

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

September 30, 2009 and 2008



PALAU
COMMUNITY
COLLEGE

PALAU COMMUNITY COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT Fiscal Year Ended September 30, 2009

Prepared by:
Administration & Finance Department

Jay Olegeriil
Vice President for Administration & Finance

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Account Supervisor

P.O. Box 9
Koror, Palau 96940

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)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

INTRODUCTORY SECTION

Year Ended September 30, 2009



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

April 23, 2010

Ladies and Gentlemen of the Board:

I am pleased to submit to you and leadership of the Republic of Palau the Comprehensive Annual Financial Report for fiscal year 2009. This document presents the record of Palau Community College's financial operations for the year ended September 30, 2009.

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

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

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

Sincerely,

/s/ Patrick U. Tellei, EdD

Patrick U. Tellei, EdD
President

Accredited by
WESTERN ASSOCIATION OF
SCHOOLS AND COLLEGES



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

April 23, 2010

To : President Tellei and
Members of the Board of Trustees

The Comprehensive Annual Financial Report of Palau Community College for the fiscal year ended September 30, 2009 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 STATEMENT

Accredited by
WESTERN ASSOCIATION OF
SCHOOLS AND COLLEGES

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

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

VISION, MISSION AND VALUES

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

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

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

- 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, 2009, the College received and administered several grants from the U.S. Federal Government and these include Student Aids (Pell Grant), Student Support Service (Project Beacon), Upward Bound, Upward Bound Math & Science (UBMS),

Talent Search Program and Area Health Education Center (AHEC). These programs were audited and their financial reports are contained in the financial section of this report.

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

MAJOR INITIATIVES

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

Strategic Direction 1: Student Success

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

Strategic Direction 2: Institutional Culture

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

Strategic Direction 3: Resources

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

Strategic Direction 4: Culture of Evidence

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

FINANCIAL INFORMATION

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

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

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

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

The level of budgetary control (i.e., the level at which expenditures cannot exceed the appropriated amount) is established for each individual fund. The College does not practice encumbered 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 nine years.

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>Enrollment</u>									
Full Time Total	1,569	1,597	1,570	1,571	1,710	1,634	1,884	1,788	1,544
Continuing Education and Other Training	<u>5,827</u>	<u>4,430</u>	<u>5,399</u>	<u>3,039</u>	<u>3,089</u>	<u>1,877</u>	<u>863</u>	<u>1,658</u>	<u>3,284</u>
Total*	<u>7,396</u>	<u>6,027</u>	<u>6,969</u>	<u>4,610</u>	<u>4,799</u>	<u>3,511</u>	<u>2,747</u>	<u>3,446</u>	<u>4,828</u>

*Total Enrollment, Continuing Education & Specialized training enrollment including CRE, 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 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, 2009, the College's investments from current funds generated an investment income of \$81,118 from endowment fund investments. The College invests endowment fund in Money Market funds managed by Morgan Stanley Smith Barney.

RISK MANAGEMENT

In fiscal year 2009, 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 \$13,016 for automobile insurance to provide coverage in case of accidents involving college vehicles.

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

OTHER INFORMATION

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

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

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

ACKNOWLEDGEMENT

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

Respectfully submitted,

/s/ Jay Olegeriil

Jay Olegeriil
Vice President of Administration & Finance

PALAU COMMUNITY COLLEGE

PRINCIPAL OFFICIALS

Year ended September 30, 2009

BOARD OF TRUSTEES

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

OFFICERS OF THE COLLEGE

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

OFFICIALS ISSUING REPORT

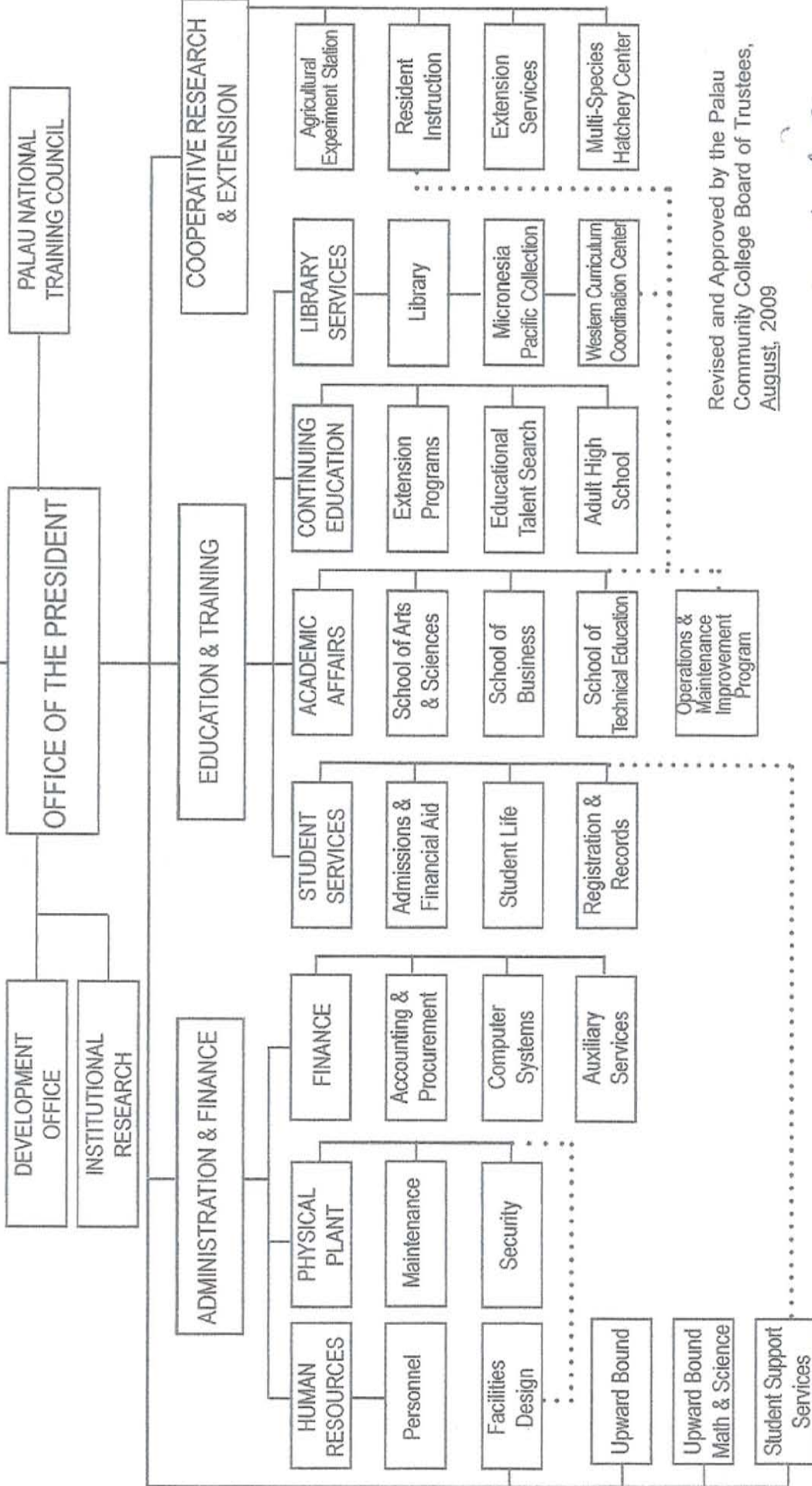
Mr. Jay Olegeriil	Vice President for Administration and Finance
Ms. Lorenza Joseph	Accounting Supervisor

DIVISION ISSUING REPORT

Finance



BOARD OF TRUSTEES



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

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

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

FINANCIAL SECTION

Years Ended September 30, 2009 and 2008

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

September 30, 2009 and 2008



CERTIFIED PUBLIC ACCOUNTANT

GUAM

P.O. BOX 12734 • TAMUNING, GUAM 96931
TEL: (671) 472-2680 • FAX: (671) 472-2686

SAIPAN

PMB 297 PPP BOX 10000 • SAIPAN, MP 96950
TEL: (670) 233-1837 • FAX: (670) 233-8214

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Palau Community College
Koror, Republic of Palau

I have audited the accompanying basic financial statements of the Palau Community College (PCC), a component unit of the Republic of Palau (ROP), as of and for the years ended September 30, 2009 and 2008. These financial statements are the responsibility of PCC's management. My responsibility is to express an opinion on these basic financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PCC's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of PCC as of September 30, 2009 and 2008, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated April 23, 2010 on my consideration of PCC's internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audits.

J. Scott Magliari & Company

Koror, Republic of Palau
April 23, 2010

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

Management's Discussion and Analysis
September 30, 2009

Management's Discussion and Analysis

This section of Palau Community College's Comprehensive Annual Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended September 30, 2009. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the transmittal letter (pages IV-IX), College's financial statements (pages 11 through 15) and footnotes (pages 16 through 34). This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and-Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statement Nos. 37 and 38. Responsibility for the completeness and fairness of this information rests with the College.

Financial Highlights

The College's assets totaled \$6.4 million at September 30, 2009. This balance reflects \$0.3 million decrease from the 2008 fiscal year mainly from absorbing the portion of the decrease in net assets of \$1 million incurred from operation losses in fiscal year 2009.

The College's operating revenues totaled \$6 million for the fiscal year 2009, representing a 4.3% decrease over fiscal year 2008 due to decrease in other grant. Operating expenses totaled \$9.5 million for the fiscal year 2009, representing an increase of 7.5% over the 2008 fiscal year due mainly to increases in salaries, employee benefits, federal student aid, supplies and utilities.

Using This Annual Report

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

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

Management's Discussion and Analysis
September 30, 2009

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, 2009. 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, 2009. It shows revenues and expenses, both operating and non-operating, reconciling the beginning net assets amount to the ending net assets amount, which is shown on the *Statement of Net Assets* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended September 30, 2009. It shows the cash activities by type, reconciling the beginning cash and cash equivalents amount to the ending cash and cash equivalents amount, which is shown on the *Statement of Net Assets*, described above. In addition, this statement reconciles cash flows from operating activities to operating loss on the *Statement of Revenues, Expenses, and Changes in Net Assets* described above.

Notes to the Financial Statements

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

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

Management's Discussion and Analysis
September 30, 2009

Financial Analysis of the College as a Whole
Net Assets
As of September 30, 2009, 2008, and 2007

	2009	2008	2007
ASSETS			
Current assets			
Cash and cash equivalents	\$ 655,518	\$ 482,461	\$ 562,500
Accounts receivable, net	1,305,194	2,407,366	2,069,176
Appropriations receivable	513,399	610,503	784,309
Inventory	200,630	174,895	173,179
Deposit	48,644	-	-
Total current assets	2,723,385	3,675,225	3,589,164
Noncurrent assets			
Restricted cash	323,091	798,500	587,115
Endowment investments	1,568,517	1,381,013	1,631,240
Capital assets, net	1,756,422	810,747	1,100,177
Total noncurrent assets	3,648,030	2,990,260	3,318,532
TOTAL ASSETS	\$ 6,371,415	\$ 6,665,485	\$ 6,907,696
LIABILITIES			
Current liabilities			
Accounts payable	\$ 751,952	\$ 280,824	\$ 284,799
Deposits	-	50,000	-
Accrued liabilities	176,927	151,976	139,246
Deferred tuition and fees revenue	640,918	336,000	156,687
Other deferred revenue	100,049	128,166	183,508
Compensated absences, current portion	61,521	62,660	64,991
Total current liabilities	1,731,367	1,009,626	829,231
Noncurrent liabilities			
Compensated absences, net of current portion	69,850	72,195	76,293
TOTAL LIABILITIES	1,801,217	1,081,821	905,524
NET ASSETS (DEFICIT)			
Invested in capital assets	1,756,422	810,747	1,100,177
Restricted			
Expendable	(392,729)	403,625	556,602
Nonexpendable	1,558,285	1,381,414	1,526,892
Unrestricted	1,648,220	2,987,878	2,818,501
TOTAL NET ASSETS	\$ 4,570,198	\$ 5,583,664	\$ 6,002,172

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, 2009

Total net assets in fiscal year 2009 decreased to \$4.6 million from \$5.6 million in fiscal year 2008. Endowment investments increased in fiscal year 2009 to \$1.6 million from \$1.4 million in fiscal year 2008.

Current liabilities increased in fiscal year 2009 to \$1.7 million from \$1 million in fiscal year 2008 attributed by increased in deferred revenue tuition fees, and library construction contract payable subsequently paid in October 2009.

**Revenues for the Years Ended
September 30, 2009, 2008, and 2007**

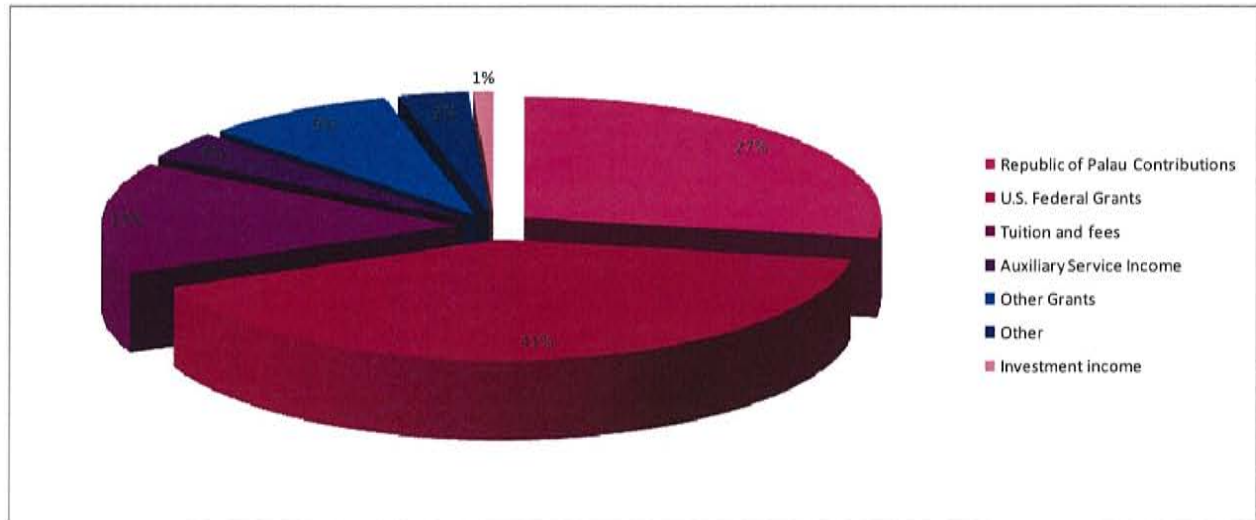
	2009	2008	2007
Operating revenues:			
U.S. federal grants	\$ 3,462,059	\$ 3,412,959	\$ 3,061,096
Tuition and fees, net	1,258,685	1,468,915	1,418,565
Auxiliary enterprise sale and charges	313,116	778,075	942,815
Other grants	740,835	338,397	326,641
Other	268,739	311,499	294,856
Total operating revenues, net	6,043,434	6,309,845	6,043,973
Non-operating revenues:			
Republic of Palau appropriations	2,341,505	2,333,501	2,385,000
Investment income (loss)	81,118	(237,653)	176,419
Total non-operating revenues	2,422,623	2,095,848	2,561,419
Total Revenues	\$ 8,466,057	\$ 8,405,693	\$ 8,605,392

The schedule indicates total revenues realized by the College in fiscal year 2009 of \$8.5 million. The largest portion of revenues (\$3.5 million) was contributed by the U.S. Federal Government through grants. Approximately \$2.3 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 2009:

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

Management's Discussion and Analysis
September 30, 2009

**Revenues Breakdown
For The Year Ended September 30, 2009**



**Operating Expenses
For The Years Ended September 30, 2009, 2008, and 2007**

	2009	2008	2007
Expenditures and mandatory transfers			
Educational and general			
Student aid	\$ 2,508,681	\$ 2,423,962	\$ 1,993,121
Instruction	2,140,738	2,054,633	1,979,078
Administration	1,603,966	1,373,080	1,074,526
Student services	1,273,082	885,845	925,330
Operations and maintenance	835,596	664,761	800,409
Academic support	347,371	290,500	299,266
Depreciation	288,710	489,542	597,467
Total educational and general expenditures	8,998,144	8,182,323	7,669,197
Mandatory transfers			
Auxiliary enterprises expenditures	481,379	641,878	690,217
Total expenditures and mandatory transfers	\$ 9,479,523	\$ 8,824,201	\$ 8,359,414

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.

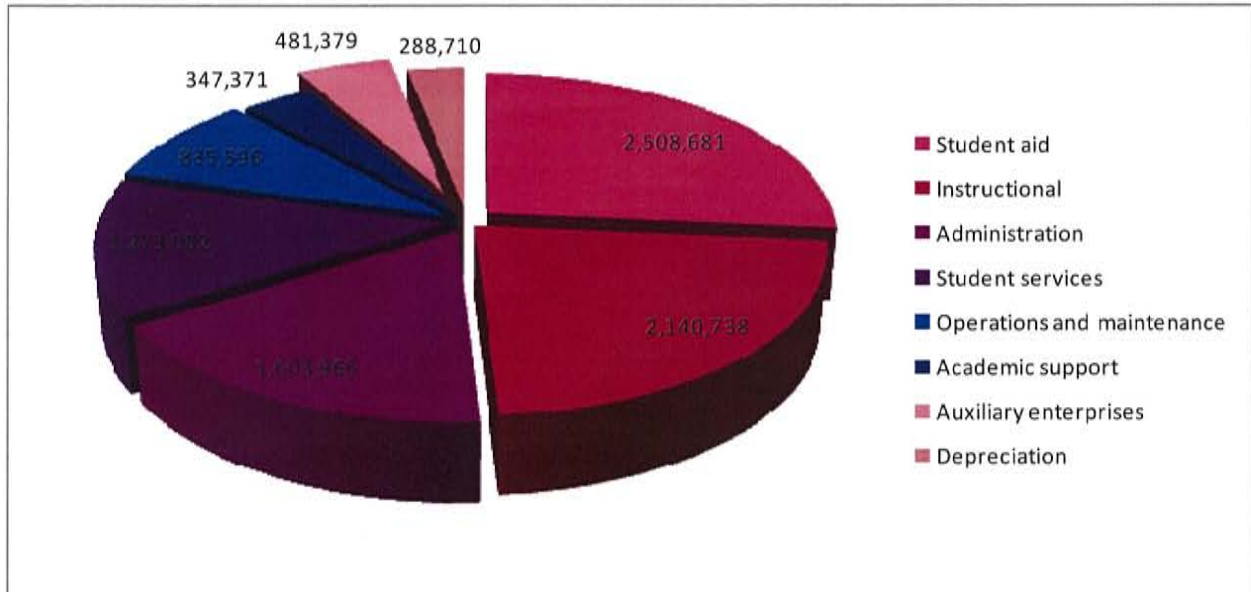
PALAU COMMUNITY COLLEGE
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis
September 30, 2009

The above schedule shows the total operating expenses of \$9.5 million in fiscal year 2009. Total operating expenses increased by \$655,322 or 7% from fiscal year 2008 to fiscal year 2009. The following expenses by function comprise a significant portion of this total increase:

- Increase of \$387,237 in student services, attributed by school year 2007-2008 tuition fees receivable adjustments of \$293,483 written off in fiscal year 2009.
- Increase of \$230,886 in administration, is primarily related to higher salaries, employee benefits, supplies and utilities.

Expenses Breakdown
For The Year Ended September 30, 2009



Changes in Net Assets
For The Years Ended September 30, 2009, 2008, and 2007

	2009	2008	2007
Net assets, beginning of the year	\$ 5,583,664	\$ 6,002,172	\$ 5,756,194
Increase (decrease) in net assets	(1,013,466)	(418,508)	245,978
Net assets, end of the year	\$ 4,570,198	\$ 5,583,664	\$ 6,002,172

Net assets decreased by \$1 million primarily due to loss incurred during the year.

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

Management's Discussion and Analysis
September 30, 2009

CAPITAL ASSETS

At September 30, 2009, the College had \$9.4 million in capital assets, less accumulated depreciation of \$7.7 million, for net capital assets of \$1.7 million. The net assets increase in capital investment of \$1.2 million less of \$.3 million of depreciation was mainly due to placing in service of the new three-storey library facility of \$1.1 million from construction in progress and acquisitions of library equipments and shelves of \$.1 million. Depreciation charges for the current fiscal year totaled \$0.3 million. The following table summarizes the College's capital assets for the fiscal year 2009:

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

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic condition of Palau Community College is directly tied to that of the Republic of Palau (Government). The Government over the past 16 years has provided level funding to the College. Anticipating declining revenues, the College Board of Trustees approved an increase in tuition rate (\$10 per credit) for four consecutive years effective fall semester 2008 thru fall semester 2011.

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

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

Management's Discussion and Analysis
September 30, 2009

Requests for Information

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

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

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

STATEMENTS OF NET ASSETS
September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets		
Cash	\$ 655,518	\$ 482,461
Accounts receivable, net	1,305,194	2,407,366
Appropriations receivable	513,399	610,503
Inventory	200,630	174,895
Deposit	48,644	-
Total current assets	<u>2,723,385</u>	<u>3,675,225</u>
Noncurrent assets		
Restricted cash	323,091	798,500
Endowment investments	1,568,517	1,381,013
Capital assets, net	<u>1,756,422</u>	<u>810,747</u>
Total noncurrent assets	<u>3,648,030</u>	<u>2,990,260</u>
Total Assets	<u>\$ 6,371,415</u>	<u>\$ 6,665,485</u>
<u>Liabilities and Net Assets</u>		
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 751,952	\$ 280,824
Deposit payable	-	50,000
Accrued liabilities	176,927	151,976
Deferred tuition and fees revenue	640,918	336,000
Other deferred revenue	100,049	128,166
Compensated absences, current portion	<u>61,521</u>	<u>62,660</u>
Total current liabilities	1,731,367	1,009,626
Noncurrent liabilities		
Compensated absences, net of current portion	<u>69,850</u>	<u>72,195</u>
Total liabilities	<u>1,801,217</u>	<u>1,081,821</u>
Commitment and Contingencies		
Net Assets (Deficiency):		
Invested in capital assets	1,756,422	810,747
Restricted		
Expendable	(392,729)	403,625
Nonexpendable	1,558,285	1,381,414
Unrestricted	<u>1,648,220</u>	<u>2,987,878</u>
Total net assets	<u>4,570,198</u>	<u>5,583,664</u>
Total Liabilities and Net Assets	<u>\$ 6,371,415</u>	<u>\$ 6,665,485</u>

See accompanying notes to financial statements.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Federal grants	\$ 3,462,059	\$ 3,412,959
Tuition and fees (net of scholarship discounts and allowances of \$1,009,515 and \$1,222,682, respectively)	1,410,730	1,468,915
Auxiliary enterprise sales and charges (net of scholarship discounts and allowances of \$192,062 and \$240,092, respectively)	313,116	778,075
Other grants	740,835	338,397
Other operating revenues	268,739	311,499
Provision for bad debts	<u>(152,045)</u>	<u>-</u>
Total operating revenues	<u>6,043,434</u>	<u>6,309,845</u>
Operating expenses:		
Education and general:		
Student aid	2,508,681	2,423,962
Instruction	2,140,738	2,054,633
Administration	1,603,966	1,373,080
Student services	1,273,082	885,845
Operations and maintenance	835,596	664,761
Academic support	347,371	290,500
Auxiliary enterprises	481,379	641,878
Depreciation	<u>288,710</u>	<u>489,542</u>
Total operating expenses	<u>9,479,523</u>	<u>8,824,201</u>
Operating loss	<u>(3,436,089)</u>	<u>(2,514,356)</u>
Non-operating revenues:		
Republic of Palau appropriations	2,341,505	2,333,501
Investment income (loss), net	<u>81,118</u>	<u>(237,653)</u>
Total non-operating revenues	<u>2,422,623</u>	<u>2,095,848</u>
Decrease in net assets	(1,013,466)	(418,508)
Net assets, beginning of year	<u>5,583,664</u>	<u>6,002,172</u>
Net assets, end of year	<u>\$ 4,570,198</u>	<u>\$ 5,583,664</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, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from students for tuition and fees	\$ 1,949,176	\$ 1,648,228
Cash received from auxiliary activities	313,116	778,075
Cash received from federal grants	4,127,476	3,304,936
Cash received from other grants	1,129,743	710,434
Cash paid to employees	(3,629,205)	(3,538,507)
Cash paid to suppliers	<u>(5,193,392)</u>	<u>(4,917,783)</u>
Net cash used in operating activities	<u>(1,303,086)</u>	<u>(2,014,617)</u>
Cash flows from noncapital financing activities:		
Appropriations received from the Republic of Palau	<u>2,341,505</u>	<u>2,333,501</u>
Net cash provided by noncapital financing activities	<u>2,341,505</u>	<u>2,333,501</u>
Cash flows from capital and related financing activities:		
Additions to capital assets	<u>(1,234,385)</u>	<u>(200,111)</u>
Net cash used in capital and related financing activities	<u>(1,234,385)</u>	<u>(200,111)</u>
Cash flows from investing activities:		
Investment income (loss)	81,118	(237,653)
Library fund investments	475,409	(211,386)
Endowment fund investments	<u>(187,504)</u>	<u>250,227</u>
Net cash provided by (used in) investing activities	<u>369,023</u>	<u>(198,812)</u>
Net increase (decrease) in cash and cash equivalents	173,057	(80,039)
Cash and cash equivalents, beginning of year	<u>482,461</u>	<u>562,500</u>
Cash and cash equivalents, end of year	<u>\$ 655,518</u>	<u>\$ 482,461</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
For the Years Ended 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (3,436,089)	\$ (2,514,356)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Provision for uncollectable accounts	152,045	-
Depreciation	288,710	489,542
Changes in net assets		
Accounts receivable, net	950,127	(338,190)
Appropriations receivable	97,104	173,806
Inventory	(25,735)	(1,716)
Deposits	(48,644)	-
Accounts payable	471,128	(3,975)
Deposit payable	(50,000)	50,000
Accrued liabilities	24,951	12,730
Deferred tuition and fees revenue	304,918	179,313
Other deferred revenue	(28,117)	(55,342)
Compensated absences	<u>(3,484)</u>	<u>(6,429)</u>
Net cash used in operating activities	<u>\$ (1,303,086)</u>	<u>\$ (2,014,617)</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
For the Year Ended 30, 2009

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final	Amounts	Variance
Operating revenues	\$ 4,223,180	\$ 4,223,180	\$ 6,043,434	\$ 1,820,254
Operating expenses:				
Supplies, materials, other operating expenses and services	2,583,007	2,583,007	5,141,033	(2,558,026)
Salaries	3,157,100	3,157,100	3,156,753	347
Depreciation	288,710	288,710	288,710	-
Employee benefits	264,843	264,843	493,918	(229,075)
Utilities	290,100	290,100	399,109	(109,009)
Total operating expenses	6,583,760	6,583,760	9,479,523	(2,895,763)
Operating loss	(2,360,580)	(2,360,580)	(3,436,089)	(1,075,509)
Non-operating revenues:				
Republic of Palau appropriations	2,341,505	2,341,505	2,341,505	-
Investment income, net	-	-	81,118	81,118
Total non-operating revenues, net	2,341,505	2,341,505	2,422,623	81,118
Decrease in net assets	\$ (19,075)	\$ (19,075)	\$ (1,013,466)	\$ (994,391)

See accompanying notes to financial statements.

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

The basic financial statements consist of the following:

The *Statement of Net Assets* reflects the financial position of PCC at September 30, 2009. It shows the various assets owned or controlled by PCC, related liabilities and other obligations, and the various categories of net assets. Net assets is defined as total assets less total liabilities, and as such, represents the institutional equity or ownership in the total assets of PCC.

The *Statement of Revenues, Expenses, and Changes in Net Assets* reflects the results of operations and other changes for the year ended September 30, 2009. It shows the various revenues and expenses, both operating and non-operating, reconciling the beginning net assets balance to the ending net assets balance, shown on the *Statement of Net Assets* described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash and cash equivalents for the year ended September 30, 2009. It indicates the various cash activities by type, reconciling the beginning cash and cash equivalents balance to the ending cash and cash equivalents balance, shown on the *Statement of Net Assets* described above. In addition, this statement reconciles cash flows used for operating activities to operating loss on the *Statement of Revenues, Expenses, and Changes in Net Assets* described above.

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Measurement Focus and Basis of Accounting

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

In accordance with GASB Statement No. 20, PCC is required to follow all applicable GASB pronouncements. In addition, PCC should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

Budgetary Information

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

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

Cash

Cash include cash on hand and in bank accounts.

Investments

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable and Allowance for Uncollectable Accounts

PCC's accounts receivable include tuition and fee charges to students and 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, 2009 and 2008, the tuition and fees in the statement in revenues, and expenses, and changes in net assets is reported net of the estimated uncollectable accounts of \$152,045 and \$0, 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 value of land at the date of transfer or public domain assets (sidewalks, curbs, gutters, etc). Subsequent additions have been recorded at cost and/or realizable value, as estimated and provided by PCC. Building additions and improvements with a cost in excess of \$1,000 are capitalized if the life of the building is extended. Furniture and equipment with a cost in excess of \$1,000 with a useful life greater than 1 year is capitalized.

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

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

Deferred Revenues

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

Compensated Absences

Compensated absences represent the accumulated liability to be paid under PCC's current annual leave policy. PCC recognizes cost for accrued annual leave at the time such leave is earned. Unpaid accrued leave is recorded as accrued liabilities in the accompanying financial statements. The accrued leave at September 30, 2009 and 2008 were \$131,371 and \$134,855, respectively.

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Net Assets

PCC's net assets are classified as follows:

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

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

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

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

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

Classification of Revenues

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

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

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Estimates

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by PCC, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the 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, 2009 and 2008 were \$1,009,515 and \$1,222,682, respectively. The scholarship discounts and allowances for auxiliary enterprise sales and charges for the years ended September 30, 2009 and 2008 were \$192,062 and \$240,092, respectively.

Deposits and Investments

Deposits

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

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

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

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

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Deposits, Continued

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

As of September 30, 2009 and 2008, the carrying amount of PCC's total cash was \$655,518 and \$482,461, respectively, and restricted cash was \$323,091 and \$798,500 respectively. The corresponding bank balances as of September 30, 2009 and 2008 were \$1,221,759 and \$1,275,832, respectively. These are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. From these deposits, \$500,000 in each fiscal year 2009 and 2008, were subject to coverage by FDIC with the remaining balance exceeding insurable limits. The uninsured bank balance as of September 30, 2009 and 2008 was \$963,719 and \$775,832, respectively. PCC does not require collateralization of bank accounts, and therefore, amounts in excess of insurable limits are uncollateralized and are subject to custodial credit risk.

In 2007, the Republic of Palau issued an order to freeze all assets of Pacific Savings Bank (a local Bank) and subsequently placed the bank under receivership as ordered by the Republic of Palau Financial Institutions Commission. As of September 30, 2009 and 2008, PCC had cash on deposits with the local Bank in the amount of \$98,137 and is included in other accounts receivable, due to the uncertainty of its recoverability. At September 30, 2009 and 2008, an allowance for impairment of deposit for the entire amount has been recorded and is reported as a component of the allowance for uncollectible accounts disclosed in Note 2.

Investments

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

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

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

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

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

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

At September 30, 2009 and 2008, PCC's investments stated at fair value consisted of the following:

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

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

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

<u>2008</u>	<u>Per Policy</u>	<u>Actual</u>	<u>Market Value</u> <u>9/30/2008</u>
Fixed income	30-40%	39%	\$ 532,216
U.S. Equities - Large Cap Value	20%	19%	259,602
U.S. Equities - Large Cap Growth	20%	18%	249,155
International Equities	15%	13%	186,113
U.S. Equities - Small Cap Core	15%	11%	<u>153,927</u>
			<u>\$ 1,381,013</u>

At September 30, 2008, the maturities of PCC's fixed-income (money market funds) investments by percentage of its portfolio, are as follows:

<u>Investment</u> <u>Maturities</u>	<u>Percentage</u> <u>of Portfolio</u>
Less than 1 year	16.8%
1 - 3 years	9.6%
4 - 5 years	23.1%
5 - 7 years	3.5%
7 - 9 years	3.1%
9 or more years	<u>43.9%</u>
Total	<u>100.0%</u>

Interest Rate Risk

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

Credit Risk

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

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

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

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

PCC's fixed-income investments at September 30, 2009 and 2008 were rated as follows:

<u>Rating</u>	<u>Percent of Portfolio 09/30/2009</u>	<u>Percent of Portfolio 09/30/2008</u>
Government Agency	44.4%	35.0%
AAA	1.1%	7.9%
AA	8.4%	5.9%
A	10.2%	10.5%
BAA	15.2%	11.9%
BA	1.2%	-
BBB	2.5%	-
Other	<u>17.0%</u>	<u>28.8%</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, 2009 and 2008

(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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting standards for many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This statement is effective for periods beginning after June 30, 2009. This statement did not have an impact on the financial statements of the PCC.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting amounts in similar entities that exist to invest resources for the purpose of generating income. GASB Statement No. 52 is effective for financial statements for periods beginning after June 15, 2008. The provisions of this Statement did not have an impact on the financial statements of the PCC.

In March 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefit*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this Statement are effective for periods beginning after December 15, 2008. This Statement did not have an impact on the financial statements of the PCC.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and Local governments report information about derivative instruments – financial arrangements used by governments to manage specific risks or make investments in their statements. The provisions of this Statement are effective for periods beginning after June 15, 2009. This Statement did not have an impact on the financial statements of the PCC.

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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

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

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

(2) Accounts Receivable

Accounts receivable consists of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Tuition and fees	\$ 766,396	\$ 999,924
College of Micronesia	135,217	228,005
Employees and Board of Trustees	42,078	45,209
Due from grantor agencies	669,392	1,346,248
Accounts receivable, others	<u>295,794</u>	<u>239,618</u>
	1,908,877	2,859,004
Allowance for uncollectable accounts	<u>(603,683)</u>	<u>(451,638)</u>
Accounts receivable, net	<u>\$1,305,194</u>	<u>\$2,407,366</u>

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

Notes to Financial Statements
September 30, 2009 and 2008

(2) Accounts Receivable, Continued

The accounts receivable, others includes an amount of \$98,137 cash deposits in a local bank which operations was placed under receivership in 2007 by the Republic of Palau Financial Institution Commission. Due to the uncertainty of the recoverability of the cash deposits from the local bank, PCC provided an allowance for impairment of cash deposits of \$98,137 for the fiscal years ended September 30, 2009 and 2008, respectively, and is included as a component of the allowance for uncollectible accounts.

(3) Inventory

Inventory consists of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Bookstore	\$ 197,844	\$ 171,688
Cafeteria	<u>2,786</u>	<u>3,207</u>
Total	<u>\$ 200,630</u>	<u>\$ 174,895</u>

(4) Restricted Cash

Restricted cash consists of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Library fund	\$ 283,727	\$ 759,226
Endowment fund	<u>39,364</u>	<u>39,274</u>
Total	<u>\$ 323,091</u>	<u>\$ 798,500</u>

On the December 2008, PCC entered into agreement with a local construction contractor for the building of construction of PCC's three-storey library. The contract cost was \$1,072,695 which was financed by the tuition fee increase of \$10 per credit hour and donations from private sectors. At September 30, 2009, the three-storey library was substantially completed. At September 30, 2009, the balance of the restricted cash-library fund is earmarked for the acquisitions of various library equipment approximate \$81,071, and amounts due to contractor for the final payment of the construction contract totaling \$172,635 included as a component of accounts payable in the statement of net assets.

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

Notes to Financial Statements
September 30, 2009 and 2008

(5) Capital Assets

A schedule of changes in capital assets for the fiscal years ended September 30, 2009 and 2008 is shown below:

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

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

Capital assets activity for the fiscal year ended September 30, 2008:

	<u>Balance at 9/30/07</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance at 9/30/08</u>
Buildings and improvements	\$6,191,592	\$ 79,166	\$ -	\$ 6,270,758
Furniture, vehicles and equipment	<u>1,812,289</u>	<u>120,946</u>	<u>-</u>	<u>1,933,235</u>
	8,003,881	200,112	-	8,203,993
Accumulated depreciation	<u>(6,903,704)</u>	<u>(489,542)</u>	<u>-</u>	<u>(7,393,246)</u>
Capital assets, net	<u>\$1,100,177</u>	<u>\$ (289,430)</u>	<u>\$ -</u>	<u>\$ 810,747</u>

Capital assets essentially serve all functions. The depreciation expense of \$288,710 and \$489,542, respectively, for the years ended September 30, 2009 and 2008, is unallocated.

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

Notes to Financial Statements
September 30, 2009 and 2008

(6) Long-term Liabilities

At September 30, 2009 and 2008, the summary of changes in the long-term liabilities is as follows:

2009

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

2008

	Balance			Balance	Current	Noncurrent
	<u>10/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2008</u>	<u>Portion</u>	<u>Portion</u>
Compensated absences	<u>\$ 141,284</u>	<u>\$ 95,897</u>	<u>\$ 102,326</u>	<u>\$ 134,855</u>	<u>\$ 62,660</u>	<u>\$ 72,195</u>

(7) National Government Contributions

At September 30, 2009 and 2008, the Republic of Palau appropriated and contributed the following to PCC:

	<u>2009</u>	<u>2008</u>
For operational costs of PCC and its Board of Trustees	<u>\$2,341,505</u>	<u>\$2,333,501</u>

At September 30, 2009 and 2008, amounts due from Republic of Palau representing unremitted balances of appropriations due to PCC was \$513,399 and \$610,503, respectively, and is reported in the statement of net assets as appropriations receivable.

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

Notes to Financial Statements
September 30, 2009 and 2008

(8) Functional Expenses Classifications

The functional expenses classifications for fiscal year ended 2009 are as follows:

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

The functional expenses classifications for fiscal year ended 2008 are as follows:

	<u>Salaries</u>	<u>Employee Benefits</u>	<u>Supplies, Materials, Other Operating Expenses and Services</u>	<u>Utilities</u>	<u>Depreciation</u>	<u>Total</u>
Student aid	\$ 111,706	\$ 198	\$ 2,312,058	\$ -	\$ -	\$ 2,423,962
Instruction	1,280,502	159,267	614,864	-	-	2,054,633
Administration	634,056	99,649	639,375	-	-	1,373,080
Student services	533,715	101,554	248,376	2,200	-	885,845
Operations and maintenance	191,424	31,793	145,127	296,417	-	664,761
Academic support	177,471	17,939	95,090	-	-	290,500
Auxiliary enterprises	170,913	21,891	447,974	1,100	-	641,878
Depreciation	-	-	-	-	489,542	489,542
	<u>\$ 3,099,787</u>	<u>\$ 432,291</u>	<u>\$ 4,502,864</u>	<u>\$ 299,717</u>	<u>\$ 489,542</u>	<u>\$ 8,824,201</u>

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

Notes to Financial Statements
September 30, 2009 and 2008

(9) Retirement Plan

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

The Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the Republic of Palau State Governments and Republic of Palau agencies, funds and public corporations, which are paid monthly and are two percent of each member's average monthly salary. Normal benefits are the credited total service up to a maximum of thirty years total service. Generally, benefits vest after three years of credited service. Members, who retire at or after age 60, or with 30 years of vesting service, are entitled to retirement benefits. Republic of Palau Public Law 2-26 is the authority under which benefit provisions and contributions rates are established. Member contribution rates are established by Republic of Palau Public Law 2-26 at six percent (6%) of total payroll and are matched dollar for dollar by the employer. PCC contributed \$199,401 and \$263,165 for fiscal years 2009 and 2008, 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 for the year October 1, 2004 to September 30, 2005 of the ROP Civil Service Pension Plan:

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

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

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

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

Notes to Financial Statements
September 30, 2009 and 2008

(9) Retirement Plan, Continued

The Fund's October 1, 2007 actuarial valuation determined the unfunded pension benefit obligation as follows:

Present value of accrued benefits, 10/1/2007:

Active participants	\$ 46,002,000
Inactive participants with vested deferred benefits	903,000
Participants in pay status	<u>48,968,000</u>
 Total pension benefit obligation	 95,873,000
Market value of assets	<u>48,358,000</u>
 Unfunded benefit obligation	 <u>\$ 47,515,000</u>
 Funded Ratio as of 10/1/2007 (ratio of assets to liabilities)	 <u>50.44%</u>

(10) Commitment and Contingencies

Encumbrances

PCC reserves its fund balance for internal purposes, for those portions legally segregated for specific future use. At September 30, 2009 and 2008, the reserve for encumbrances was \$72,804 and \$34,802, 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, 2009 and 2008 was \$1,071,541 and \$1,142,804, respectively.

Risk Management

PCC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. PCC has elected for self-insurance related to these risks. No self-insurance provision has been made in the accompanying financial statements and management is of the opinion that no material losses have occurred as a result. PCC does not maintain adequate insurance coverage for its fixed assets. In the event of a catastrophe, PCC would be self-insured to a material extent.

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

Notes to Financial Statements
September 30, 2009 and 2008

(11) Economic Dependency

PCC derives 69% and 68% of its total revenues for the years ended September 30, 2009 and 2008, respectively from Federal grants and appropriations from the Republic of Palau. Significant decrease in assistance could adversely affect the operations of PCC.

(12) Impairment of Fixed Assets

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

(13) Reclassifications

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

(14) Subsequent Events

PCC has evaluated subsequent events from September 30, 2009 through April 23, 2010, 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

Year Ended September 30, 2009



CERTIFIED PUBLIC ACCOUNTANT

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

Board of Trustees
Palau Community College

I have audited the financial statements of Palau Community College (PCC) as of and for the year ended September 30, 2009, and have issued my report thereon dated April 23, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects PCC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of PCC's financial statements that is more than inconsequential will not be prevented or detected by PCC's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by PCC's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PCC's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of PCC in a separate letter dated April 23, 2010.

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 Magliari & Company

Koror, Republic of Palau
April 23, 2010

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

Board of Trustees
Palau Community College

Compliance

I have audited the compliance of Palau Community College (PCC), a component unit of the Republic of Palau, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. PCC's major federal programs are identified in the Summary of Auditor's Results section on page 44 of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of PCC's management. My responsibility is to express an opinion on PCC's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PCC's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of PCC's compliance with those requirements.

In my opinion, PCC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

The management of PCC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered PCC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the PCC's internal control over compliance.

A *control deficiency* in PCC's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects PCC's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by PCC's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the PCC's internal control.

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

Schedule of Expenditures of Federal Awards

I have audited the basic financial statements of PCC as of and for the year ended September 30, 2009, and have issued my report thereon dated April 23, 2010. My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 41 is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of PCC. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

J. Scott Magliari & Company

Koror, Republic of Palau
April 23, 2010

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

Introduction to Federal Award Programs
Year Ended September 30, 2009

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, 2009, PCC received directly from the U.S. Department of Education funds related to the Pell Grant Program, the Supplemental Educational Opportunity Grant Program (SEOG) and Federal Work-Study Program (FWS) and Academic Competitiveness Grant (ACG). PCC's institutional matching share for the SEOG and FWS was initially waived during the award year ended June 30, 2003 and continues to be in effect.

Direct Grants

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

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

United States Department of Health and Human Services

Direct Grants

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

United States Department of the Interior

Grant Passed Through to PCC

During the year ended September 30, 2009, 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 30, 2009

Federal Grantor/Pass- Through Grantor's Program Title	CFDA Number	Program or Award Amount	Receivable from Grantor (Deferred Revenue) at October 1, 2008	Cash Receipts FY09	Expenditures FY09	Receivable from Grantor (Deferred Revenue) at September 30, 2009
<u>U.S. Department of Education</u>						
<u>Direct Programs</u>						
Student Financial Aid Programs:						
Supplemental Educational						
Opportunity Grant	84.007	\$ 47,874	\$ 56,244	\$ 29,800	\$ 52,600	\$ 79,044
Federal Work-Study	84.033	127,850	11,986	116,204	109,923	5,705
Pell Grant	84.063	1,957,111	1,062,255	2,990,000	2,250,348	322,603
Academic Competitiveness Grant	84.375	74,970	16,275	11,800	78,346	82,821
Sub-total Student Financial Aid Programs		2,207,805	1,146,760	3,147,804	2,491,217	490,173
TRIO Cluster:						
Student Support Services Program	84.042A	257,584	21,578	194,598	189,771	16,751
Upward Bound Program	84.047A	339,381	10,395	320,788	315,164	4,771
Upward Bound Math and Science	84.047M	250,000	7,925	200,260	198,998	6,663
Talent Search	84.044A	226,600	9,478	203,668	204,406	10,216
Sub-total TRIO Cluster		1,073,565	49,376	919,314	908,339	38,401
Sub-total U.S. Department of Education		3,281,370	1,196,136	4,067,118	3,399,556	528,574
<u>U.S. Department of Health and Human Services</u>						
Basic/Core Area Health and Education Center	93.824	60,000	73,586	70,000	62,506	66,092
<u>U.S. Institute of Museum and Library Services</u>						
	45.301	137,546	(1,761)	-	-	(1,761)
<u>U.S. Department of Agriculture</u>						
	10.303	3,500	9,255	9,255	1,604	1,604
<u>U.S. Department of the Interior</u>						
<u>Indirect Program</u>						
Agreement between the Government of the United States and the Government of the Republic of Palau for the Implementation of Section 221(b)(1) of the Compact of Free Association	15.875	2,000,000	-	2,000,000	2,000,000	-
PCC-ROPNG Joint Training						
OMIP-ROP-2006-1		100,000	46,626	47,903	1,277	-
OMIP-ROP-2009		100,000	-	4,451	9,250	4,799
Sub-total U.S. Department of the Interior		2,200,000	46,626	2,052,354	2,010,527	4,799
Total Federal Programs		\$ 5,682,416	\$ 1,323,842	\$ 6,198,727	\$ 5,474,193	\$ 599,308

See accompanying notes to financial statements.

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

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2009

(1) Scope of Review

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

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

a. Programs Subject to OMB Circular A-133

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

(2) Summary of Significant Accounting Policies

a. Basis of accounting

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

b. Cost Allocation

PCC does not currently have an approved cost allocation plan.

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

SECTION I — SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to Financial Statements noted?

_____ yes x no

Federal Awards

Internal control over major programs

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

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

Unqualified

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

_____ yes x no

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

Schedule of Findings and Questioned Costs
Year Ended September 30, 2009

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	\$ 2,491,217
84.042A, 84.044A, 84.047A, 84.047M	TRIO Cluster	908,339
15.875	Compact Section 221(b)	<u>2,000,000</u>
	Total major programs expenditures	<u>\$ 5,399,556</u>
	Total federal expenditures	<u>\$ 5,474,193</u>
	Total Tested	<u>99%</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

Year Ended September 30, 2009

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

NET ASSETS
Last Eight Fiscal Years Ended September 30th

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

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

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

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

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

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

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

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

REVENUES BY SOURCE
Last Eight Fiscal Years Ended September 30th

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

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

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

EXPENSES BY FUNCTION
Last Eight Fiscal Years Ended September 30th

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

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

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

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

Fall Semester Fiscal Year	Employees				
	Regular Faculty	Associate Faculty	Regular Staff	Par-time/ Temp. Staff	Total Employees
2000	31	18	84	45	178
2001	28	17	86	52	183
2002	28	17	86	47	178
2003	25	14	83	59	181
2004	28	18	84	42	172
2005	24	18	73	60	175
2006	23	13	83	49	168
2007	22	18	77	55	172
2008	20	18	80	47	165
2009	29	19	68	73	189

Source: PCC Human Resource Records.

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

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

Fall Semester Fiscal Year	Tuition Rate Per Credit Hour	ENROLLMENT		
		Total Headcount	FTSE (1)	Par-time and Others (2)
2000	\$60	596	376	220
2001	\$60	639	379	260
2002	\$60	599	422	177
2003	\$60	727	472	255
2004	\$70	705	507	198
2005	\$70	651	430	221
2006	\$70	651	431	220
2007	\$70	683	452	231
2008	\$70	649	474	175
2009	\$80	599	394	205

Source: PCC Records Department

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

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

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

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

Fall Semester Fiscal Year	Attendance		Gender		Residency		AGE	
	Full Time	Part Time	Male	Female	IN Campus	OFF Campus	Median	Mean
2000	63%	37%	263	333	103	493	20	22
2001	59%	41%	276	363	90	549	19	22
2002	67%	33%	264	335	94	505	19	25
2003	65%	35%	310	417	101	626	19	21
2004	72%	28%	290	415	103	602	19	27
2005	66%	34%	374	277	79	572	19	32
2006	66%	34%	279	372	89	562	20	33
2007	40%	60%	274	409	90	593	20	22
2008	46%	54%	299	350	102	547	20	21
2009	66%	34%	316	283	85	514	19	20

Fall Semester Fiscal Year	Nationality							Total Headcount
	Palau	Yap	Ponpei	Chuuk	Marshall's	Kosrae	Others(1)	
2000	470	77	3	7	1	3	35	596
2001	511	65	6	10	4	11	32	639
2002	497	50	7	9	5	15	16	599
2003	567	85	10	16	9	22	18	727
2004	549	65	13	10	13	35	20	705
2005	480	81	11	9	11	29	30	651
2006	475	98	10	15	13	22	18	651
2007	500	74	21	23	16	24	25	683
2008	453	66	16	26	25	25	38	649
2009	428	50	20	25	22	19	35	599

Source: PCC records

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