

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2012



PALAU
COMMUNITY
COLLEGE

PALAU COMMUNITY COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Year Ended September 30, 2012

Prepared by:
Administration & Finance Department

Jay Olegeriil
Vice President for Administration & Finance

Uroi Salii
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P.O. Box 9
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PALAU COMMUNITY COLLEGE
(A Component Unit of the Republic of Palau)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

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

INTRODUCTORY SECTION

For The Year Ended September 30, 2012



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

June 4, 2013

Ladies and Gentlemen of the Board:

I am pleased to submit to you and leadership of the Republic of Palau the College's Comprehensive Annual Financial Report for fiscal year 2012. This document presents the record of Palau Community College's financial operations for the year ended September 30, 2012.

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 multi-species hatchery located in Babeldaob, which will greatly expand our research and program activities. We are also now moving forward with steps to build the Health/Science building that will also increase the number of classrooms.

As always, I am 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. 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
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Accredited by
WESTERN ASSOCIATION
OF
SCHOOLS AND COLLEGES

June 4, 2013

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, 2012 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.

FINANCIAL STATEMENTS

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

PCC's vision is to guarantee quality and excellence, and its 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, 2012, the College received and administered several grants from the U.S. Federal Government and these include Student Aids (Pell Grant), 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; and Health Resource Center.

MAJOR INITIATIVES

Following a comprehensive institutional planning process, the College continues implementation of its 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 its strategic directions and mission.

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.

Budgetary 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>2012</u>	<u>2011</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>
Enrollment Full Time	1,816	1,824	1,816	1,569	1,597	1,570	1,571	1,710	1,634	1,884
Continuing Education and Other Training	<u>4,214</u>	<u>7,171</u>	<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>
Total*	<u>6,030</u>	<u>8,995</u>	<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>

*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, 2012, the College's investments from current funds generated net investment income of \$323,454 from endowment fund investments. The College invests endowment fund in Money Market funds managed by Morgan Stanley Smith Barney.

RISK MANAGEMENT

In fiscal year 2012, 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 \$9,858 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.

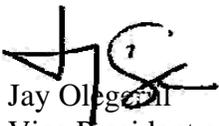
Many College employees are active members of national committees, boards and working groups including Civil Service Pension Plan, Palau International Coral Reef Center, Palau National Scholarship Board, and Financial Institutions Commission. The involvement of the College in community functions is further 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 Olegson

Vice President of Administration & Finance

PALAU COMMUNITY COLLEGE

PRINCIPAL OFFICIALS

For The Year ended September 30, 2012

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
Ms. Ashley Umetaro	Student Trustee

OFFICERS OF THE COLLEGE

Dr. Patrick U. Tellei, EdD	President
Mr. Jay Olegeriil	Vice President for Administration and Finance
Mr. Thomas Taro	Vice President for Cooperative Research & Extension
Mr. Tutii Elbuchel Chilton	Dean of Academic Affairs
Mr. William O. Wally	Dean of Continuing Education
Mrs. Emerencia Edward	Dean of Students
Dr. Isebong M. Asang, PhD	Faculty Senate President
Mr. Ephraim Ngirachitei	Classified Staff Organization President
Ms. Fenny Seklii	Associated Students of PCC President

OFFICIALS ISSUING REPORT

Mr. Jay Olegeriil	Vice President for Administration and Finance
Ms. Uroi Salii	Director of Finance
Ms. Debbie Ngiraibai	Accountant/Business Supervisor

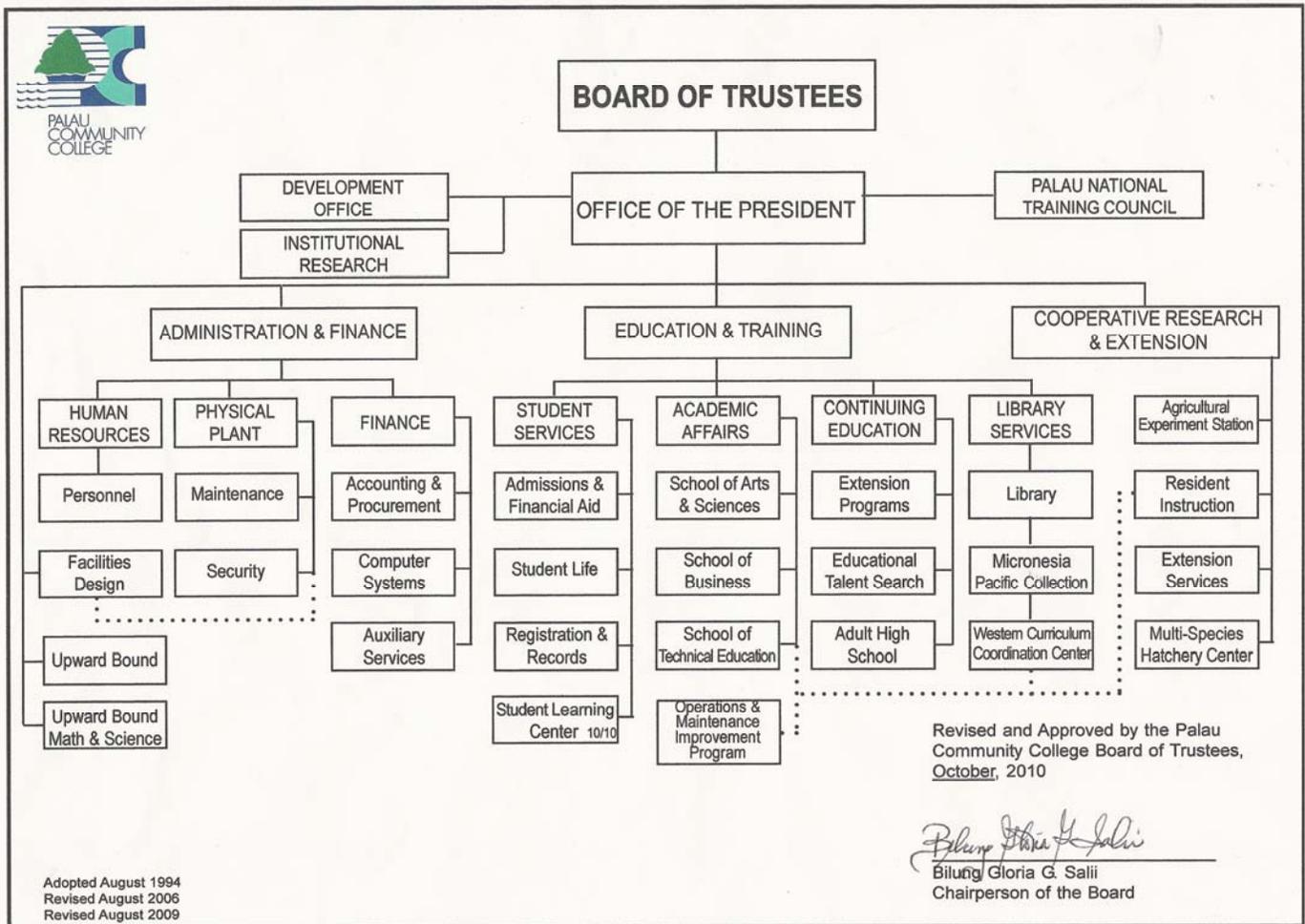
DIVISION ISSUING REPORT

Finance

PALAU COMMUNITY COLLEGE

ORGANIZATION CHART

For the year ended September 30, 2012



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

FINANCIAL SECTION

For The Years Ended September 30, 2012 and 2011

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

September 30, 2012 and 2011



CERTIFIED PUBLIC ACCOUNTANT

SAIPAN

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GUAM

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PALAU

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palau Community College
Koror, Republic of Palau

I have audited the accompanying basic financial statements of Palau Community College (PCC), a component unit of the Republic of Palau (ROP), as of and for the years ended September 30, 2012 and 2011, as listed in the table of contents. 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 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 previously present fairly, in all material respects, the financial position of PCC as of September 30, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 4, 2013 on my consideration of Palau Community College's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing on internal controls over financial reporting and compliance and the results of that 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 considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audits were conducted for the purpose of forming an opinion on PCC's basic financial statements as a whole. The introductory section on pages I through XI and statistical section on pages 45 through 51 are presented for purposes of additional analysis and are not required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them. The accompanying Schedule of Expenditures of Federal Awards on page 41 is presented for purposes of additional analysis 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 and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

J. Scott Maglian + Company
Foror, Republic of Palau
June 4, 2013

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

Management's Discussion and Analysis
September 30, 2012

Management's Discussion and Analysis

This section of Palau Community College's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended September 30, 2012. 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), and the College's financial statements and footnotes (pages 11 through 35). This overview is required by the 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 \$9.2 million at September 30, 2012. This balance reflects a \$2.3 million increase from the 2011 fiscal year. Accounts receivable increased by \$1.4 million due mainly from students who are recipients of the Pell Grant Program. This amount was subsequently collected in October 3, 2012. Appropriations receivable has increased by \$0.26 million or 67% over prior year.

The College's operating revenues totaled \$8.6 million for the fiscal year 2012 compared to \$8.8 million in 2011. The 1.7% decrease over fiscal year 2011 operating revenues was due to an increase in estimates for doubtful student accounts receivable as well as decreases in Federal grants, other grants, and an Auxiliary enterprise sales and charges. Operating expenses totaled \$10.5 million for the fiscal year 2012, representing a decrease of 1.2% over the 2011 fiscal year due mainly to decrease in student aid, instructional materials, and academic support.

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, 2012

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, 2012. 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, 2012. 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 for the year ended September 30, 2012. It shows the cash activities by type, reconciling the beginning cash amount to the ending cash 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.

The *Statement of Revenues, Expenses, and Changes in Net Assets-Budget and Actual (GAAP-Basis)* reflects the budgetary comparison to actual results of operations and other changes for the year ended September 30, 2012. A budgetary comparison statement for the general and federal funds is considered to be part of the basic financial statements. PCC adopts annual appropriated budgets for its general and federal funds. Budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budgets.

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, 2012

Overview of Financial Statements, Continued

Financial Analysis of the College as a Whole
Net Assets
As of September 30, 2012, 2011, and 2010

	2012	2011	2010
ASSETS			
Current assets			
Cash	\$ 475,487	\$ 678,914	\$ 545,486
Accounts receivable, net	3,490,706	2,081,261	1,453,615
Appropriations receivable	659,551	394,737	779,607
Inventory	328,685	218,816	239,239
Deposits	-	28,283	-
Total current assets	4,954,429	3,402,011	3,017,947
Noncurrent assets			
Restricted cash	276,599	74,535	74,428
Endowment investments	2,490,000	1,911,000	1,841,349
Capital assets, net	1,470,161	1,498,640	1,657,923
Total noncurrent assets	4,236,760	3,484,175	3,573,700
TOTAL ASSETS	\$ 9,191,189	\$ 6,886,186	\$ 6,591,647
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,982,437	\$ 722,475	\$ 834,479
Accrued liabilities	319,147	218,464	211,583
Deferred tuition and fees revenue	791,119	849,574	771,389
Other deferred revenue	102,038	171,438	94,109
Compensated absences, current portion	126,553	106,644	71,010
Total current liabilities	3,321,294	2,068,595	1,982,570
Noncurrent liabilities			
Compensated absences, net of current portion	40,266	47,912	83,361
TOTAL LIABILITIES	3,361,560	2,116,507	2,065,931
NET ASSETS			
Invested in capital assets	1,470,161	1,498,640	1,657,923
Restricted			
Expendable	253,370	37,824	37,824
Nonexpendable	2,513,229	2,037,870	1,972,570
Unrestricted	1,592,869	1,195,345	857,399
TOTAL NET ASSETS	\$ 5,829,629	\$ 4,769,679	\$ 4,525,716

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, 2012

Overview of Financial Statements, Continued

Total net assets in fiscal year 2012 increased to \$5.8 million from \$4.8 million in fiscal year 2011. Endowment investments increased in fiscal year 2012 to \$2.5 million from \$1.9 million in fiscal year 2011.

Current liabilities increased in fiscal year 2012 to \$3.3 million from \$2.1 million in fiscal year 2011 attributed to increase in accounts payable.

Revenues
For the Years Ended
September 30, 2012, 2011, and 2010

	2012	2011	2010
Operating revenues:			
U.S. Federal grants	\$ 4,429,211	\$ 4,553,082	\$ 4,150,457
Tuition and fees, net	2,679,867	2,662,242	1,970,057
Other grants	1,206,117	1,297,579	1,105,642
Auxiliary enterprise sale and charges	91,668	126,525	187,697
Other	209,124	129,616	529,460
Total operating revenues, net	8,615,987	8,769,044	7,943,313
Non-operating revenues (expenses):			
Republic of Palau appropriations	2,631,200	2,129,401	2,384,100
Investment income (loss), net	323,454	(39,335)	172,832
Loss on disposal of capital assets	(22,663)	-	(22,603)
Total non-operating revenues	2,931,991	2,090,066	2,534,329
Total Revenues	\$ 11,547,978	\$10,859,110	\$ 10,477,642

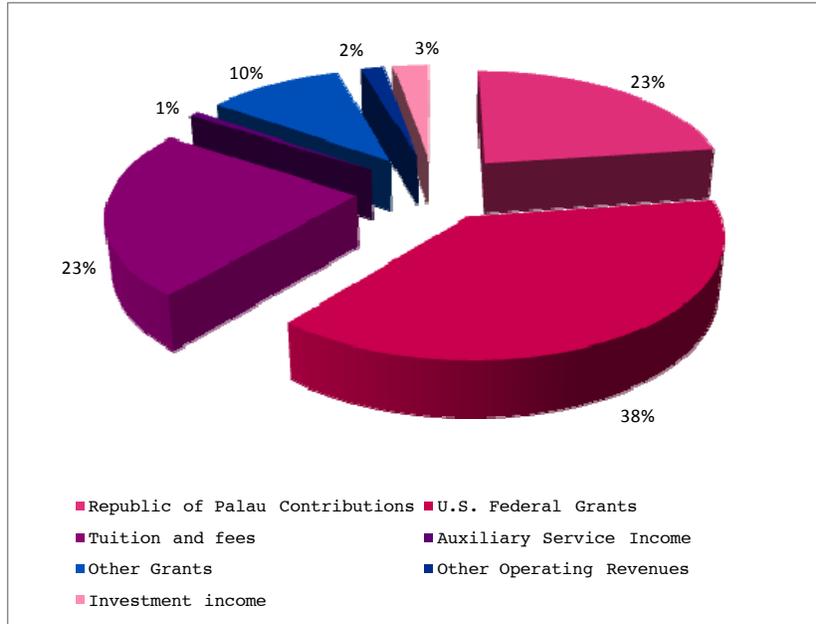
The schedule indicates total revenues realized by the College in fiscal year 2012 of \$12 million. The largest portion of revenues (\$4.4 million) was contributed by the U.S. Federal Government through grants. Approximately \$2.6 million was contributed by the Olbiil Era Kelulau (Palau National Congress). The following chart exhibits the breakdown of revenues for Palau Community College in fiscal year 2012:

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

Management's Discussion and Analysis
September 30, 2012

Overview of Financial Statements, Continued

**Revenues Breakdown
For The Year Ended September 30, 2012**



**Operating Expenses
For The Years Ended September 30, 2012, 2011, and 2010**

	2012	2011	2010
Expenditures and mandatory transfers			
Educational and general			
Student aid	\$ 3,438,137	\$ 3,676,530	\$ 3,182,049
Instructional	2,042,243	2,259,942	2,263,025
Administration	1,967,588	1,841,822	1,784,794
Student services	1,046,248	832,785	962,741
Operations and maintenance	810,168	744,774	910,221
Academic support	365,874	505,371	494,246
Depreciation	296,690	304,101	314,199
Total educational and general expenditures	9,966,948	10,165,325	9,911,275
Mandatory transfers			
Auxiliary enterprises expenditures	521,080	449,822	610,849
Total expenditures and mandatory transfers	\$ 10,488,028	\$ 10,615,147	\$ 10,522,124

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

Management's Discussion and Analysis
September 30, 2012

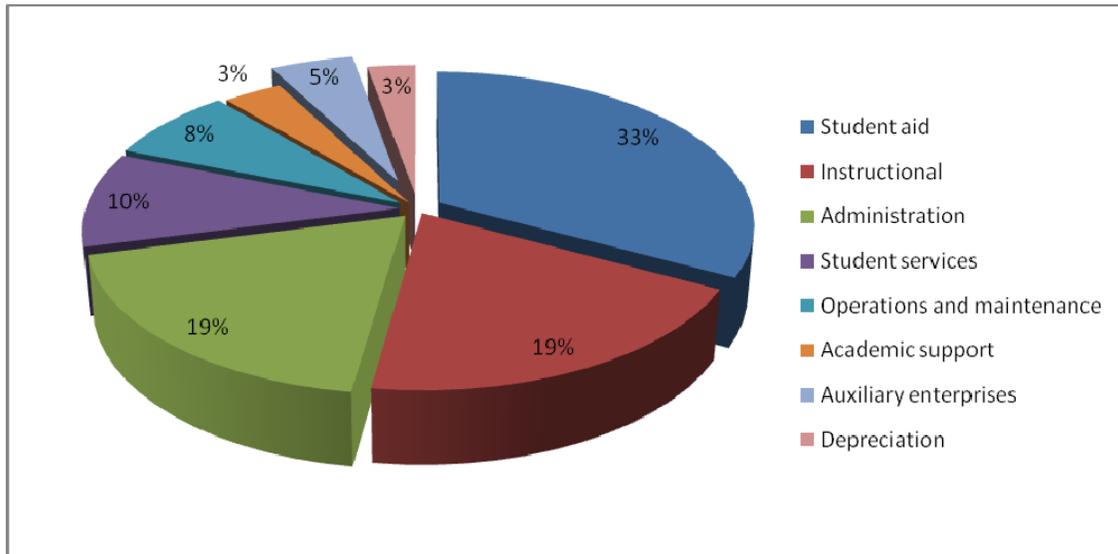
Overview of Financial Statements, Continued

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 2012. Total operating expenses in fiscal year 2012 decreased by \$127,119 or 1% from fiscal year 2011. The following expenses by function comprise the significant portions of this total net decrease:

- Student Aid decreased by \$238,393 or 6.5% due to the decrease in enrollment of students in federal financial aid grants.
- Instructional function decreased by \$217,699 or 10% is mainly attributed to the books and instructional materials procured for summer 2012 which came late and remained undistributed to students at September 30, 2012.
- Administration expenses increased by \$125,766 or 7% over prior year principally attributed to the provision for uncollectible accounts approximating \$97,000 for unremitted prior years' ROP appropriations.
- Student services increased by \$213,463 or 26% over prior year mainly due to an increase in employees, therefore, salary and related student services increased.

**Expenses Breakdown
For The Year Ended September 30, 2012**



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

Management's Discussion and Analysis
September 30, 2012

Overview of Financial Statements, Continued

Changes in Net Assets
For The Years Ended September 30, 2012, 2011, and 2010

	2012	2011	2010
Net assets, beginning of the year	\$ 4,769,679	\$ 4,525,716	\$ 4,570,198
Change in net assets	1,059,950	243,963	(44,482)
Net assets, end of the year	\$ 5,829,629	\$ 4,769,679	\$ 4,525,716

Net assets increased by \$1,059,950 or 22% primarily due to income earned during the year.

CAPITAL ASSETS

At September 30, 2012, the College had \$8.7 million in capital assets, less accumulated depreciation of \$7.2 million, for net capital assets of \$1.5 million. The current year additions of \$290,874 in capital assets were mainly equipment for the new library building facility and new computer system for various functional divisions. Depreciation charges for the current fiscal year totaled \$0.3 million.

The following table summarizes the College's capital assets for the fiscal year 2012:

	Balance at 09/30/11	Additions	Transfers/ Deletions	Balance at 09/30/12
Buildings and improvements	\$ 7,483,881	\$ 1,776	\$ -	\$ 7,485,657
Furniture, vehicles and equipment	1,070,258	289,098	(178,150)	1,181,206
Total depreciable assets	8,554,139	290,874	(178,150)	8,666,863
Accumulated depreciation	(7,055,499)	(296,690)	155,487	(7,196,702)
Capital assets, net	\$ 1,498,640	\$ (5,816)	\$ (22,663)	\$ 1,470,161

Additional information on the College's capital assets can be found in Notes 1 and 6 of the accompanying financial statements.

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

Management's Discussion and Analysis
September 30, 2012

Economic Factors that will Affect the Future

The economic condition of Palau Community College continues to be directly tied to that of the Republic of Palau (Government). The Government over the past 19 years has provided basically level funding to the College. Continuing to anticipate possible declining revenues, the College Board of Trustees may decide to consider further increase in tuition and fees to meet the ever-increasing cost of providing higher education programs and services.

The College continues its recruitment efforts by providing travel grants to accepted students from neighboring islands to increase student enrollment as well as ensure a more diverse student population. Annual fund-raising efforts to boost the PCC Endowment Fund will continue, with the ultimate goal of reaching the \$30 million goal. The College will begin to use interest earned to support programs and services once the endowment reaches the \$10 million mark. Efforts continue to build the fund through active recruitment of new bi-weekly allotments as well as solicitations for direct donations.

It is anticipated that the College's appropriation from the Republic of Palau National Government for fiscal year 2013 will continue to be at level funding. Therefore, the College will need to secure additional funding in subsequent years to ensure that its 15-year institutional master plan goals and objectives are not sidetracked by funding challenges.

Requests for Information

This report is intended to provide a summary of the financial condition of 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, 2012 and 2011

	2012	2011
<u>Assets</u>		
Current assets:		
Cash	\$ 475,487	\$ 678,914
Accounts receivable, net	3,490,706	2,081,261
Appropriations receivable	659,551	394,737
Inventory	328,685	218,816
Deposits	-	28,283
Total current assets	4,954,429	3,402,011
Noncurrent assets:		
Restricted cash	276,599	74,535
Endowment investments	2,490,000	1,911,000
Capital assets, net	1,470,161	1,498,640
Total noncurrent assets	4,236,760	3,484,175
Total Assets	\$ 9,191,189	\$ 6,886,186
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 1,982,437	\$ 722,475
Accrued liabilities	319,147	218,464
Deferred tuition and fees revenue	791,119	849,574
Other deferred revenue	102,038	171,438
Compensated absences, current portion	126,553	106,644
Total current liabilities	3,321,294	2,068,595
Noncurrent liabilities:		
Compensated absences, net of current portion	40,266	47,912
Total liabilities	3,361,560	2,116,507
Commitments and Contingencies		
Net Assets:		
Invested in capital assets	1,470,161	1,498,640
Restricted:		
Expendable	253,370	37,824
Nonexpendable	2,513,229	2,037,870
Unrestricted	1,592,869	1,195,345
Total net assets	5,829,629	4,769,679
Total Liabilities and Net Assets	\$ 9,191,189	\$ 6,886,186

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, 2012 and 2011

	2012	2011
Operating revenues:		
Federal grants	\$ 4,429,211	\$ 4,553,082
Tuition and fees, net of scholarship discounts and allowances	2,679,867	2,662,242
Other grants	1,206,117	1,297,579
Auxiliary enterprise sales and charges, net	91,668	126,525
Other operating revenues	209,124	129,616
 Total operating revenues	 8,615,987	 8,769,044
 Operating expenses:		
Education and general:		
Student aid	3,438,137	3,676,530
Instructional	2,042,243	2,259,942
Administration	1,967,588	1,841,822
Student services	1,046,248	832,785
Operations and maintenance	810,168	744,774
Auxiliary enterprises	521,080	449,822
Academic support	365,874	505,371
Depreciation	296,690	304,101
 Total operating expenses	 10,488,028	 10,615,147
 Operating loss	 (1,872,041)	 (1,846,103)
 Non-operating revenues (expenses):		
Republic of Palau appropriations	2,631,200	2,129,401
Investment income (loss), net	323,454	(39,335)
Loss on disposal of capital assets	(22,663)	-
 Total non-operating revenues, net	 2,931,991	 2,090,066
 Change in net assets	 1,059,950	 243,963
 Net assets, beginning of year	 4,769,679	 4,525,716
 Net assets, end of year	 \$ 5,829,629	 \$ 4,769,679

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from students for tuition and fees	\$ 1,776,739	\$ 2,764,787
Cash received from auxiliary activities	91,668	126,525
Cash received from federal grants	3,719,598	3,885,647
Cash received from other grants	1,490,681	1,519,953
Cash paid to employees	(3,744,972)	(3,744,972)
Cash paid to suppliers	<u>(5,155,044)</u>	<u>(6,678,872)</u>
Net cash used in operating activities	<u>(1,821,330)</u>	<u>(2,126,932)</u>
Cash flows from noncapital financing activities:		
Appropriations received from the Republic of Palau	<u>2,366,386</u>	<u>2,514,271</u>
Net cash provided by noncapital financing activities	<u>2,366,386</u>	<u>2,514,271</u>
Cash flows from capital and related financing activities:		
Additions to capital assets	<u>(290,874)</u>	<u>(144,818)</u>
Net cash used in capital and related financing activities	<u>(290,874)</u>	<u>(144,818)</u>
Cash flows from investing activities:		
Investment income (loss)	323,454	(39,335)
Endowment and library savings fund	(202,063)	(107)
Endowment fund investments	<u>(579,000)</u>	<u>(69,651)</u>
Net cash used in investing activities	<u>(457,609)</u>	<u>(109,093)</u>
Net increase (decrease) in cash	(203,427)	133,428
Cash, beginning of year	<u>678,914</u>	<u>545,486</u>
Cash, end of year	<u>\$ 475,487</u>	<u>\$ 678,914</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, 2012 and 2011

	2012	2011
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,872,041)	\$ (1,846,103)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Provision for uncollectable accounts	425,721	249,577
Depreciation	296,690	304,101
Changes in net assets:		
Accounts receivable, net	(1,835,167)	(877,223)
Inventory	(109,869)	20,423
Deposits	28,283	(28,283)
Accounts payable	1,259,962	(112,004)
Accrued liabilities	100,683	6,881
Deferred tuition and fees revenue	(58,455)	78,185
Other deferred revenue	(69,400)	77,329
Compensated absences	12,263	185
	<u>\$ (1,821,330)</u>	<u>\$ (2,126,932)</u>
Net cash used in operating activities	<u>\$ (1,821,330)</u>	<u>\$ (2,126,932)</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
- BUDGET AND ACTUAL (GAAP-BASIS)
For the Year Ended September 30, 2012

	General and Federal Funds			
	Budgeted	Amounts	Actual	Favorable
	Original	Final	Amounts	(Unfavorable) Variance
Operating revenues	\$ 5,675,033	\$ 5,675,033	\$ 7,724,124	\$ 2,049,091
Operating expenses:				
Supplies, materials, other operating expenses and services	3,328,195	3,328,195	5,703,286	(2,375,091)
Salaries	3,799,564	3,799,564	3,228,106	571,458
Employee benefits	697,486	697,486	583,922	113,564
Utilities	480,988	480,988	442,485	38,503
Total operating expenses	8,306,233	8,306,233	9,957,799	(1,651,566)
Operating loss	(2,631,200)	(2,631,200)	(2,233,675)	397,525
Non-operating revenues (expenses):				
Republic of Palau appropriations	2,631,200	2,631,200	2,631,200	-
Total non-operating revenues, net	2,631,200	2,631,200	2,631,200	-
Excess of revenues & other financing sources over expenditures & other financing uses.	\$ -	\$ -	\$ 397,525	\$ 397,525
Reconciliation of Budget to GAAP basis:				
	General Fund	Federal Fund	Total	
Budget basis	\$ 7,456,995	\$ 849,237	\$ 8,306,232	
Adjustments (net)				
Revenue accruals	-	2,049,091	2,049,091	
Expenditures accruals	(2,072,057)	-	(2,072,057)	
Encumbrances	-	1,674,533	1,674,533	
GAAP basis	\$ 5,384,938	\$ 4,572,861	\$ 9,957,799	

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2012 and 2011

(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 the 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, 2012 and 2011. 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 years ended September 30, 2012 and 2011. 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 for the years ended September 30, 2012 and 2011. It indicates the various cash activities by type, reconciling the beginning cash balance to the ending cash 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, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

The *Statement of Revenues, Expenses, and Changes in Net Assets-Budget and Actual (GAAP-Basis)* reflects the budgetary comparison to actual results of operations and other changes for the year ended September 30, 2012. A budgetary comparison statement for the general and federal funds is considered to be part of the basic financial statements.

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

Amounts included in the Statement of Revenues, Expenditures and Changes in Net Assets – Budget and Actual, which are presented on a GAAP budgetary basis, reconcile to the increase in net assets in 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 an annual appropriation from the legislative branch, the Olbiil Era Kelulau (Palau National Congress). The Palau National Congress legislature 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.

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

Cash

Cash in the Statements of Cash Flows 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*, all investments are reported at fair value.

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, 2012 and 2011, 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 \$425,721 and \$249,577, 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 and 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

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

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 Statements of Net Assets as a component of accrual Liabilities. The accrued leave at September 30, 2012 and 2011 were \$166,819 and \$154,556, respectively.

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 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.

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

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.

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, 2012 and 2011 were \$825,835 and \$903,934, respectively. The scholarship discounts and allowances for auxiliary enterprise sales and charges for the years ended September 30, 2012 and 2011 were \$388,490 and \$290,557, respectively.

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

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.

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, 2012 and 2011, the carrying amount of PCC's total cash was \$475,487 and \$678,914, respectively, and restricted cash was \$273,748 and \$74,535 respectively. The corresponding bank balances as of September 30, 2012 and 2011 were \$994,066 and \$979,123 respectively, and are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. From these deposits, \$773,229 and \$979,123 in fiscal year 2012 and 2011, respectively were subject to coverage by FDIC with the remaining balance exceeding insurable limits. The uninsured bank balance as of September 30, 2012 and 2011 was \$220,837 and \$0, respectively. PCC does not require collateralization of bank accounts, and therefore, amounts in excess of insurable limits are uncollateralized and are exposed to custodial credit risk.

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Deposits, Continued

In 2007, the Republic of Palau Financial Institutions Commission issued an order to freeze all assets of Pacific Savings Bank (a local Bank) and subsequently placed the bank under receivership. As of September 30, 2012 and 2011, PCC had cash on deposit 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, 2012 and 2011, 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.

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, 2012 and 2011, PCC's investments stated at fair value consisted of the following:

<u>2012</u>	<u>Allocation</u>		<u>Market Value</u>
	<u>Actual</u>	<u>Per Policy</u>	<u>9/30/2012</u>
Fixed income	31%	30%	\$ 767,399
U.S. Equities - Large Cap Value	17%	18%	427,188
U.S. Equities - Large Cap Growth	18%	17%	455,731
Non-U.S. Equities	24%	25%	605,273
U.S. Equities - Small Cap Core	10%	10%	<u>234,409</u>
			<u>\$ 2,490,000</u>

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

At September 30, 2012, the maturities of PCC's fixed-income (money market funds) investments by percentage of its portfolio, are as follows:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 year	11.0%
1 – 3 years	22.0%
4 – 5 years	19.0%
5 – 7 years	14.0%
7 – 9 years	12.0%
9 or more years	<u>22.0%</u>
Total	<u><u>100.0%</u></u>

<u>2011</u>	<u>Allocation</u>		<u>Market Value 9/30/2011</u>
	<u>Actual</u>	<u>Per Policy</u>	
Fixed income	36%	30%	\$ 684,228
U.S. Equities - Large Cap Value	16%	18%	296,417
U.S. Equities - Large Cap Growth	17%	17%	338,734
International Equities	23%	25%	436,584
U.S. Equities - Small Cap Core	8%	10%	<u>155,037</u>
			<u><u>\$ 1,911,000</u></u>

At September 30, 2011, the maturities of PCC's fixed-income (money market funds) investments by percentage of its portfolio, are as follows:

<u>Investment Maturities</u>	<u>Percentage of Portfolio</u>
Less than 1 year	24.0%
1 – 3 years	7.0%
3 – 5 years	18.0%
5 – 7 years	3.0%
7 – 9 years	18.0%
9 or more years	<u>30.0%</u>
Total	<u><u>100.0%</u></u>

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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. 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, 2012 and 2011 were rated as follows:

<u>Rating</u>	<u>Percent of Portfolio 09/30/2012</u>	<u>Percent of Portfolio 09/30/2011</u>
Government Agency	56.6%	60.5%
AA	13.0%	7.4%
A+	6.2%	2.2%
A	1.9%	13.3%
A-	3.9%	4.4%
BBB+	3.1%	5.6%
BBB	6.4%	3.0%
BBB-	8.6%	3.6%
CCC+	<u>0.3%</u>	<u>-</u>
	<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, 2012 and 2011

(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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards

During fiscal year 2012, PCC implemented GASB Statement No. 57, *OPEB Measurements by Agent Employers And Agent Multiple-Employer Plans*, which amends Statement No.43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. The provisions of Statement 57 related to the use and reporting of the alternative measurement are effective immediately. The implementation of this pronouncement did not have a material effect on the accompanying financial statements.

In December 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PCC.

In December 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, which is designed to improve financial reporting for governmental entities by amending the requirements of Statements No. 14, *The Financial Reporting Entity*, and No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, to better meet user needs and address reporting entity issues that have come to light since those Statements were issued in 1991 and 1999, respectively. The provisions of this statement are effective for periods beginning after June 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PCC.

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*, which is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PCC.

In July 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this statement are effective for periods beginning after December 15, 2011. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PCC.

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In July 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), which will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of this statement are effective for periods beginning after June 15, 2011. The provisions of Statement 64 did not have a material effect on the accompanying financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PCC.

In March 2012, GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PCC.

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

Notes to Financial Statements
September 30, 2012 and 2011

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, and GASB Statement No 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. These statements are effective for financial statements for fiscal years beginning after June 15, 2013 and 2014, respectively. Management does not believe that the implementation of this statement will have a material effect on the financial statements of PCC.

(2) Accounts Receivable

Accounts receivable consists of the following at September 30, 2012 and 2011:

	2012	2011
Tuition and fees	\$2,327,358	\$1,056,964
Due from grantor agencies	2,065,169	1,344,258
Accounts receivable, others	178,883	238,413
College of Micronesia	41,661	151,895
Employees and Board of Trustees	26,109	12,485
	4,639,180	2,804,015
Allowance for uncollectable accounts	(1,148,474)	(722,754)
Accounts receivable, net	\$3,490,706	\$2,081,261

The accounts receivable, others includes an amount of \$100,136 for 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 \$100,136 for the fiscal years ended September 30, 2012 and 2011, respectively, and is included as a component of the allowance for uncollectible accounts.

(3) Inventory

Inventory consists of the following at September 30, 2012 and 2011:

	2012	2011
Bookstore	\$ 326,490	\$ 218,816
Cafeteria	2,195	-
Total	\$ 328,685	\$ 218,816

PALAU COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(4) Restricted Cash

Restricted cash consists of the following at September 30, 2012 and 2011:

	2012	2011
Library fund	\$ 250,519	\$ 34,973
Endowment fund	26,080	39,562
Total	\$ 276,599	\$ 74,535

(5) Endowment Fund

The PCC Endowment Fund was established in 1995 and was initially funded with \$100,000 by the government of the Republic of Palau. The Endowment Fund's goal is to grow in size to an endowment principle of \$10 million through a combination of investment returns, public and private contributions and a variety of special fundraising events. At such time, PCC plans to utilize the earned interest income to fund college programs and services and to provide post-secondary education and vocational training to the Republic of Palau and the Pacific region. The Board of Trustees is authorized by public law to manage investments consistent with the College's investment policy. Investments held by PCC for the Endowment Fund consist primarily of money market funds, fixed income securities, and common stock and is further disclosed in Note 1. The endowment funds are restricted and are recorded in the restricted nonexpendable net assets category on the Statement of Net Assets. The PCC Endowment Fund consists of the following at September 30, 2012 and 2011:

	2012	2011
Endowment investments	\$2,490,000	\$1,911,000
Endowment fund-restricted cash	23,229	39,562
Total	\$2,513,229	\$1,950,562

(6) Capital Assets

A schedule of changes in capital assets for the fiscal years ended September 30, 2012 and 2011 is shown below:

Capital assets activity for the fiscal year ended September 30, 2012:

	Balance at 9/30/11	Additions	Transfers/ Deletions	Balance at 9/30/12
Buildings and improvements	\$ 7,483,881	\$ 1,776	\$ -	\$ 7,485,657
Furniture, vehicles and equipment	1,070,258	289,098	(178,150)	1,181,206
	8,554,139	290,874	(178,150)	8,666,863
Accumulated depreciation	(7,055,499)	(296,690)	155,487	(7,196,702)
Capital assets, net	\$ 1,498,640	\$ (5,816)	\$ (22,663)	\$ 1,470,161

PALAU COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(6) Capital Assets, Continued

Capital assets activity for the fiscal year ended September 30, 2011:

	<u>Balance at</u> <u>9/30/10</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance at</u> <u>9/30/11</u>
Buildings and improvements	\$ 7,406,567	\$ 77,314	\$ -	\$ 7,483,881
Furniture, vehicles and equipment	<u>1,002,754</u>	<u>67,504</u>	<u>-</u>	<u>1,070,258</u>
	8,409,321	144,818	-	8,554,139
Accumulated depreciation	<u>(6,751,398)</u>	<u>(304,101)</u>	<u>-</u>	<u>(7,055,499)</u>
Capital assets, net	<u>\$ 1,657,923</u>	<u>\$ (159,283)</u>	<u>\$ -</u>	<u>\$ 1,498,640</u>

Capital assets essentially serve all functions. The depreciation expense of \$296,690 and \$304,101, respectively, for the years ended September 30, 2012 and 2011, is unallocated.

(7) Long-term Liabilities

At September 30, 2012 and 2011, the summary of changes in the long-term liabilities is as follows:

2012

	<u>Balance</u> <u>10/1/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/12</u>	<u>Current</u> <u>Portion</u>	<u>Noncurrent</u> <u>Portion</u>
Compensated absences	\$ 154,556	\$ 139,074	\$ 126,811	\$ 166,819	\$ 126,553	\$ 40,266

2011

	<u>Balance</u> <u>10/1/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/11</u>	<u>Current</u> <u>Portion</u>	<u>Noncurrent</u> <u>Portion</u>
Compensated absences	\$ 154,371	\$ 87,300	\$ 87,115	\$ 154,556	\$ 106,644	\$ 47,912

(8) National Government Contributions

At September 30, 2012 and 2011, the Republic of Palau appropriated and contributed the following to PCC:

	<u>2012</u>	<u>2011</u>
For operational costs of PCC and its Board of Trustees	<u>\$2,631,200</u>	<u>\$2,129,401</u>

At September 30, 2012 and 2011, amounts due from Republic of Palau representing unremitted balances of appropriations due to PCC was \$659,551 and \$394,737, respectively, and is reported in the Statements of Net Assets as appropriations receivable.

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

Notes to Financial Statements
September 30, 2012 and 2011

(9) Functional Expenses Classifications

The functional expenses classifications for fiscal years ended 2012 and 2011 are as follows:

2012

	Supplies, Materials, Other Operating					
	Employee	Expenses and				
	Benefits	Services	Utilities	Depreciation	Total	
	<u>Salaries</u>	<u>Benefits</u>	<u>Services</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Student aid	\$ 112,151	\$ 780	\$ 3,324,940	\$ 266	\$ -	\$ 3,438,137
Instructional	1,404,593	240,741	369,145	27,764	-	2,042,243
Administration	787,182	143,882	901,707	134,817	-	1,967,588
Student services	541,446	118,444	356,909	29,449	-	1,046,248
Operations and maintenance	281,756	58,710	219,962	249,740	-	810,168
Auxiliary enterprises	90,061	18,124	410,152	2,743	-	521,080
Academic support	236,358	41,294	73,873	14,349	-	365,874
Depreciation	-	-	-	-	296,690	296,690
	<u>\$ 3,453,547</u>	<u>\$ 621,975</u>	<u>\$ 5,656,688</u>	<u>\$ 459,128</u>	<u>\$ 296,690</u>	<u>\$10,488,028</u>

2011

	Supplies, Materials, Other Operating					
	Employee	Expenses and				
	Benefits	Services	Utilities	Depreciation	Total	
	<u>Salaries</u>	<u>Benefits</u>	<u>Services</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Student aid	\$ 15,090	\$ 1,452	\$ 3,659,988	\$ -	\$ -	\$ 3,676,530
Instructional	1,242,326	227,073	790,389	154	-	2,259,942
Administration	715,822	132,081	943,790	50,129	-	1,841,822
Student services	508,393	93,943	228,650	1,799	-	832,785
Operations and maintenance	280,566	45,872	100,482	317,854	-	744,774
Auxiliary enterprises	100,399	18,776	329,411	1,236	-	449,822
Academic support	301,419	53,162	150,790	-	-	505,371
Depreciation	-	-	-	-	304,101	304,101
	<u>\$ 3,164,015</u>	<u>\$ 572,359</u>	<u>\$ 6,203,500</u>	<u>\$ 371,172</u>	<u>\$ 304,101</u>	<u>\$10,615,147</u>

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

Notes to Financial Statements
September 30, 2012 and 2011

(10) 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 \$160,599 and \$179,565 for fiscal years 2012 and 2011, 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

PALAU COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(10) Retirement Plan, Continued

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.

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>

(11) Commitments and Contingencies

Encumbrances

PCC reserves its fund balance for internal purposes, for those portions legally segregated for specific future use. At September 30, 2012 and 2011, the reserve for encumbrances was \$180,945 and \$188,992, 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, 2012 and 2011 was \$1,430,800 and \$1,315,406, respectively.

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

Notes to Financial Statements
September 30, 2012 and 2011

(11) Commitments and Contingencies, Continued

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.

(12) Economic Dependency

For the years ended September 30, 2012 and 2011, PCC derives 59% and 60% of its total revenues, respectively, from Federal grants and appropriations from the Republic of Palau. Significant decrease in assistance could adversely affect the operations of PCC.

(13) 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.

(14) Fair Value of Financial Instruments

PCC financial instruments are cash, student receivables and receivables from ROP Government and Federal agencies and payables. The recorded values of these financial instruments approximate their fair values based on their short-term nature.

(15) 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.

PALAU COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2012 and 2011

(16) Subsequent Events

PCC has evaluated subsequent events from September 30, 2012 through June 4, 2013, 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)

SINGLE AUDIT REPORTS

For The Year Ended September 30, 2012



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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, 2012, and have issued my report thereon dated June 4, 2013. 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

Management of PCC is responsible for establishing and maintaining effective 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 deficiencies, 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 4, 2013.

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 Magliani & Company
Koror, Republic of Palau
June 4, 2013

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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**

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, 2012. PCC's major federal programs are identified in the Summary of Auditor's Results section on pages 43 and 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, 2012.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, 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 deficiencies, 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.

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 4, 2013

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

Introduction to Federal Award Programs
For the Year Ended September 30, 2012

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, 2012, 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 as of September 30, 2012.

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
- 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, 2012, 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, 2012

Federal Grantor/Pass- Through Grantor's Program Title	CFDA Number	Program or Award Amount	Receivable from Grantor (Deferred Revenue) at October 1, 2011	Cash Receipts FY12	Expenditures FY12	Receivable from Grantor (Deferred Revenue) at September 30, 2012
<u>U.S Department of Education</u>						
<u>Direct Programs</u>						
Student Financial Aid Programs:						
Supplemental Educational						
Opportunity Grant	84.007	\$ 38,266	\$ 33,487	\$ 42,387	\$ 49,252	\$ 40,352
Federal Work-Study	84.033	127,850	23,839	111,104	103,151	15,886
Pell Grant	84.063	3,267,415	1,020,667	2,475,107	3,257,036	1,802,596
Academic Competitiveness Grant	84.375	102,670	62,477	-	(49,807)	12,670
Sub-total Student Financial Aid Programs		<u>3,536,201</u>	<u>1,140,470</u>	<u>2,628,598</u>	<u>3,359,632</u>	<u>1,871,504</u>
TRIO Cluster:						
Upward Bound Program	84.047A	328,860	15,919	338,747	329,805	6,977
Upward Bound Math and Science	84.047M	242,250	18,279	225,296	207,019	2
Talent Search	84.044A	230,000	25,533	255,590	231,584	1,527
Sub-total TRIO Cluster		<u>801,110</u>	<u>59,731</u>	<u>819,633</u>	<u>768,408</u>	<u>8,506</u>
Asian American and Native American Pacific Islander- Serving Institution Program						
	84.382B	290,377	-	118,367	133,791	15,424
Sub-total U.S. Department of Education		<u>4,627,688</u>	<u>1,200,201</u>	<u>3,566,598</u>	<u>4,261,831</u>	<u>1,895,434</u>
<u>U.S. Department of Health and Human Services</u>						
Basic/Core Area Health and Education Center	93.824	105,640	37,694	39,500	76,861	75,055
<u>U.S. Institute of Museum and Library Services</u>						
Museums for America	45.301	137,546	(1,761)	-	1,761	-
National Leadership Grant Laura Bush 21st Century Librarian Program	45.312	39,980	14,785	14,785	-	-
	45.313	216,405	11,073	128,647	117,574	-
		<u>393,931</u>	<u>24,097</u>	<u>143,432</u>	<u>119,335</u>	<u>-</u>
<u>U.S. Department of the Interior</u>						
<u>Indirect Program</u>						
PCC-ROPNG Joint Training OMIP-ROP-2009	15.875	100,000	8,940	20,813	22,178	10,305
Sub-total U.S. Department of the Interior		<u>100,000</u>	<u>8,940</u>	<u>20,813</u>	<u>22,178</u>	<u>10,305</u>
Total Federal Programs		<u>\$ 5,227,259</u>	<u>\$ 1,270,932</u>	<u>\$ 3,770,343</u>	<u>\$ 4,480,205</u>	<u>\$ 1,980,794</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
For The Year Ended September 30, 2012

(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.

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.

(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
For The Year Ended September 30, 2012

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
For The Year Ended September 30, 2012

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	\$ 3,359,632
84.042A, 84.044A, 84.047A, 84.047M	TRIO Cluster	<u>768,408</u>
	Total major programs expenditures	<u>\$ 4,128,040</u>
	Total federal expenditures	<u>\$ 4,480,205</u>
	Total Tested	<u>92%</u>
Threshold used to distinguish between Type A and Type B program:		<u>\$ 300,000</u>

Auditee qualified as a low risk auditee? x 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)

STATISTICAL SECTION

For The Year Ended September 30, 2012

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

NET ASSETS
Last Ten Fiscal Years Ended September 30th

	2012	2011	2010	2009	2008
Invested in capital assets	\$ 1,470,161	\$ 1,498,640	\$ 1,657,923	\$ 1,756,422	\$ 810,747
Restricted	2,766,599	2,075,694	2,010,394	1,558,285	1,785,039
Unrestricted	1,592,869	1,195,345	857,399	1,255,491	2,987,878
Total Net Assets	\$ 5,829,629	\$ 4,769,679	\$ 4,525,716	\$ 4,570,198	\$ 5,583,664

	2007	2006	2005	2004	2003
Invested in capital assets	\$ 1,100,177	\$ 1,545,818	\$ 1,830,654	\$ 2,217,515	\$ 2,496,517
Restricted	2,083,494	1,770,933	1,071,376	510,744	500,321
Unrestricted	2,818,501	2,439,443	2,502,533	1,530,054	836,616
Total Net Assets	\$ 6,002,172	\$ 5,756,194	\$ 5,404,563	\$ 4,258,313	\$ 3,833,454

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

See Independent Auditor's Report.

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

CHANGES IN NET ASSETS
Last Ten Fiscal Years Ended September 30th

	2012	2011	2010	2009	2008
Operating revenues					
Tuition and fees, net	\$ 2,679,867	\$ 2,662,242	\$ 1,970,057	\$ 1,258,685	\$ 1,468,915
Federal grants	4,429,211	4,553,082	4,150,457	3,462,059	3,412,959
Auxiliary enterprise sales and charges	91,668	126,525	187,697	313,116	778,075
Other grants	1,206,117	1,297,579	1,105,642	740,835	338,397
Other operating revenues	209,124	129,616	529,460	268,739	311,499
Total operating revenues, net	8,615,987	8,769,044	7,943,313	6,043,434	6,309,845
Operating expenses					
Student aid	3,438,137	3,676,530	3,182,049	2,508,681	2,423,962
Instructional	2,042,243	2,259,942	2,263,025	2,140,738	2,054,633
Administration	1,967,588	1,841,822	1,784,794	1,603,966	1,373,080
Student services	1,046,248	832,785	962,741	1,273,082	885,845
Operations and maintenance	810,168	744,774	910,221	835,596	664,761
Academic support	365,874	505,371	494,246	347,371	290,500
Special project	-	-	-	-	-
Auxiliary enterprises	521,080	449,822	610,849	481,379	641,878
Depreciation	296,690	304,101	314,199	288,710	489,542
Total operating expenses	10,488,028	10,615,147	10,522,124	9,479,523	8,824,201
Operating loss	(1,872,041)	(1,846,103)	(2,578,811)	(3,436,089)	(2,514,356)
Non-operating revenues (expenses):					
Republic of Palau appropriations	2,631,200	2,129,401	2,384,100	2,341,505	2,333,501
Investment income (loss)	323,454	(39,335)	172,832	81,118	(237,653)
Loss on disposal of capital assets	(22,663)	-	(22,603)	-	-
Total non-operating revenues	2,931,991	2,090,066	2,534,329	2,422,623	2,095,848
Change in net assets	\$ 1,059,950	\$ 243,963	\$ (44,482)	\$ (1,013,466)	\$ (418,508)

	2007	2006	2005	2004	2003
Operating revenues					
Tuition and fees, net	\$ 1,418,565	\$ 1,795,846	\$ 1,703,396	\$ 1,296,254	\$ 1,316,459
Federal grants	3,061,096	3,595,841	3,281,304	4,225,650	4,536,804
Auxiliary enterprise sales and charges	942,815	743,696	660,850	652,148	704,251
Other grants	326,641	390,678	819,287	326,760	362,172
Other operating revenues	294,856	73,803	86,795	100,117	132,831
Total operating revenues, net	6,043,973	6,599,864	6,551,632	6,600,929	7,052,517
Operating expenses					
Student aid	1,993,121	2,268,970	2,090,121	2,408,722	2,997,163
Instructional	1,979,078	2,069,384	2,118,718	2,609,079	2,262,913
Administration	1,074,526	1,048,741	974,203	966,061	526,117
Student services	925,330	929,488	850,391	836,517	821,240
Operations and maintenance	800,409	912,483	641,418	560,516	606,472
Academic support	299,266	373,039	336,076	264,812	232,700
Special project	-	-	395,628	-	-
Auxiliary enterprises	690,217	727,383	533,816	715,288	734,244
Depreciation	597,467	583,634	573,556	529,223	619,213
Total operating expenses	8,359,414	8,913,122	8,513,927	8,890,218	8,800,062
Operating loss	(2,315,441)	(2,313,258)	(1,962,295)	(2,289,289)	(1,747,545)
Non-operating revenues (expenses):					
Republic of Palau appropriations	2,385,000	2,385,000	2,385,000	2,415,000	2,345,000
Investment income (loss)	176,419	279,889	723,545	299,148	36,662
Loss on disposal of capital assets	-	-	-	-	-
Total non-operating revenues	2,561,419	2,664,889	3,108,545	2,714,148	2,381,662
Change in net assets	\$ 245,978	\$ 351,631	\$ 1,146,250	\$ 424,859	\$ 634,117

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

See Independent Auditor's Report.

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

REVENUES BY SOURCE
Last Ten Fiscal Years Ended September 30th

Function	2012	2011	2010	2009	2008
ROP Appropriations	\$ 2,631,200	\$ 2,129,401	\$ 2,384,100	\$ 2,341,505	\$ 2,333,501
U.S. Federal Grants	4,429,211	4,553,082	4,150,457	3,462,059	3,412,959
Tuition and Fees, net	2,679,867	2,662,242	1,970,057	1,258,685	1,468,915
Investment Income (Loss)	323,454	(39,335)	172,832	81,118	(237,653)
Auxiliary Service Income	91,668	126,525	187,697	313,116	778,075
Other Grants	1,206,117	1,297,579	1,105,642	740,835	338,397
Other Operating Revenues	209,124	129,616	529,460	268,739	311,499
Total Revenues	\$ 11,570,641	\$ 10,859,110	\$ 10,500,245	\$ 8,466,057	\$ 8,405,693

Function	2007	2006	2005	2004	2003
ROP Appropriations	\$ 2,385,000	\$ 2,385,000	\$ 2,385,000	\$ 2,415,000	\$ 2,345,000
U.S. Federal Grants	3,061,096	3,595,841	3,281,304	4,225,650	4,536,804
Tuition and Fees, net	1,418,565	1,795,846	1,703,396	1,296,254	1,316,459
Investment Income (Loss)	176,419	279,889	723,545	299,148	36,662
Auxiliary Service Income	942,815	743,696	660,850	652,148	704,251
Other Grants	326,641	390,678	819,287	326,760	362,172
Other Operating Revenues	294,856	73,803	86,795	100,117	132,831
Total Revenues	\$ 8,605,392	\$ 9,264,753	\$ 9,660,177	\$ 9,315,077	\$ 9,434,179

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

See Independent Auditor's Report.

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

EXPENSES BY FUNCTION
Last Ten Fiscal Years Ended September 30th

Function	2012	2011	2010	2009	2008
Student Aid	\$ 3,438,137	\$ 3,676,530	\$ 3,182,049	\$ 2,508,681	\$ 2,423,962
Instruction	2,042,243	2,259,942	2,263,025	2,140,738	2,054,633
Administration	1,967,588	1,841,822	1,784,794	1,603,966	1,373,080
Student Services	1,046,248	832,785	962,741	1,273,082	885,845
Operations and Maintenance	810,168	744,774	910,221	835,596	664,761
Academic Support	365,874	505,371	494,246	347,371	290,500
Special Project	-	-	-	-	-
Auxiliary Enterprises	521,080	449,822	610,849	481,379	641,878
Depreciation	296,690	304,101	314,199	288,710	489,542
Total Expenditures	\$ 10,488,028	\$ 10,615,147	\$ 10,522,124	\$ 9,479,523	\$ 8,824,201

Function	2007	2006	2005	2004	2003
Student Aid	\$ 1,993,121	\$ 2,268,970	\$ 2,090,121	\$ 2,408,722	\$ 2,997,163
Instruction	1,979,078	2,069,384	2,118,718	2,609,079	2,262,913
Administration	1,074,526	1,048,741	974,203	966,061	526,117
Student Services	925,330	929,488	850,391	836,517	821,240
Operations and Maintenance	800,409	912,483	641,418	560,516	606,472
Academic Support	299,266	373,039	336,076	264,812	232,700
Special Project	-	-	395,628	-	-
Auxiliary Enterprises	690,217	727,383	533,816	715,288	734,244
Depreciation	597,467	583,634	573,556	529,223	619,213
Total Expenditures	\$ 8,359,414	\$ 8,913,122	\$ 8,513,927	\$ 8,890,218	\$ 8,800,062

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

See Independent Auditor's Report.

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	Adjunct Faculty	Regular Staff	Part-time/ Temp. Staff	Total Employees
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
2011	26	20	90	40	176
2012	35	19	105	56	215

Source: PCC Human Resource Records.

See Independent Auditor's Report.

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)	Part-time and Others (2)
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
2011	\$110	742	508	234
2012	\$110	680	423	257

Source: PCC Records Department

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

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

See Independent Auditor's Report.

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
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
2011	68%	32%	315	427	102	640	21	18
2012	62%	38%	297	383	112	568	21	24

Fall Semester Fiscal Year	Nationality							Total Headcount
	Palau	Yap	Pohnpei	Chuuk	Marshalls	Kosrae	Others(1)	
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
2011	561	87	12	35	3	5	39	742
2012	510	63	12	33	9	15	38	680

Source: PCC records

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

See Independent Auditor's Report.