures</u>
84.007, 84.033, 84.063, 84.375	Student Financial Aid Cluster	\$ 3,152,183
84.042A, 84.044A, 84.047A, 84.047M	TRIO Cluster	998,274
15.875	Compact Section 221(b)	<u>2,000,000</u>
	Total major programs expenditures	<u>\$ 6,150,457</u>
	Total federal expenditures	<u>\$ 6,245,714</u>
	Total Tested	<u>98%</u>
Threshold used to distinguish between Type A and Type B program:		<u>\$ 300,000</u>

Auditee qualified as a low risk auditee?  yes  no

**SECTION II - Findings relating to the Financial Statements which are required to be reported in accordance with Government Auditing Standards**

There were no reportable conditions.

**SECTION III - Findings and Questioned Costs relating to Federal Awards**

There were no reportable conditions.

**SECTION IV - Prior Audit Findings and Questioned Costs**

None.

**PALAU COMMUNITY COLLEGE**  
**(A Component Unit of the Republic of Palau)**

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**STATISTICAL SECTION**

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**Year Ended September 30, 2010**

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**NET ASSETS**  
Last Nine Fiscal Years Ended September 30th

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets	1,657,923	\$1,756,422	\$ 810,747	\$1,100,177	\$1,545,818	\$1,830,654	\$2,217,515	\$2,496,517	\$2,874,142
Restricted	1,636,634	1,165,556	1,785,039	2,083,494	1,770,933	1,071,376	510,744	500,321	431,176
Unrestricted	1,231,159	1,648,220	2,987,878	2,818,501	2,439,443	2,502,533	1,530,054	836,616	(105,981)
Total Net Assets	4,525,716	\$4,570,198	\$5,583,664	\$6,002,172	\$5,756,194	\$5,404,563	\$4,258,313	\$3,833,454	\$3,199,337

Source: Annual reports on audited financial statements for the past nine fiscal years



**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**CHANGES IN NET ASSETS**  
Last Nine Fiscal Years Ended September 30th

	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Operating revenues</b>									
Tuition and fees, net	\$ 1,970,057	\$ 1,258,685	\$1,468,915	\$1,418,565	\$1,795,846	\$1,703,396	\$1,296,254	\$1,316,459	\$1,048,212
Federal grants	4,150,457	3,462,059	3,412,959	3,061,096	3,595,841	3,281,304	4,225,650	4,536,804	3,442,818
Auxiliary enterprise sales and charges	187,697	313,116	778,075	942,815	743,696	660,850	652,148	704,251	548,932
Other grants	1,105,642	740,835	338,397	326,641	390,678	819,287	326,760	362,172	211,504
Other operating revenues	529,460	268,739	311,499	294,856	73,803	86,795	100,117	132,831	161,150
<b>Total operating revenues, net</b>	<b>7,943,313</b>	<b>6,043,434</b>	<b>6,309,845</b>	<b>6,043,973</b>	<b>6,599,864</b>	<b>6,551,632</b>	<b>6,600,929</b>	<b>7,052,517</b>	<b>5,412,616</b>
<b>Operating expenses</b>									
Student aid	3,182,049	2,508,681	2,423,962	1,993,121	2,268,970	2,090,121	2,408,722	2,997,163	2,415,702
Instruction	2,263,025	2,140,738	2,054,633	1,979,078	2,069,384	2,118,718	2,609,079	2,262,913	2,056,202
Administration	1,784,794	1,603,966	1,373,080	1,074,526	1,048,741	974,203	966,061	526,117	605,455
Student services	962,741	1,273,082	885,845	925,330	929,488	850,391	836,517	821,240	620,472
Operations and maintenance	910,221	835,596	664,761	800,409	912,483	641,418	560,516	606,472	640,547
Academic support	494,246	347,371	290,500	299,266	373,039	336,076	264,812	232,700	338,160
Special project	-	-	-	-	-	395,628	-	-	-
Auxiliary enterprises	610,849	481,379	641,878	690,217	727,383	533,816	715,288	734,244	549,831
Depreciation	314,199	288,710	489,542	597,467	583,634	573,556	529,223	619,213	614,084
<b>Total operating expenses</b>	<b>10,522,124</b>	<b>9,479,523</b>	<b>8,824,201</b>	<b>8,359,414</b>	<b>8,913,122</b>	<b>8,513,927</b>	<b>8,890,218</b>	<b>8,800,062</b>	<b>7,840,453</b>
<b>Operating loss</b>	<b>(2,578,811)</b>	<b>(3,436,089)</b>	<b>(2,514,356)</b>	<b>(2,315,441)</b>	<b>(2,313,258)</b>	<b>(1,962,295)</b>	<b>(2,289,289)</b>	<b>(1,747,545)</b>	<b>(2,427,837)</b>
<b>Non-operating revenues (expenses):</b>									
Republic of Palau appropriations	2,384,100	2,341,505	2,333,501	2,385,000	2,385,000	2,385,000	2,415,000	2,345,000	2,345,050
Investment income (loss)	172,832	81,118	(237,653)	176,419	279,889	723,545	299,148	36,662	745
Loss on disposal of capital assets	(22,603)	-	-	-	-	-	-	-	745
<b>Total non-operating revenues</b>	<b>2,534,329</b>	<b>2,422,623</b>	<b>2,095,848</b>	<b>2,561,419</b>	<b>2,664,889</b>	<b>3,108,545</b>	<b>2,714,148</b>	<b>2,381,662</b>	<b>2,345,795</b>
<b>Change in net assets</b>	<b>\$ (44,482)</b>	<b>\$ (1,013,466)</b>	<b>\$ (418,508)</b>	<b>\$ 245,978</b>	<b>\$ 351,631</b>	<b>\$1,146,250</b>	<b>\$ 424,859</b>	<b>\$ 634,117</b>	<b>\$ (82,042)</b>

Source: Annual reports on audited financial statements for the past nine fiscal years.

Note (1): Beginning in fiscal year 2001/02, Palau Community College implemented the reporting requirements of GASB Statement No. 34 and 35. Since prior years financial information has not been restated, only the past nine fiscal years are presented herein.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**REVENUES BY SOURCE**  
Last Nine Fiscal Years Ended September 30th

Function	2010	2009	2008	2007	2006	2005	2004	2003	2002
ROP Appropriations	\$ 2,384,100	\$2,341,505	\$2,333,501	\$ 2,385,000	\$ 2,385,000	\$2,385,000	\$2,415,000	\$2,345,000	\$2,345,050
U.S. Federal Grants	4,150,457	3,462,059	3,412,959	3,061,096	3,595,841	3,281,304	4,225,650	4,536,804	3,442,818
Tuition and Fees, net	1,970,057	1,258,685	1,468,915	1,418,565	1,795,846	1,703,396	1,296,254	1,316,459	1,048,212
Investment Income (Loss)	172,832	81,118	(237,653)	176,419	279,889	723,545	299,148	36,662	745
Auxiliary Service Income	187,697	313,116	778,075	942,815	743,696	660,850	652,148	704,251	548,932
Other Grants	1,105,642	740,835	338,397	326,641	390,678	819,287	326,760	362,172	211,504
Other Operating Revenues	529,460	268,739	311,499	294,856	73,803	86,795	100,117	132,831	161,150
<b>Total Revenues</b>	<b>\$ 10,500,245</b>	<b>\$8,466,057</b>	<b>\$8,405,693</b>	<b>\$ 8,605,392</b>	<b>\$ 9,264,753</b>	<b>\$9,660,177</b>	<b>\$9,315,077</b>	<b>\$9,434,179</b>	<b>\$7,758,411</b>

**Source:** Annual reports on audited financial statements for the past nine fiscal years.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**EXPENSES BY FUNCTION**  
Last Nine Fiscal Years Ended September 30th

Function	2010	2009	2008	2007	2006	2005	2004	2003	2002
Student Aid	\$ 3,182,049	\$2,508,681	\$2,423,962	\$1,993,121	\$2,268,970	\$2,090,121	\$2,408,722	\$2,997,163	\$2,415,702
Instruction	2,263,025	2,140,738	2,054,633	1,979,078	2,069,384	2,118,718	2,609,079	2,262,913	2,056,202
Administration	1,784,794	1,603,966	1,373,080	1,074,526	1,048,741	974,203	966,061	526,117	605,455
Student Services	962,741	1,273,082	885,845	925,330	929,488	850,391	836,517	821,240	620,472
Operations and Maintenance	910,221	835,596	664,761	800,409	912,483	641,418	560,516	606,472	640,547
Academic Support	494,246	347,371	290,500	299,266	373,039	336,076	264,812	232,700	338,160
Special Project	-	-	-	-	-	395,628	-	-	-
Auxiliary Enterprises	610,849	481,379	641,878	690,217	727,383	533,816	715,288	734,244	549,831
Depreciation	314,199	288,710	489,542	597,467	583,634	573,556	529,223	619,213	614,084
<b>Total Expenditures</b>	<b>\$10,522,124</b>	<b>\$9,479,523</b>	<b>\$8,824,201</b>	<b>\$8,359,414</b>	<b>\$8,913,122</b>	<b>\$8,513,927</b>	<b>\$8,890,218</b>	<b>\$8,800,062</b>	<b>\$7,840,453</b>

**Source:** Annual reports on audited financial statements for the past nine fiscal years.

**PALAU COMMUNITY COLLEGE**  
 (A Component Unit of the Republic of Palau)

**AVERAGE NUMBER OF EMPLOYEES**  
 Last Ten Fiscal Years Ended September 30th  
 Unaudited

Fall Semester Fiscal Year	Employees				
	Regular Faculty	Associate Faculty	Regular Staff	Par-time/ Temp. Staff	Total Employees
2001	28	17	86	52	183
2002	28	17	86	47	178
2003	25	14	83	59	181
2004	28	18	84	42	172
2005	24	18	73	60	175
2006	23	13	83	49	168
2007	22	18	77	55	172
2008	20	18	80	47	165
2009	29	19	68	73	189
2010	29	19	84	47	179

**Source:** PCC Human Resource Records.

**PALAU COMMUNITY COLLEGE**  
 (A Component Unit of the Republic of Palau)

**TUITION RATES AND ENROLLMENT STATISTICS**  
 Last Ten Fiscal Years Ended September 30th  
 Unaudited

Fall Semester Fiscal Year	Tuition Rate Per Credit Hour	ENROLLMENT		
		Total Headcount	FTSE (1)	Par-time and Others (2)
2001	\$60	639	379	260
2002	\$60	599	422	177
2003	\$60	727	472	255
2004	\$70	705	507	198
2005	\$70	651	430	221
2006	\$70	651	431	220
2007	\$70	683	452	231
2008	\$70	649	474	175
2009	\$80	599	394	205
2010	\$90	726	417	309

**Source:** PCC Records Department

**Note (1):** Full Time Student Equivalent (FTSE) is 12 Credit Hours per Semester.

**Note (2):** Others consists of Continuing Education & Specialized Training enrollments including CRE and OMIP.

**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

**STUDENT ENROLLMENT AND DEMOGRAPHIC STATISTICS**  
Last Ten Fiscal Years Ended September 30th  
Unaudited

Fall Semester Fiscal Year	Attendance		Gender		Residency		AGE	
	Full Time	Part Time	Male	Female	IN Campus	OFF Campus	Median	Mean
2001	59%	41%	276	363	90	549	19	22
2002	67%	33%	264	335	94	505	19	25
2003	65%	35%	310	417	101	626	19	21
2004	72%	28%	290	415	103	602	19	27
2005	66%	34%	374	277	79	572	19	32
2006	66%	34%	279	372	89	562	20	33
2007	40%	60%	274	409	90	593	20	22
2008	46%	54%	299	350	102	547	20	21
2009	66%	34%	316	283	85	514	19	20
2010	57%	43%	324	402	324	402	19	18

Fall Semester Fiscal Year	Nationality							Total Headcount
	Palau	Yap	Ponpei	Chuuk	Marshalls	Kosrae	Others(1)	
2001	511	65	6	10	4	11	32	639
2002	497	50	7	9	5	15	16	599
2003	567	85	10	16	9	22	18	727
2004	549	65	13	10	13	35	20	705
2005	480	81	11	9	11	29	30	651
2006	475	98	10	15	13	22	18	651
2007	500	74	21	23	16	24	25	683
2008	453	66	16	26	25	25	38	649
2009	428	50	20	25	22	19	35	599
2010	552	66	29	20	20	30	9	726

Source: PCC records

Note (1): Others consist of Taiwan, Korea, China, Japan, Philippines and Bangladesh, Sri Lanka, Ghana and U.S.A.