

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019



PALAU
COMMUNITY
COLLEGE

PALAU COMMUNITY COLLEGE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

Prepared by:
Administration & Finance Department

Jay Olegeriil
Vice President for Administration & Finance

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P.O. Box 9
Koror, Palau 96940

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

INTRODUCTORY SECTION

For the Year Ended September 30, 2019

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

July 20, 2020

Ladies and Gentlemen of the Board:

I am pleased to submit to you and leadership of the Republic of Palau the College's Comprehensive Annual Financial Report for fiscal year 2019. This document presents the record of Palau Community College's financial operations for the year ended September 30, 2019.

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 continue to implement its programs and services, including providing necessary facilities maintenance and improvement initiatives despite challenges to our student enrollment. We continue moving forward with steps to build the two-storey Science building to support the Health/Science program that will also result in the increased number of classrooms.

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

Sincerely,

Patrick U. Tellei, EdD
President



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

Accredited by
WESTERN ASSOCIATION OF
SCHOOLS AND COLLEGES

July 20, 2020

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, 2019 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

This letter of transmittal should be read in conjunction with the Management's Discussion and Analysis (pages 4 through 13), which focuses on current activities, accounting changes, and currently known facts.

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

VISION, MISSION AND VALUES

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

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

- Team Work
- Quality Services
- Open Communication
- Managing with Goals

- Promoting Leadership
- Integrity and Loyalty
- Community Ownership
- Continuous Improvement
- Creativity and Innovation
- People and Respect for Others

We are a community of learners:

- We provide education and training for and throughout a lifetime.
- We seek to improve and expand the services we offer in support of the people in the communities we serve.
- We promote a caring community of staff and faculty members, 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, Burger Comer Magliari, LLC, 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, 2019, the College received and administered several grants from the U.S. Federal Government and these include Student Financial Aid (Pell Grant), Upward Bound, Talent Search Program and Area Health Education Center (AHEC), and Maintenance Assistance Program (MAP). 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; Police Academy; Pacific Islands Health Officers' Association; Palau Health Foundation; and Step-Up Lab.

MAJOR INITIATIVES

The College continues implementation of its Fifteen-Year Institutional Master Plan with four strategic directions designed to shape departmental, programmatic, and individual action agendas for the future of the College. These strategic directions are briefly discussed below:

Strategic Direction 1: Student Success

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

Strategic Direction 2: Institutional Culture

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

Strategic Direction 3: Resources

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

Strategic Direction 4: Culture of Evidence

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

FINANCIAL INFORMATION

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

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

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

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

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

Property Taxes

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

PROSPECTS FOR THE FUTURE

The College's financial outlook for the future continues to be positive, albeit with some caution. The College's student and adult continuing education enrollments have been fluctuating, more in a decreasing trend. 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. With the planned additional classrooms, the College will continue to step up its recruitment efforts to increase enrollment.

The following table illustrates enrollments over the last ten years.

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Enrollment										
- Full Time Total	812	715	721	737	1,442	1,669	1,892	1,816	1,824	1,816
- Continuing Education and Other Training*	<u>832</u>	<u>1,008</u>	<u>1,363</u>	<u>1,504</u>	<u>1,042</u>	<u>1,018</u>	<u>1,528</u>	<u>4,214</u>	<u>7,171</u>	<u>7,036</u>
Total	<u>1,644</u>	<u>1,723</u>	<u>2,084</u>	<u>2,241</u>	<u>2,484</u>	<u>2,687</u>	<u>3,420</u>	<u>6,030</u>	<u>8,995</u>	<u>8,852</u>

*Enrollment in Continuing Education
and specialized trainings including CRE and MAP (formerly OMIP).

PCC ENDOWMENT FUND MANAGEMENT

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

In the fiscal year ended September 30, 2019, the College's investments from current funds generated net investment income of \$177,389 from endowment fund investments. The College invests endowment fund in Money Market funds managed by Raymond James & Associates, Inc.

RISK MANAGEMENT

In fiscal year 2019, the College paid approximately \$6,295 for Worker's Compensation and \$15,541 for General Liabilities insurance coverage as protection against risks. The College also paid \$5,507 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 as well as providing support for community functions and activities. Our students and staff were most active and deeply involved in activities such as the National Earth Day Activities, Olehotel Belau Fair, and Community Clean Up Events, among others. The College has been a host to many community meetings, seminars and conferences.

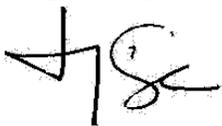
Many College employees are active members of national committees, boards and working groups, and local government including Koror State Public Lands Authority, Seventh-Day Adventist Church Board, Financial Institutions Commission, Ngchesar State Council, and Ongedechuul State Legislature. The involvement 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 Burger Comer Magliari, LLC. 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 and staff of other college offices. Each member of the Offices has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Jay Olegeriil
Vice President of Administration & Finance

PALAU COMMUNITY COLLEGE

PRINCIPAL OFFICIALS

Year ended September 30, 2019

BOARD OF TRUSTEES

Mr. Masa-Aki N. Emesiochl	Chairperson
Rev. Billy G. Kuartei	Vice-Chair
Dr. Emais Roberts	Trustee
Ms. Romana Wong	Trustee
Ms. Kirah I. Rebelkuul	Student Trustee

OFFICERS OF THE COLLEGE

Dr. Patrick U. Tellei, EdD	President
Mr. Jay Olegeriil	Vice President for Administration and Finance
Mr. Thomas Taro	Vice President for Cooperative Research & Extension
Mr. Robert Ramarui	Dean of Academic Affairs
Mr. Jefferson Thomas	Dean of Continuing Education
Mr. Sherman Daniel	Dean of Students
Ms. Frutoso Tellei	President of the Faculty Senate Association
Mr. Larry Wakakoro	President of the Classified Staff Organization
Ms. Zacateca Adelbai	President of the Associated Students of PCC

OFFICIALS ISSUING REPORT

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

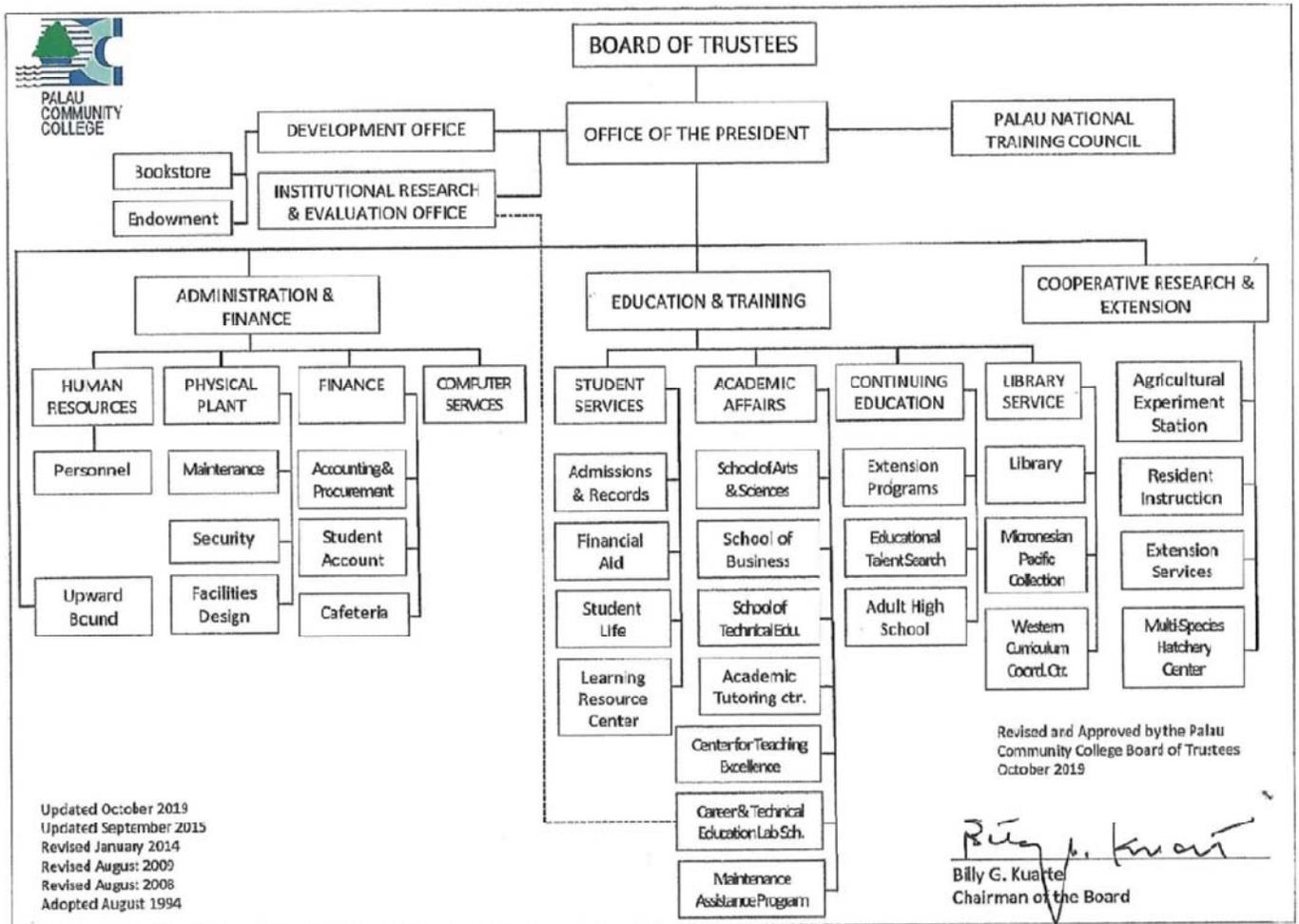
DIVISION ISSUING REPORT

Finance

PALAU COMMUNITY COLLEGE

ORGANIZATION CHART

Year ended September 30, 2019



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

FINANCIAL SECTION

For the Years Ended September 30, 2019 and 2018

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

September 30, 2019 and 2018



BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Palau Community College:

Report on the Financial Statements

We have audited the accompanying financial statements of net position of Palau Community College (PCC), a component unit of the Republic of Palau (ROP), as of September 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise PCC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCC as of September 30, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 through 13, the Schedule of Proportional Share of the Net Pension Liability on page 19, and the Schedule of Pension Contributions on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audits were conducted for the purpose of forming an opinion on PCC's basic financial statements as a whole. The introductory section on pages I through XI and statistical section on pages 68 through 72 are presented for purposes of additional analysis and are not required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The accompanying Schedule of Expenditures of Federal Awards on pages 61-62 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. This supplementary information is the responsibility of the management of PCC and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2020 on our consideration of the PCC's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing on internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCC's internal control over financial reporting and compliance.



Koror, Republic of Palau
July 20, 2020

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

Management's Discussion and Analysis
September 30, 2019

Management's Discussion and Analysis

This section of Palau Community College's Comprehensive Annual Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended September 30, 2019. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, please read it in conjunction with the transmittal letter (pages IV-IX), and the College's financial statements and footnotes (pages 14 through 53). This overview is required by the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and-Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements No. 37 and 38. Responsibility for the completeness and fairness of this information rests with the College.

Financial Highlights

The College's assets and deferred outflows of resources totaled \$13.3 million at September 30, 2019. This balance reflects a \$0.8 million decrease from the 2018 fiscal year. The decrease was caused by a \$0.2 decrease in inventory, \$0.7 decrease in deferred outflows of resources related to pensions, and \$0.9 decrease in net pension liability.

The College's operating revenues totaled \$4.2 million for the fiscal year 2019 compared to \$5.3 million in 2018. The 20% decrease over fiscal year 2018 operating revenues was due to decrease in federal and other grants. Operating expenses totaled \$6.8 million for the fiscal year 2019 compared to \$7.2 million in 2018. The decrease of 5% is consistent with decrease in revenues.

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 Position 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 Position focuses 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 the 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, 2019

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 Position* reflects the financial position of the College as of September 30, 2019. It shows the assets owned or controlled, deferred outflows of resources, related liabilities and other obligations, deferred inflows of resources, and the categories of net position. Net position is an accounting concept defined as total assets and deferred outflows less total liabilities and deferred inflows. As such, it represents the residual of all other elements presented in the Statement of Net Position of the College.

The *Statement of Revenues, Expenses, and Changes in Net Position* reflects the results of operations and other changes for the year ended September 30, 2019. It shows revenues and expenses, both operating and non-operating, and reconciles the beginning net position amount to the ending net position amount, which is shown on the Statement of Net Position described above.

The *Statement of Cash Flows* reflects the inflows and outflows of cash for the year ended September 30, 2019. It shows the cash activities by type and reconciles the beginning cash amount to the ending cash amount, which is shown on the *Statement of Net Position*, 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 Position* described above.

The *Statement of Revenues, Expenses, and Changes in Net Position-Budget and Actual (GAAP-Basis)* reflects the budgetary comparison to actual results of operations and other changes for the year ended September 30, 2019. A budgetary comparison statement for the general and federal funds is considered to be part of the basic financial statements. PCC adopts annual appropriated budgets for its general and federal funds. Budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budgets.

Notes to the Financial Statements

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

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

Management's Discussion and Analysis
September 30, 2019

Overview of Financial Statements, Continued

Basic Financial Statements, Continued

Financial Analysis of the College as a Whole
Net Position
As of September 30, 2019, 2018, and 2017

	2019	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current assets			
Cash	\$ 60,245	\$ 440,963	\$ 289,723
Accounts receivable, net	2,092,124	2,389,052	1,868,081
Appropriations receivable	-	20,001	19,990
Inventory	319,444	506,571	296,716
Total current assets	2,471,813	3,356,587	2,474,510
Noncurrent assets			
Restricted cash	2,196,705	1,984,255	1,773,316
Endowment investments	5,702,249	5,173,656	4,929,037
Capital assets, net	1,132,670	1,089,776	1,230,540
Total noncurrent assets	9,031,624	8,247,687	7,932,893
Total assets	11,503,437	11,604,274	10,407,403
Deferred outflows of resources related to pensions	1,831,337	2,502,353	1,939,367
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 392,895	\$ 248,938	\$ 146,816
Accrued liabilities and benefit payable	319,442	777,043	278,647
Unearned revenues	507,402	534,825	747,400
Compensated absences, current portion	169,064	156,764	162,365
Total current liabilities	1,388,803	1,717,570	1,335,228
Noncurrent liabilities			
Compensated absences, net of current portion	72,456	67,185	61,597
Net pension liability	10,702,283	11,666,392	11,982,658
Total liabilities	12,163,542	13,451,147	13,379,483
Deferred inflows of resources related to pensions	3,200,479	2,834,178	1,771,874
Net position			
Net investments in capital assets	1,132,670	1,089,776	1,230,540
Restricted			
Expendable	2,178,880	1,947,364	1,764,952
Nonexpendable	5,451,819	5,035,088	4,681,110
Unrestricted	(10,792,616)	(10,250,926)	(10,481,189)
Total Net Position	\$ (2,029,247)	\$ (2,178,698)	\$ (2,804,587)

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

Management's Discussion and Analysis
September 30, 2019

Overview of Financial Statements, Continued

Statement of Net Position

The College's overall financial position increased in FY 2019 as the total net position for the College improved by approximately \$149,451 from FY 2018 to FY 2019. Total net position is composed of the following sub-categories: net investment in capital assets, restricted, and unrestricted. There were changes in these sub-categories reflecting both increases and decreases for the year with the sum resulting in an overall increase in net position. However, unrestricted net position is now negative for FY 2018 and FY 2019 due to the implementation of GASB 68.

It is important to note that the implementation of GASB 68 results in entries and adjustments regarding pension liabilities for reporting and presentation purposes only. Without these adjustments and entries, the financial picture would show that the College continues to maintain sufficient reserves and has adequate resources to meet all current obligations.

Deferred outflows of resources represent the pension expense paid by the College on behalf of its employees to the Republic of Palau Civil Service Pension Trust Fund since the measurement date (September 30, 2017). Deferred inflows of resources represent the College's proportionate share of anticipated earnings on contributions over the life of the plan.

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

Management's Discussion and Analysis
September 30, 2019

Revenues
For the Years Ended
September 30, 2019, 2018, and 2017

	2019	2018	2017
Operating revenues:			
U.S. Federal grants	\$ 2,703,942	\$ 3,210,878	\$ 3,064,639
Tuition and fees, net	472,171	691,467	643,912
Other grants	860,213	1,017,028	1,292,662
Auxiliary enterprise sale and charges	126,047	182,215	116,028
Other	56,631	161,264	281,176
Total operating revenues, net	4,219,004	5,262,852	5,398,417
Non-operating revenues:			
Republic of Palau appropriations	2,558,000	2,411,000	2,548,515
Miscellaneous revenue	32,600	-	-
Investment income, net	177,389	190,646	188,490
Total non-operating revenues	2,767,989	2,601,646	2,737,005
Total Revenues	\$ 6,986,993	\$ 7,864,498	\$ 8,135,422

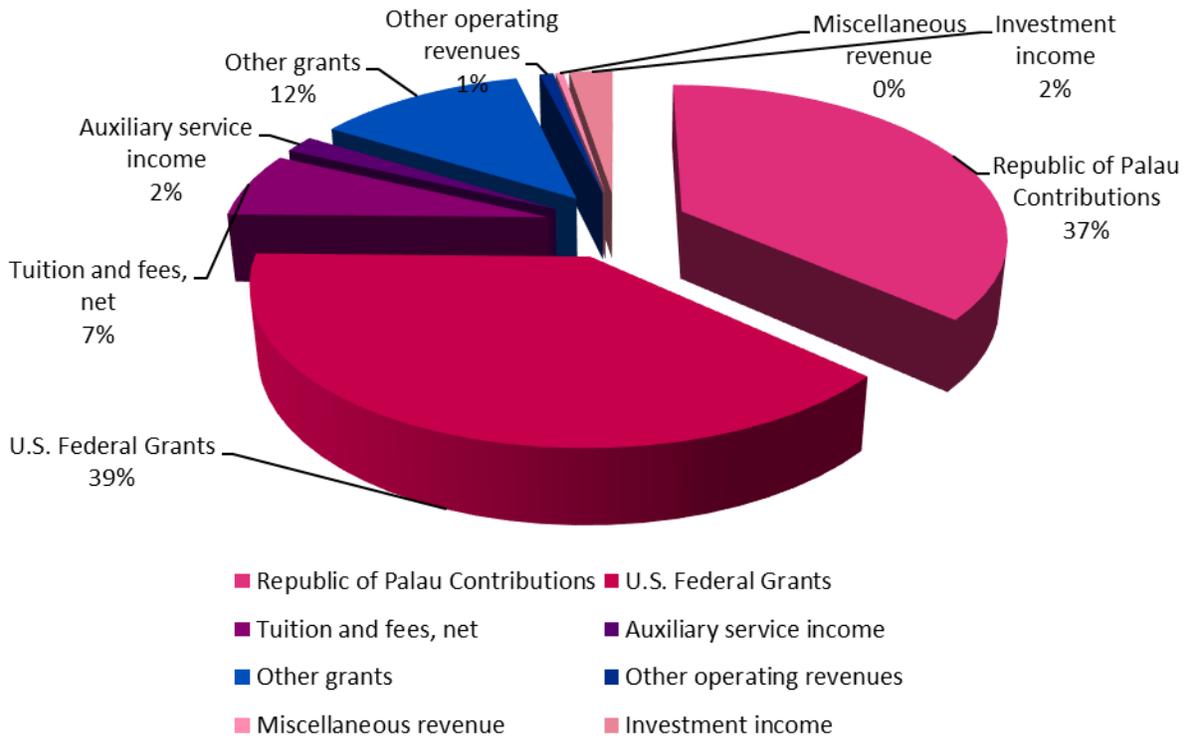
The schedule indicates total revenues realized by the College in fiscal year 2019 of \$7.0 million. The largest portion of revenues (\$2.7 million) was contributed by the U.S. Federal Government through grants. Approximately \$2.6 million was contributed by the Olbiil Era Kelulau (Palau National Congress). The following chart exhibits the breakdown of revenues for Palau Community College in fiscal year 2019:

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

Management's Discussion and Analysis
September 30, 2019

Overview of Financial Statements, Continued

**Revenues Breakdown
For The Year Ended September 30, 2019**



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

Management's Discussion and Analysis
September 30, 2019

Overview of Financial Statements, Continued

Operating Expenses
For The Years Ended September 30, 2019, 2018, and 2017

	2019	2018	2017
Expenditures and mandatory transfers			
Educational and general			
Student aid	\$ 622,765	\$ 771,868	\$ 682,299
Instructional	1,331,158	1,624,256	1,677,859
Administration	2,150,969	1,737,664	1,947,646
Student services	1,123,109	970,719	912,272
Operations and maintenance	624,894	683,235	641,110
Academic support	403,737	389,585	311,761
Depreciation	182,556	300,727	323,957
Total educational and general expenditures	6,439,188	6,478,054	6,496,904
Mandatory transfers			
Auxiliary enterprises expenditures	398,354	740,446	898,722
Total expenditures and mandatory transfers	\$ 6,837,542	\$ 7,218,500	\$ 7,395,626

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 Position and has displayed the natural classification in the notes to financial statements.

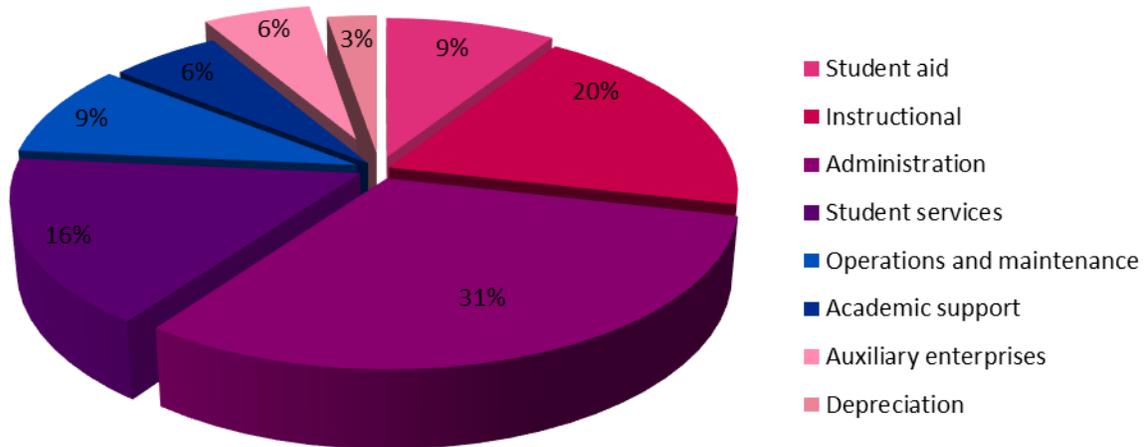
The above schedule shows the total operating expenses of \$6.8 million in fiscal year 2019. Total operating expenses in fiscal year 2019 decreased by \$380,958 or 5% from fiscal year 2018. The following expenses by function comprise the significant portions of this total net decrease:

- Student aid function decreased by \$149,103 or 19% over prior year due to the decrease in enrollment of students participating in federal financial aid grants.
- Student services function increased by \$152,390 or 16% over prior year is mainly attributed by the termination of AANAPISI grant. Salaries and related expenses of the program are being shouldered by student service.
- Auxiliary enterprises expenditures decreased by \$342,092 or 46% over prior year is mainly due to decrease in enrollment of students and resignation/retirement of employees. Decrease is consistent with decrease in inventory and auxiliary revenue.

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

Management's Discussion and Analysis
September 30, 2019

**Expenses Breakdown
For The Year Ended September 30, 2019**



**Changes in Net Position
For The Years Ended September 30, 2019, 2018, and 2017**

	2019	2018	2017
Net position, beginning of the year	\$ (2,178,698)	\$ (2,804,587)	\$ (3,542,613)
Change in net position	149,451	625,889	738,026
Net position, end of the year	\$ (2,029,247)	\$ (2,178,698)	\$ (2,804,587)

Net position decreased by \$149,451 or 7% primarily due to income earned during the year.

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

Management's Discussion and Analysis
September 30, 2019

CAPITAL ASSETS

At September 30, 2018, the College had \$9.5 million in capital assets, less accumulated depreciation of \$8.4 million, for net capital assets of \$1.1 million. The current year additions of \$225,450 in capital assets were mainly equipment for various functional divisions and various facility improvements around the college campus. Depreciation charges for the current fiscal year totaled \$182,556.

The following table summarizes the College's capital assets for the fiscal year 2019:

	Balance at 09/30/18	Additions	Transfers/ Deletions	Balance at 09/30/19
Buildings and improvements	\$ 7,985,151	\$ 131,353	\$ -	\$ 8,116,504
Furniture, vehicles and equipment	1,519,656	94,097	-	1,613,753
Total depreciable assets	9,504,807	225,450	-	9,730,257
Accumulated depreciation	(8,415,031)	(182,556)	-	(8,597,587)
Capital assets, net	\$ 1,089,776	\$ 42,894	\$ -	\$ 1,132,670

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

Economic Factors that will affect the Future

The economic condition of Palau Community College continues to be directly tied to that of the Republic of Palau (Government). For the past twenty-six years, the national government has provided basically level funding to the College. That fact, and other factors like the continued declining revenues due to declining enrollment as well as the increasing price of goods and services are factors that may move the College Board of Trustees to consider and act to increase tuition and fees to meet the ever-increasing cost of providing higher education programs and services. The College has prepared a proposal to the Board of Trustees to consider increase in tuition.

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

Management's Discussion and Analysis
September 30, 2019

The goal of ensuring a diverse student population continues to be pursued aggressively by the College. We continue this pursuit thru provision of travel grants to accepted students from neighboring islands of the Federated States of Micronesia and the Republic of the Marshall Islands. This effort also aims to increase student population; thus, increase revenue. Annual fundraising efforts to boost the PCC Endowment Fund will continue, with the ultimate goal of reaching the \$30 million goal. At the time that the endowment reaches the \$10 million mark, PCC will then begin to use a percentage of interest earned to support programs and services, as stated in its Investment Policy Statement. At the same time, efforts continue to build the fund through active recruitment of new bi-weekly allotments as well as solicitations for direct donations.

Again, it is anticipated that the College's appropriation from the national government for fiscal year 2020 will continue to be at level funding. Therefore, the College will need to secure additional funding, possibly increase tuition and/or fees, including possibly requesting funding increase from the Government, in subsequent years to ensure that its legal mandate in Republic of Palau Public Law 4-2 and its 15-year institutional master plan goals and objectives are adequately supported.

The College also realizes that future challenges will emerge and anticipating them through proactive planning places the College in a good position to successfully address such challenges. The COVID-19 pandemic has forced the College to take actions in order to ensure that instructional programs continue, albeit via different formats/approaches. Services rendered also were delivered using other means, and pretty much across the campus changes were made to mitigate the impacts of COVID-19. While the Palau government has stepped up to ensure that financial assistance exists to mitigate COVID-19's impacts, PCC will need to better anticipate future challenges and plan accordingly.

Requests for Information

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

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

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

STATEMENTS OF NET POSITION
September 30, 2019 and 2018

	2019	2018
<u>Assets and Deferred Outflows of Resources</u>		
Current assets:		
Cash	\$ 60,245	\$ 440,963
Accounts receivable, net	2,092,124	2,389,052
Appropriations receivable	-	20,001
Inventory	319,444	506,571
Total current assets	2,471,813	3,356,587
Noncurrent assets:		
Restricted cash	2,196,705	1,984,255
Endowment investments	5,702,249	5,173,656
Capital assets, net	1,132,670	1,089,776
Total noncurrent assets	9,031,624	8,247,687
Total assets	11,503,437	11,604,274
Deferred outflows of resources related to pensions	1,831,337	2,502,353
Total assets and deferred outflows of resources	13,334,774	14,106,627
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 392,895	\$ 248,938
Accrued liabilities and benefit payable	319,442	777,043
Unearned revenues	498,495	529,576
Other unearned revenues	8,907	5,249
Compensated absences, current portion	169,064	156,764
Total current liabilities	1,388,803	1,717,570
Noncurrent liabilities:		
Compensated absences, net of current portion	72,456	67,185
Net pension liability	10,702,283	11,666,392
Total liabilities	12,163,542	13,451,147
Deferred inflows of resources related to pensions	3,200,479	2,834,178
Net Position:		
Net investment in capital assets	1,132,670	1,089,776
Restricted:		
Expendable	2,178,880	1,947,364
Nonexpendable	5,451,819	5,035,088
Unrestricted	(10,792,616)	(10,250,926)
Total net position	(2,029,247)	(2,178,698)
Total liabilities, deferred inflows of resources and net position	\$ 13,334,774	\$ 14,106,627

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 POSITION
For the Years Ended September 30, 2019 and 2018

	2019	2018
Operating revenues:		
Federal grants	\$ 2,703,942	\$ 3,210,878
Tuition and fees, net of scholarship discounts and allowances of \$1,316,301 and \$1,572,300 in 2019 and 2018, respectively	472,171	691,467
Other grants	860,213	1,017,028
Auxiliary enterprise sales and charges (net of scholarship discounts and allowances)	126,047	182,215
Other operating revenues	56,631	161,264
 Total operating revenues	 4,219,004	 5,262,852
Operating expenses:		
Education and general:		
Student aid	622,765	771,868
Instructional	1,331,158	1,624,256
Administration	2,150,969	1,737,664
Student services	1,123,109	970,719
Operations and maintenance	624,894	683,235
Auxiliary enterprises	398,354	740,446
Academic support	403,737	389,585
Depreciation	182,556	300,727
 Total operating expenses	 6,837,542	 7,218,500
 Operating loss	 (2,618,538)	 (1,955,648)
Non-operating revenues (expenses):		
Republic of Palau appropriations	2,558,000	2,411,000
Loss on disposal of capital assets	-	(20,109)
Miscellaneous revenue	32,600	-
Investment income, net	177,389	190,646
 Total non-operating revenues, net	 2,767,989	 2,581,537
 Change in net position	 149,451	 625,889
Net position, beginning of year	(2,178,698)	(2,804,587)
Net position, end of year	\$ (2,029,247)	\$ (2,178,698)

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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from students for tuition and fees	\$ 1,875,413	\$ 1,593,269
Cash received from auxiliary activities	126,047	182,215
Cash received from federal grants	3,011,469	3,077,931
Cash received from other grants	791,881	1,248,192
Cash paid to employees	(3,573,282)	(3,488,980)
Cash paid to suppliers	(4,433,743)	(4,427,393)
Net cash used for operating activities	(2,202,215)	(1,814,766)
Cash flows from noncapital financing activities:		
Republic of Palau appropriations	2,578,001	2,410,989
Net cash provided by noncapital financing activities	2,578,001	2,410,989
Cash flows from capital and related financing activities:		
Loss on disposal of capital assets	-	(20,109)
Additions to capital assets	(225,450)	(159,963)
Net cash used for capital and related financing activities	(225,450)	(180,072)
Cash flows from investing activities:		
Investment income, net	177,389	190,646
Endowment and restricted cash	(179,850)	(210,938)
Endowment fund investments	(528,593)	(244,619)
Net cash used for investing activities	(531,054)	(264,911)
Net increase (decrease) in cash	(380,718)	151,240
Cash, beginning of year	440,963	289,723
Cash, end of year	\$ 60,245	\$ 440,963

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, 2019 and 2018

	2019	2018
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (2,618,538)	\$ (1,955,648)
Adjustments to reconcile operating loss to net cash used for operating activities		
Provision for uncollectable accounts	152,893	337,566
Depreciation	182,556	300,727
Changes in assets, deferred outflows of resources, liabilities,		
Net pension liability	(964,109)	(316,266)
Deferred outflows of resources related to pensions	671,016	(562,987)
Deferred inflows of resources related to pensions	366,301	1,062,304
Accounts receivable, net	144,035	(858,537)
Inventory	187,127	(209,855)
Accounts payable	143,957	102,122
Accrued liabilities	(457,601)	498,396
Unearned revenues	(31,081)	(209,480)
Other unearned revenue	3,658	(3,095)
Compensated absences	17,571	(13)
	<u>\$ (2,202,215)</u>	<u>\$ (1,814,766)</u>
Net cash used for operating activities	<u>\$ (2,202,215)</u>	<u>\$ (1,814,766)</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 POSITION
- BUDGET AND ACTUAL (GAAP-BASIS)
For the Year Ended September 30, 2019

	General and Federal Funds			
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance
	Original	Final		
Operating revenues	\$ 7,754,560	\$ 7,754,560	\$ 7,675,156	\$ 79,404
Operating expenses:				
Supplies, materials, other operating expenses and services	6,210,605	6,210,605	3,882,186	2,328,419
Salaries	3,123,085	3,123,085	2,782,787	340,298
Employee benefits	627,370	627,370	522,656	104,714
Utilities	351,500	351,500	314,794	36,706
Total operating expenses	10,312,560	10,312,560	7,502,423	2,810,137
Operating loss	(2,558,000)	(2,558,000)	172,733	2,730,733
Non-operating revenues (expenses):				
Republic of Palau appropriations	2,558,000	2,558,000	2,558,000	-
Total non-operating revenues, net	2,558,000	2,558,000	2,558,000	-
Excess of revenues and other financing sources over expenditures and other financing uses.	\$ -	\$ -	\$ 2,730,733	\$ 2,730,733
Reconciliation of Budget to GAAP basis:				
	General Fund	Federal Fund	Total	
Budget basis	\$ 7,268,238	\$ 3,044,322	\$ 10,312,560	
Adjustments (net)				
Revenue accruals	-	-	-	
Expenditures accruals	(2,500,969)	-	(2,500,969)	
Encumbrances	-	(135,979)	(135,979)	
GAAP basis	\$ 4,767,269	\$ 2,908,343	\$ 7,675,612	

See accompanying notes to financial statements.

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

Required Supplemental Information (Unaudited)
Schedule of Proportional Share of the Net Pension Liability
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014
Civil Service Pension Trust Fund (Plan) total net pension liability	\$ 250,864,784	\$ 259,395,005	\$ 249,453,960	\$ 215,546,176	\$ 204,281,232
PCC proportionate share of the net pension liability	\$ 10,702,283	\$ 11,666,392	\$ 11,982,658	\$ 11,064,282	\$ 10,680,027
PCC proportionate share of the net pension liability	4.266%	4.498%	4.804%	5.133%	5.228%
PCC covered-employee payroll**	\$ 2,502,767	\$ 2,605,583	\$ 2,544,139	\$ 2,489,421	\$ 2,457,820
PCC proportionate share of the net pension liability as a percentage of its covered employee payroll	427.62%	447.75%	470.99%	444.45%	434.53%
Plan Fiduciary of net position as a percentage of the total pension liability	10.24%	10.18%	10.55%	11.54%	14.01%

*This data is presented for those years for which information is available.

**Covered-employee payroll data from the actuarial valuation date with a one-year lag.

See Accompanying Independent Auditors' Report.

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

Required Supplemental Information (Unaudited)
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 738,568	\$ 772,621	\$ 692,555	\$ 559,507	\$ 555,409
Contribution in relation to the actuarially determined contribution	<u>150,166</u>	<u>156,335</u>	<u>150,556</u>	<u>148,371</u>	<u>144,731</u>
Contribution (excess) deficiency	\$ 588,402	\$ 616,286	\$ 541,999	\$ 411,136	\$ 410,678
PCC's covered-employee payroll	\$ 2,502,767	\$ 2,605,583	\$ 2,544,139	\$ 2,489,421	\$ 2,457,820
PCC proportionate share of the net pension liability	6.00%	6.00%	5.92%	5.96%	5.89%

* This data is presented for those years for which information is available.

** Covered-employee payroll data from the actuarial valuation date with a one-year lag.

See Accompanying Independent Auditors' Report.

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

Notes to Financial Statements
September 30, 2019 and 2018

(1) Summary of Significant Accounting Policies

For the year ended September 30, 2015, the College implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

Reporting Entity

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

Basis of Presentation

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

The basic financial statements consist of the following:

The *Statement of Net Position* provides information about PCC's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net position is classified according to external donor restrictions or availability of assets to satisfy PCC's obligations. Net investment in capital assets represents the value of capital assets, net of accumulated depreciation. Nonexpendable restricted net position includes gifts that have been received for endowment purposes. Expendable restricted net position represents grants and other resources that have been externally restricted for specific purposes. Unrestricted net position consists of all other resources, including those that have been designated by management to be used for other than general operating purposes.

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

Notes to Financial Statements
September 30, 2019 and 2018

(1) Summary of Significant Accounting Policies, Continued

Basis of Presentation, Continued

The *Statement of Revenues, Expenses, and Changes in Net Position* provides information about PCC's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in net position are reported, including additions to endowments.

The *Statement of Cash Flows* provides information about PCC's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital and related financing, or investing.

The *Statement of Revenues, Expenses, and Changes in Net Assets-Budget and Actual (GAAP-Basis)* reflects the budgetary comparison to actual results of operations and other changes for the year ended September 30, 2019. A budgetary comparison statement for the general and federal funds is considered to be part of the basic financial statements.

Measurement Focus and Basis of Accounting

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

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

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

Notes to Financial Statements
September 30, 2019 and 2018

(1) Summary of Significant Accounting Policies, Continued

Budgetary Information

Amounts included in the Statement of Revenues, Expenditures and Changes in Net Assets – Budget and Actual, which are presented on a GAAP budgetary basis, reconcile to the increase in net assets in the accompanying Statement of Revenues, Expenses, and Changes in Net Assets.

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

Cash

Cash in the Statements of Cash Flows include cash on hand and in bank accounts.

Restricted Cash

Restricted cash are separately classified in the Statements of Net Position.

Investments

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

Accounts Receivable and Allowance for Uncollectible Accounts

PCC's accounts receivable includes tuition and fee charges to students and amounts due from federal grantor agencies as well as appropriations from the Republic of Palau. 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 uncollectible accounts charged to tuition and fees. For the years ended September 30, 2019 and 2018, the tuition and fees in the Statements of Revenues, Expenses, and Changes in Net Position is reported net of the provision for uncollectible accounts of \$152,893 and \$337,566, respectively.

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

Notes to Financial Statements
September 30, 2019 and 2018

(1) Summary of Significant Accounting Policies, Continued

Inventory

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

Capital Assets

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

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

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

Unearned Revenues

Unearned 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. Unearned revenues also include amounts received from grant and contract sponsors that have not been earned.

Compensated Absences

Compensated absences represent the accumulated liability to be paid under PCC's current annual leave policy. PCC recognizes cost for accrued annual leave at the time such leave is earned. Unpaid accrued leave is recorded as accrued liabilities in the accompanying Statements of Net Position as a component of accrued liabilities and benefits payable. The accrued leave at September 30, 2019 and 2018 was \$241,520 and \$223,949 respectively.

Investments

Investments in marketable securities are stated at market value. Market value is determined using quoted market prices.

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

Notes to Financial Statements
September 30, 2019 and 2018

(1) Summary of Significant Accounting Policies, Continued

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. PCC determined the differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability, pension contributions made subsequent to the measurement date and changes in proportion and difference between PCC pension contributions and proportionate share of contributions qualify for reporting in this category.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (additions to net position) until then. PCC has determined the difference between projected and actual earnings on pension plan investments qualify for reporting in this category.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. PCC recognizes a net pension liability for the defined benefit pension plan in which it participates, which represents PCC's proportional share of excess total pension liability over the pension plan assets – actuarially calculated – of a defined benefit, cost sharing multi-employer plan. Changes in the net pension liability during the period are recorded as pension expense, or as deferred inflows of resources or deferred outflows of resources, depending on the nature of the change, in the period incurred.

Those changes in net pension liability that are recorded as deferred inflows of resources or as deferred outflows of resources, that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience, are amortized over the weighted-average remaining service life of all participants in the qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

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Notes to Financial Statements
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(1) Summary of Significant Accounting Policies, Continued

Net Position

Net position represents the residual interest in PCC's assets after liabilities are deducted and consist of three components: net investments in capital assets; restricted expendable and non-expendable. All other net position is unrestricted. The components of net position are further described as follows:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt attributable to the acquisition, construction or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted:

Nonexpendable – Net position subject to externally imposed stipulations that PCC maintains them permanently. 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.

Expendable – Net position whose use by the PCC is subject to externally imposed stipulations. This includes resources in which PCC is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted – Net position that is not subject to externally imposed stipulations. 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.

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(1) Summary of Significant Accounting Policies, Continued

Classification of Revenues and Expenses

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

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

Estimates

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by PCC, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in PCC's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, PCC has recorded a scholarship discount and allowance. The scholarship discounts and allowances for tuition and fees for the years ended September 30, 2019 and 2018 were \$1,316,301 and \$1,572,300, respectively.

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(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments

Deposits

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

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

- Category 1 – Deposits that are federally insured or collateralized with securities held by the College or its agent in the College’s name.
- Category 2 – Deposits that are uninsured but fully collateralized with securities held by the pledging financial institution’s trust department or agent in the College’s name.
- Category 3 – Deposits that are collateralized with securities held by the pledging financial institution’s trust department or agent but not in the College’s name and non-collateralized deposits.

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

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(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Deposits, Continued

As of September 30, 2019 and 2018, the carrying amount of PCC's total cash was \$60,245 and \$440,963, respectively, and restricted cash was \$2,196,705 and \$1,984,255 respectively. The corresponding bank balances as of September 30, 2019 and 2018 were \$1,969,335 and \$2,436,825 respectively, and are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. From these deposits, \$938,985 and \$1,126,086 in fiscal year 2019 and 2018, respectively were subject to coverage by FDIC with the remaining balance exceeding insurable limits. The uninsured bank balance as of September 30, 2019 and 2018 was \$1,030,350 and \$1,310,739, respectively. PCC does not require collateralization of bank accounts, and therefore, amounts in excess of insurable limits are uncollateralized and are exposed to custodial credit risk.

In 2007, the Republic of Palau Financial Institutions Commission issued an order to freeze all assets of Pacific Savings Bank (a local Bank) and subsequently placed the bank under receivership. As of September 30, 2019 and 2018, PCC had cash on deposit with the local Bank in the amount of \$96,457 and is included in other accounts receivable, due to the uncertainty of its recoverability. At September 30, 2019 and 2018, 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.

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Notes to Financial Statements
September 30, 2019 and 2018

(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, 2019 and 2018, PCC's investments stated at fair value consisted of the following:

2019	Allocation		Market Value
	Actual	Per Policy	9/30/2019
Fixed income - U.S. Fixed Income	26%	25%	\$ 1,489,627
Fixed income - Global	4%	5%	247,456
U.S. Equities - Large Cap Value	13%	13%	754,742
U.S. Equities - Large Cap Growth	14%	12%	786,265
U.S. Equities - Small Cap Core	10%	10%	561,587
Non U.S. Equities - Developed	14%	15%	805,253
Non U.S. Equities - Emerging	9%	10%	508,562
Alternatives - Master Limited Partnerships	4%	5%	249,059
Alternatives - Real Estate Investment Trusts	<u>5%</u>	<u>5%</u>	<u>299,698</u>
	<u>100%</u>	<u>100%</u>	<u>\$ 5,702,249</u>

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Notes to Financial Statements
September 30, 2019 and 2018

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

2018	Allocation		Market Value
	Actual	Per Policy	9/30/2018
Fixed income - U.S. Fixed Income	24%	25%	\$ 1,225,324
Fixed income - Global	4%	5%	219,008
U.S. Equities - Large Cap Value	14%	13%	715,346
U.S. Equities - Large Cap Growth	14%	12%	747,612
U.S. Equities - Small Cap Core	11%	10%	551,805
Non U.S. Equities - Developed	14%	15%	714,617
Non U.S. Equities - Emerging	10%	10%	503,442
Alternatives - Master Limited Partnerships	5%	5%	245,537
Alternatives - Real Estate Investment Trusts	<u>5%</u>	<u>5%</u>	<u>250,965</u>
	<u>100%</u>	<u>100%</u>	<u>\$ 5,173,656</u>

Interest Rate Risk

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

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(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of ratings by nationally recognized statistical rating organizations. PCC utilizes investment managers to manage its portfolio. PCC's investment policy specifies the following regarding fixed income investments held in its portfolio:

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

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, 2019 and 2018, 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, 2019 and 2018, 100% of PCC's investments were held in PCC's name, and PCC is not exposed to custodial credit risk related to these investments.

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Notes to Financial Statements
September 30, 2019 and 2018

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

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, 2019 and 2018, PCC did not have investments in foreign currency.

Investment income

Investment income is composed of interest, dividend income, realized gains and losses, and the net change for the year in the fair value of investments carried at fair value.

Fair Value Measurement of the Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

PCC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. PCC has the following fair value measurements:

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(1) Summary of Significant Accounting Policies, Continued

Fair Value Measurement of the Investments, Continued

	Fair Value Measurement Using			
	2019	Level 1	Level 2	Level 3
Investments by fair value				
Debt securities:				
U.S. treasury securities	\$ 624,915	\$ 624,915	\$ -	\$ -
Government securities	224,057	-	224,057	-
Corporate bonds	609,926	-	609,926	-
Equity securities:				
Common stock	<u>3,868,921</u>	<u>3,868,921</u>	-	-
Total investments by fair value level	<u>\$ 5,327,819</u>	<u>\$ 4,493,836</u>	<u>\$ 833,983</u>	<u>\$ -</u>
Investments measured at net asset value				
Mutual funds	<u>\$ 247,456</u>			
Investments measured at cost based measure				
Cash and cash equivalents	<u>\$ 126,974</u>			

	Fair Value Measurement Using			
	2018	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities:				
U.S. Treasury securities	\$ 497,887	\$ 497,887	\$ -	\$ -
Government securities	184,951	-	184,951	-
Corporate bonds	509,663	-	509,663	-
Equity securities:				
Common stock	<u>3,640,798</u>	<u>3,640,798</u>	-	-
Total investments by fair value level	<u>\$ 4,833,299</u>	<u>\$ 4,138,685</u>	<u>\$ 694,614</u>	<u>\$ -</u>
Investments measured at net asset value				
Mutual funds	<u>\$ 201,342</u>			
Investments measured at cost based measure				
Cash and cash equivalents	<u>\$ 139,015</u>			

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Notes to Financial Statements
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(1) Summary of Significant Accounting Policies, Continued

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Recently Issued Accounting Pronouncements

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. GASB Statement No. 81 will be effective for fiscal year ending September 30, 2018. The implementation of this Statement did not have a material effect on PCC's financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues*. This Statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement No. 82 will be effective for fiscal year ending September 30, 2018. Management has not evaluated the impact that the implementation of this Statement will have on PCC's financial statements.

In November 2016 GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this Statement. GASB Statement No. 83 will be effective for the fiscal year ending September 30, 2019. The implementation of this Statement did not have a material effect on the PCC's financial statements.

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Notes to Financial Statements
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(1) Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Pronouncements, Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 will be effective for reporting periods after December 15, 2018. Management has not evaluated the impact that the implementation of this statement will have on PCC's financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for the College's fiscal year ending September 30, 2021. Management has not evaluated the impact that the implementation of this statement will have on PCC's financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The Statement's objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The implementation of this Statements did not have a material effect on PCC's financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021. Management has not evaluated the impact that the implementation of this statement will have on PCC's financial statements.

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Notes to Financial Statements
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(1) Summary of Significant Accounting Policies, Continued

Recently Issued Accounting Pronouncements, Continued

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at the fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020. Management has not evaluated the impact that the implementation of this statement will have on PCC’s financial statements.

New Accounting Pronouncements

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosure. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2022.

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Notes to Financial Statements
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(1) Summary of Significant Accounting Policies, Continued

New Accounting Pronouncement, Continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statements No. 73 and 84 for postemployment benefits, measurements of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsures or excess insures; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2020.

In April 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*. The primary objective of the Statement is to address those and other accounting and financial reporting implications of the replacement of IBOR. GASB Statement No. 93 will be effective for fiscal year ending September 30, 2021.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statements No. 84, 89, 90, and 91 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

PCC is currently evaluating whether or not the new GASB pronouncements listed above will have a significant impact on PCC's financial statements.

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(2) Accounts Receivable

Accounts receivable consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Tuition and fees	\$3,658,665	\$3,623,794
Due from grantor agencies	940,014	1,247,541
Accounts receivable, others	199,097	112,733
College of Micronesia	81,679	32,838
Employees and Board of Trustees	<u>11,387</u>	<u>21,651</u>
	4,890,842	5,038,557
Allowance for uncollectable accounts	<u>(2,798,718)</u>	<u>(2,649,505)</u>
Accounts receivable, net	<u>\$2,092,124</u>	<u>\$2,389,052</u>

The accounts receivable, others includes an amount of \$96,457 for cash deposits in a local bank whose operations were 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 \$96,457 for the fiscal years ended September 30, 2019 and 2018, respectively, and is included as a component of the allowance for uncollectible accounts.

(3) Inventory

Inventory consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Bookstore	\$ 313,770	\$ 501,177
Cafeteria	<u>5,674</u>	<u>5,394</u>
Total	<u>\$ 319,444</u>	<u>\$ 506,571</u>

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September 30, 2019 and 2018

(4) Restricted Cash

Restricted cash consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Management Information Systems Fund	\$ 954,645	\$ 974,586
PCC Infrastructure Improvement Fund	622,009	396,513
PCC Reserve Fund	502,470	501,868
Non-Freely Associated States Employees'		
Retirement Savings	99,756	74,396
Endowment Savings	<u>17,825</u>	<u>36,892</u>
Total restricted cash	<u>\$ 2,196,705</u>	<u>\$ 1,984,255</u>

(5) Endowment Fund Investment

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

The PCC Endowment Fund consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowment investments	\$ 5,702,249	\$ 5,173,656
Endowment fund - restricted cash	<u>17,825</u>	<u>36,892</u>
Total restricted cash	<u>\$ 5,720,074</u>	<u>\$ 5,210,548</u>

PALAU COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2019 and 2018

(5) Endowment Fund Investment, Continued

As of September 30, 2019 and 2018, the PCC's endowment investments at fair value are as follows:

	2019	2018
Fixed income securities:		
Mutual funds	\$ 247,456	\$ 124,792
Corporate bonds	609,926	509,663
Government	224,057	184,950
U.S. treasury securities	624,915	497,888
Total fixed income	1,706,354	1,317,293
Other investments:		
U.S. equities	1,720,819	1,665,016
International equities	1,603,884	1,481,747
Real Estate and Tangibles	544,203	494,035
Mutual funds	-	76,550
Cash and cash alternatives	126,989	139,015
	3,995,895	3,856,363
	\$ 5,702,249	\$ 5,173,656

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Notes to Financial Statements
September 30, 2019 and 2018

(5) Endowment Fund Investment, Continued

At September 30, 2019 and 2018, PCC's fixed income securities had the following ratings and maturities:

Investment type	2019					Rating	
	Fair Value	Investment Maturities (In Years)				Moody	Standard & Poor's
		Less than 1	1-5	6-10	More than 10		
Corporate bonds	\$ 12,725	\$ -	\$ 12,725	\$ -	\$ -	BAA2	BBB
Corporate bonds	4,294	-	4,294	-	-	A3	A-
Government Securities	104,586	-	104,586	-	-	AAA	AA+
Mutual funds	247,456	247,456	-	-	-	No rating	No rating
U.S. Treasury Securities	216,656	-	216,656	-	-	AAA	No rating
Corporate bonds	44,479	-	-	44,479	-	A2	A
Corporate bonds	172,417	-	-	172,417	-	A2	A-
Corporate bonds	54,651	-	-	54,651	-	A3	A-
Corporate bonds	89,203	-	-	89,203	-	A3	BBB+
Corporate bonds	36,158	-	-	36,158	-	BAA2	BBB
Corporate bonds	47,000	-	-	47,000	-	BAA3	BBB
Government Securities	119,471	-	-	119,471	-	AAA	AA+
U.S. Treasury Securities	241,978	-	-	241,978	-	AAA	No rating
Corporate bonds	32,712	-	-	-	32,712	A3	A-
Corporate bonds	45,015	-	-	-	45,015	BAA1	A-
Corporate bonds	31,262	-	-	-	31,262	BAA1	BBB+
Corporate bonds	40,009	-	-	-	40,009	BAA2	BBB
U.S. Treasury Securities	166,282	-	-	-	166,282	AAA	No rating
Total	\$1,706,354	\$ 247,456	\$ 338,261	\$ 805,357	\$ 315,280		
Percentage of Portfolio	<u>100%</u>	<u>11%</u>	<u>20%</u>	<u>47%</u>	<u>18%</u>		

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

Notes to Financial Statements
September 30, 2019 and 2018

(5) Endowment Fund Investment, Continued

Investment type	2018					Rating	
	Fair Value	Investment Maturities (In Years)				Moody	Standard & Poor's
		Less than 1	1-5	6-10	More than 10		
U.S. Treasury Securities	\$ 248,608	\$ -	\$ 248,608	\$ -	\$ -	AAA	No rating
Government Securities	184,950	-	184,950	-	-	AAA	AA+
Mutual funds	124,792	124,792	-	-	-	No rating	No rating
Corporate bonds	8,747	-	8,747	-	-	A3	A-
U.S. Treasury Securities	154,735	-	-	154,735	-	AAA	No rating
Corporate bonds	35,784	-	-	35,784	-	BAA2	BBB
Corporate bonds	36,896	-	-	36,896	-	BAA1	BBB
Corporate bonds	36,572	-	-	36,572	-	A2	A
Corporate bonds	35,773	-	-	35,773	-	A3	A-
Corporate bonds	35,291	-	-	35,291	-	BAA2	BBB
Corporate bonds	44,659	-	-	44,659	-	A3	BBB+
Corporate bonds	36,692	-	-	36,692	-	A3	A
Corporate bonds	65,556	-	-	65,556	-	A3	A-
Corporate bonds	37,118	-	-	37,118	-	A2	A-
U.S. Treasury Securities	94,545	-	-	-	94,545	AAA	No rating
Corporate bonds	36,710	-	-	-	36,710	BAA1	BBB
Corporate bonds	29,217	-	-	-	29,217	A3	BBB+
Corporate bonds	34,604	-	-	-	34,604	A2	A
Corporate bonds	36,044	-	-	-	36,044	BAA1	A
Total	<u>\$ 1,317,293</u>	<u>\$ 124,792</u>	<u>\$ 442,305</u>	<u>\$ 519,076</u>	<u>\$ 231,120</u>		
Percentage of Portfolio	<u>100%</u>	<u>11%</u>	<u>34%</u>	<u>39%</u>	<u>18%</u>		

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

Notes to Financial Statements
September 30, 2019 and 2018

(6) Capital Assets

A schedule of changes in capital assets for the fiscal years ended September 30, 2019 and 2018 is shown below:

Capital assets activity for the fiscal year ended September 30, 2019:

	<u>Balance at</u> <u>9/30/18</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance at</u> <u>9/30/19</u>
Buildings and improvements	\$ 7,985,151	\$ 131,353	\$ -	\$ 8,116,504
Furniture, vehicles and equipment	<u>1,519,656</u>	<u>94,097</u>	<u>-</u>	<u>1,613,753</u>
Total depreciable assets	9,504,807	225,450	-	9,730,257
Accumulated depreciation	<u>(8,415,031)</u>	<u>(182,556)</u>	<u>-</u>	<u>(8,597,587)</u>
Capital assets, net	<u>\$ 1,089,776</u>	<u>\$ 42,894</u>	<u>\$ -</u>	<u>\$ 1,132,670</u>

Capital assets activity for the fiscal year ended September 30, 2018:

	<u>Balance at</u> <u>9/30/17</u>	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance at</u> <u>9/30/18</u>
Buildings and improvements	\$ 7,895,777	\$ 89,374	\$ -	\$ 7,985,151
Furniture, vehicles and equipment	<u>1,573,435</u>	<u>90,698</u>	<u>(144,477)</u>	<u>1,519,656</u>
Total depreciable assets	9,469,212	180,072	(144,477)	9,504,807
Accumulated depreciation	<u>(8,238,672)</u>	<u>(300,727)</u>	<u>124,368</u>	<u>(8,415,031)</u>
Capital assets, net	<u>\$ 1,230,540</u>	<u>\$ (120,655)</u>	<u>\$ (20,109)</u>	<u>\$ 1,089,776</u>

Capital assets essentially serve all functions. The depreciation expense of \$182,556 and \$300,727, respectively, for the years ended September 30, 2019 and 2018, is unallocated.

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

Notes to Financial Statements
September 30, 2019 and 2018

(7) Long-term Liabilities

At September 30, 2019 and 2018, the summary of changes in the long-term liabilities is as follows:

	Outstanding October 1, 2018	Additions	Reductions	Outstanding September 30, 2019	Current	Noncurrent
Compensated absences	\$ 223,949	\$ 312,075	\$ (294,504)	\$ 241,520	\$ 169,064	\$ 72,456
Net pension liability	<u>11,666,392</u>	<u>-</u>	<u>(964,109)</u>	<u>10,702,283</u>	<u>-</u>	<u>10,702,283</u>
	<u>\$11,890,341</u>	<u>\$ 312,075</u>	<u>\$ (1,258,613)</u>	<u>\$10,943,803</u>	<u>\$ 169,064</u>	<u>\$10,774,739</u>

	Outstanding October 1, 2017	Additions	Reductions	Outstanding September 30, 2018	Current	Noncurrent
Compensated absences	\$ 223,962	\$ 287,641	\$ (287,654)	\$ 223,949	\$ 156,764	\$ 67,185
Net pension liability	<u>11,982,658</u>	<u>-</u>	<u>(316,266)</u>	<u>11,666,392</u>	<u>-</u>	<u>11,666,392</u>
	<u>\$12,206,620</u>	<u>\$ 287,641</u>	<u>\$ (603,920)</u>	<u>\$11,890,341</u>	<u>\$ 156,764</u>	<u>\$11,733,577</u>

(8) National Government Contributions

At September 30, 2019 and 2018, the Republic of Palau appropriated and contributed the following to PCC:

	<u>2019</u>	<u>2018</u>
For operational costs of PCC and its Board of Trustees	<u>\$2,558,000</u>	<u>\$2,411,000</u>

At September 30, 2019 and 2018, amounts due from Republic of Palau representing unremitted balances of appropriations due to PCC was \$-0- and \$20,001 respectively, and is reported in the Statements of Net Position as appropriations receivable.

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

Notes to Financial Statements
September 30, 2019 and 2018

(9) Functional Expenses Classifications

The functional expenses classifications for fiscal years ended 2019 and 2018 are as follows:

2019

	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Utilities	Depreciation	Total
Student aid	\$ 86,719	\$ -	\$ 536,046	\$ -	\$ -	\$ 622,765
Instructional	835,758	163,584	310,557	21,259	-	1,331,158
Administration	802,879	156,305	1,096,183	95,602	-	2,150,969
Student services	713,328	140,224	232,427	37,130	-	1,123,109
Operations and maintenance	232,712	41,809	95,475	254,898	-	624,894
Auxiliary enterprises	110,685	20,837	263,333	3,499	-	398,354
Academic support	225,218	43,235	124,618	10,666	-	403,737
Depreciation	-	-	-	-	182,556	182,556
	<u>\$ 3,007,299</u>	<u>\$ 565,994</u>	<u>\$ 2,658,639</u>	<u>\$ 423,054</u>	<u>\$ 182,556</u>	<u>\$ 6,837,542</u>

2018

	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Utilities	Depreciation	Total
Student aid	\$ 121,179	\$ 741	\$ 649,949	\$ -	\$ -	\$ 771,869
Instructional	1,059,973	193,763	336,986	43,486	-	1,634,208
Administration	729,699	143,505	731,375	95,293	-	1,699,872
Student services	497,777	96,614	429,159	35,845	-	1,059,395
Operations and maintenance	215,446	38,690	82,774	279,481	-	616,391
Auxiliary enterprises	107,564	22,459	608,846	3,836	-	742,705
Academic support	219,952	41,617	107,283	24,481	-	393,333
Depreciation	-	-	-	-	300,727	300,727
	<u>\$ 2,951,590</u>	<u>\$ 537,389</u>	<u>\$ 2,946,372</u>	<u>\$ 482,422</u>	<u>\$ 300,727</u>	<u>\$ 7,218,500</u>

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

Notes to Financial Statements
September 30, 2019 and 2018

(10) Retirement Plan

PNCC 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. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

In accordance with the directives of RPPL 5-7, which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year.

Further, the amount of benefits that a member receives should not be recalculated if the members is re-employed after the member begins receiving benefits under the Fund. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

RPPL 2-26 is the authority under which benefit provisions and contributions rates are established. Member contribution rates are established by RPPL 2-26 at six percent (6%) of total payroll and are deducted from the member' dollar for dollar by the employer. Under the provisions of the RPPL 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.

RPPL 10-8 and RPPL 10-12 became effective October 1, 2018 to increase the new rate of contribution for social security from 6% to 7%. Member contribution rates are established by RPPL 10-8 and RPPL 10-12 at seven percent (7%) of total payroll and are deducted from the member' dollar for dollar by the employer. Under the provisions of the RPPL Law 10-8 and RPPL 10-12, 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.

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

Notes to Financial Statements
September 30, 2019 and 2018

(10) Retirement Plan, Continued

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2018, for the same measurement date, using the following assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets
Investment Income:	7.5% per year, net of investment expenses, including price inflation
Inflation:	3%
Interest on Members Contribution:	5% per year
Salary Increase:	3% per year
Expenses:	\$300,000 added to normal cost
Mortality:	RP 2000 Combined Mortality Table, set forward four years for all members except disability recipients, where the table is set forward ten years.

PALAU COMMUNITY COLLEGE
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Notes to Financial Statements
September 30, 2019 and 2018

(10) Retirement Plan, Continued

Actuarial Assumptions, Continued

Termination of Employment: 5% for ages 20 to 39, 0% for all other ages.

Disability:	<u>Age</u>	<u>Disability</u>
	25	0.21%
	30	0.18%
	35	0.25%
	40	0.35%
	45	0.50%
	50	0.76%
	55	1.43%
	60	2.12%

Retirement Age: 100% at age 60

Form of Payment: Single: Straight life annuity; Married: 100% joint and survivor

Marriage Assumption: 80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses. Beneficiaries are assumed to be the opposite gender of the member.

Duty vs Non-Duty Related Disability: 100% duty related

Refund of Contributions: 80% terminated vested members elect a refund of contributions

Final Average Earnings: Deferred vested members missing data for their final average earnings are assumed to have earned the average amount of current deferred vested members.

Benefits: Retirees and beneficiaries missing data for their monthly benefit amount are assumed to receive the average benefit of current retirees or beneficiaries, respectively.

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 effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employment service to date.

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

Notes to Financial Statements
September 30, 2019 and 2018

(10) Retirement Plan, Continued

Actuarial Assumptions, Continued

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.

Investment Rate of Return

The long-term expected rate of return on the Fund's investment is 7.5% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of September 30, 2018, the arithmetic real rates of return for each major investment class are as follows:

<u>Assets Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Large Cap Equity	20%	8.70%
US Small/Mid Cap Equity	5%	9.13%
International Equity	15%	9.19%
Emerging Markets	10%	12.52%
US Aggregate Fixed Income	35%	3.82%
Global Broad Fixed Income	10%	3.40%
Global REIT	5%	8.33%

Discount Rate

The discount rate used to measure the total pension liability was 4.16% at the current measurement date and 3.62% at the prior measurement date. The discount rate was determined using the current assumed rate of return until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2023 for the 2018 measurement date. For years on or after 2023, a discount rate of 4.09% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index Rate.

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

Notes to Financial Statements
September 30, 2019 and 2018

(10) Retirement Plan, Continued

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following schedule presents PCC's proportionate share of the net pension liability as of September 30, 2018, calculated using the discount rate of 4.16%, as well as what the net pension liability would be if were calculated using a discount rate that is 1% lower (3.16%) or 1% higher (5.16%) from the current rate.

	1% Decrease in Discount Rate <u>3.16%</u>	Current Discount Rate <u>4.16%</u>	1% Increase in Discount Rate <u>5.16%</u>
Net Pension Liability	<u>\$ 12,308,432</u>	<u>\$ 10,702,283</u>	<u>\$ 9,362,821</u>

Deferred Outflows and Inflows of Resources: As of September 30, 2019, PCC reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 843,974	\$ 159,813	\$ 1,073,978	\$ 228,019
Net difference between projected and actual earnings on pension plan investments	30,462	46,637	64,230	57,012
Change in assumptions	956,901	1,477,230	1,364,145	1,105,183
Changes in proportion and difference between PCC's contributions and proportionate share of contributions	-	1,516,799	-	1,443,964
Total	<u>\$ 1,831,337</u>	<u>\$ 3,200,479</u>	<u>\$ 2,502,353</u>	<u>\$ 2,834,178</u>

(11) Commitments and Contingencies

Encumbrances

PCC reserves its fund balance for internal purposes, for those portions legally segregated for specific future use. At September 30, 2019 and 2018, the reserve for encumbrances was \$135,979 and \$89,791, respectively, within the unrestricted fund.

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

Notes to Financial Statements
September 30, 2019 and 2018

(11) Commitments and Contingencies, Continued

Financial and Compliance Audits

PCC has participated in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds or other reimbursement regulations. PCC's management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial statements of PCC.

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, 2019 and 2018 was \$1,389,470 and \$1,468,826, 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.

(12) Economic Dependency

For the years ended September 30, 2019 and 2018, PCC derives 73% and 71% of its total revenues, respectively, from Federal grants and appropriations from the Republic of Palau. Significant decreases in assistance could adversely affect the operations of PCC.

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

Notes to Financial Statements
September 30, 2019 and 2018

(13) Impairment of Fixed Assets

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

(14) Fair Value of Financial Instruments

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

(15) Reclassifications

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

(16) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through July 20, 2020, which is the date the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S and throughout Micronesia. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. As a result of the spread of the coronavirus pandemic, economic uncertainties have arisen which are likely to impact the day to day administration of PCC. While this matter is expected to negatively impact PCC's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

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

UNIFORM GUIDANCE REPORTS

For The Year Ended September 30, 2019



INDEPENDENT AUDITORS' 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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Palau Community College (PCC), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Palau Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Palau Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Koror, Republic of Palau
July 20, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Palau Community College

Report on Compliance for Each Major Federal Program

We have audited the compliance of Palau Community College, a component unit of the Republic of Palau, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Palau Community College's major federal programs for the year ended September 30, 2019. Palau Community College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Palau Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Palau Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Palau Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Palau Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of Palau Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Palau Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Palau Community College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Benji Comar Maglian". The signature is written in a cursive style.

Koror, Republic of Palau
July 20, 2020

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

Introduction to Federal Award Programs
For the Year Ended September 30, 2019

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, 2019, 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). PCC's institutional matching share for the SEOG and FWS was initially waived during the award year ended June 30, 2003 and continued to be in effect until award year ended June 30, 2017. During award year ended June 30, 2018, the College's institutional matching share for SEOG and FWS was reinstated at 25% and continuous to be in effect as of September 30, 2019.

Direct Grants

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

- Talent Search
- Upward Bound Program

United States Department of Health and Human Services

Passed Through

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.

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

Introduction to Federal Award Programs
For the Year Ended September 30, 2019

United States Department of the Interior

Direct Grants

During the year ended September 30, 2019, PCC received from the U.S. Department of the Interior grants to provide Joint Training to the employees of the Republic of Palau National Government and Palau Community College.

United States Department of Agriculture

Direct Grants

PCC receives grants from U.S. Department of Agriculture through National Institute of Food and Agriculture. The purpose of these grants is to develop Resident Instruction and Distance Education in Food and Agriculture Sciences Program at Palau Community College.

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

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Project/ Grant Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Aid Programs:			
Federal Supplemental Educational Opportunity Grant	P007A194582	84.007	\$ 37,700
Federal Work Study	P033A194582	84.033	86,719
Pell Grant	P063P193406	84.063	<u>1,812,700</u>
			<u>1,937,119</u>
TRIO Programs:			
Upward Bound	P047A171592	84.047A	417,320
Talent Search	P044A161011	84.044A	<u>251,779</u>
			<u>669,099</u>
Sub-total			<u>2,606,218</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through:			
Basic/Core Area Health and Education Center	KA1347	93.107	49,642
Geriatrics Workforce Enhancement Program	KA1539	93.969	<u>-</u>
Sub-total			<u>49,642</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Developing Distance Education in Food and Agriculture Sciences	2016-70004-25663	10.308	33,595
Building Faculty Capacity & Enhancing Instruction Delivery Through Distance Education	2018-70004-28679	10.322	<u>48,081</u>
Sub-total			<u>\$ 81,676</u>

See accompanying notes to the schedule of expenditures of federal awards.

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

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Project/ Grant Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of the Interior</u>			
Direct Programs:			
PCC-ROPNG Joint Training Maintenance Assistance Program MAP-PCC-2017-1	D17AP00081	15.875	\$ <u>1,947</u>
Sub-total			<u>1,947</u>
<u>Passed Through National Science Foundation</u>			
Louise Stokes STEM Pathways & Research Alliance - Islands of Opportunity Alliance	HI1442	47.076	11,835
NSF-ATE: Partnership for Advanced Marine & Environmental Science for Pacific Islanders	MA1159	47.076	<u>19,416</u>
Sub-total			<u>31,251</u>
<u>Passed Through Center for Tropical & Subtropical Aquaculture</u>			
Development of Sustainable Aquaculture & Fishery for the Mangrove Crab Scylla Serrata Forskal	MA1490	10.200	-
Improving Rabbitfish Seed Production Capacity in Palau	2016-285(a)	10.200	<u>-</u>
Sub-total			<u>-</u>
Total			<u>\$ 2,770,734</u>

See accompanying notes to the schedule of expenditures of federal awards.

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

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

(1) Scope of Audit

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 Education has been designated as PCC's cognizant agency.

Programs Subject to Uniform Guidance.

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, U.S. Department of Agriculture and U.S. Department of the Interior, which are subject to the Uniform Guidance.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Palau Community College (the "College") under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.

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

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting and Cost Principles

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Educational Institutions or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The College has elected not to use the 10- percent de minimis indirect cost rate allowed under the Uniform Guidance.

Subrecipients

Of the federal expenditures presented in the Schedule, the College did not provide any federal awards to subrecipients.

Non-Cash Assistance

The College had no non-cash assistance during the year.

Federal Insurance

The College had no Federal Insurance in force during the year.

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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

SECTION I – SUMMARY OF INDEPENDENT AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? yes no

- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR § 200.516 (a)? yes no

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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS, Continued

Federal Awards

Identification of major programs:

CFDA Number	Description	Federal Expenditures
	TRIO Programs:	
84.047A	Upward Bound Program	\$ 417,320
84.044A	Talent Search Program	<u>251,779</u>
	TRIO Cluster	<u>\$ 669,099</u>

Additional Major Program:

	Student Financial Assistance Cluster:	
84.063	Federal Pell Grant Program	\$ 1,812,700
84.007	Federal Supplemental Educational Opportunity Grants	37,700
84.033	Federal Work-Study Program	<u>86,719</u>
	Student Financial Assistance Cluster	<u>1,937,119</u>

Total Federal Expenditures-Major Programs \$ 2,606,218

Percentage of total federal awards tested 93%

Dollar threshold used to distinguish between
Type A and Type B programs \$ 750,000

Auditee qualified as low-risk auditee X yes _____ no

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

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019

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

There were no financial statement audit findings for fiscal year ending September 30, 2019.

SECTION III – Findings and Questioned Costs relating to Federal Awards

There were no federal awards audit findings and questioned costs for fiscal year ending September 30, 2019.

SECTION IV – Prior Audit Findings and Questioned Costs

There were no prior years' unresolved findings and questions costs.

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

STATISTICAL SECTION

For the Year Ended September 30, 2019

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

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

Fall Semester Fiscal Year	Employees				
	Regular Faculty	Adjunct Faculty	Regular Staff	Part-Time/Temp. Staff	Total Employees
2010	29	19	84	47	179
2011	26	20	90	40	176
2012	35	19	105	56	215
2013	33	14	110	60	217
2014	31	13	100	58	202
2015	30	12	95	45	182
2016	32	7	85	40	164
2017	32	8	84	43	167
2018	39	8	79	48	174
2019	36	6	76	65	183

Source: PCC Human Resource Records

See Independent Auditors' Report.

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

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

Fall Semester Fiscal Year	Attendance		Gender		Residency		Age	
	Full Time	Part Time	Male	Female	IN Campus	OFF Campus	Median	Mean
2010	67%	33%	293	401	113	581	16	36
2011	68%	32%	315	427	102	640	21	18
2012	61%	39%	297	383	112	568	21	24
2013	64%	36%	303	343	100	546	35	24
2014	61%	39%	284	320	106	498	28	37
2015	55%	45%	287	340	116	511	20	24
2016	62%	38%	268	319	104	483	38	38
2017	65%	35%	255	295	100	450	36	28
2018	68%	32%	238	294	93	439	22	25
2019	58%	42%	203	241	35	409	34	25

Fall Semester Fiscal Year	Palau	Yap	Pohnpei	Chuuk	Marshalls	Kosrae	Others(1)	Total Headcount
2010	552	66	29	20	20	30	9	726
2011	561	87	12	35	3	5	39	742
2012	510	63	12	33	9	15	38	680
2013	494	52	12	30	12	18	28	646
2014	510	63	12	33	9	15	38	680
2015	454	57	19	24	14	15	21	604
2016	426	58	36	11	19	11	26	587
2017	417	49	28	9	16	9	22	550
2018	397	51	28	8	14	14	20	532
2019	372	31	3	1	6	10	21	444

Source: Registrar's Office

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

See Independent Auditors' Report.

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

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

Fall Semester Fiscal Year	Tuition Rate Per Credit Hour	Total Headcount	FTSE (1)	Part-Time and Others (2)
2010	\$ 90.00	726	417	309
2011	\$ 110.00	742	508	234
2012	\$ 110.00	680	423	257
2013	\$ 110.00	646	416	230
2014	\$ 110.00	680	445	235
2015	\$ 110.00	627	347	280
2016	\$ 110.00	587	361	226
2017	\$ 110.00	550	409	141
2018	\$ 110.00	532	364	168
2019	\$ 110.00	444	259	185

Source: PCC Registrar's Office

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

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

See Independent Auditors' Report.

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

STUDENT'S PELL AWARDS & REFUNDS
Last Nine Fiscal Years Ended September 30th
Unaudited

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Pell Grant Awarded to Students	\$ 3,364,459.00	\$ 3,257,036.00	\$ 3,520,134.00	\$ 2,631,522.00	\$ 2,277,175.00	\$ 1,817,141.00	\$ 2,215,414.00	\$ 2,090,697.00	\$ 1,875,912.00
Less: Pell Award Applied to Student's Tuition & Fees	1,677,802.73	2,431,201.09	2,628,657.42	2,195,002.46	1,504,742.72	1,313,860.28	1,695,424.19	1,572,300.07	1,316,301.00
Amount Refunded to Students	\$ 1,686,656.27	\$ 825,834.91	\$ 891,476.58	\$ 436,519.54	\$ 772,432.28	\$ 503,280.72	\$ 519,989.81	\$ 518,396.93	\$ 559,611.00

Source: PCC Business Office

See Independent Auditors' Report.

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

ENDOWMENT INVESTMENT PORTFOLIO
Last Eight Fiscal Years Ended September 30th
Undaudited

Fiscal Year	Investment Amount	Investment Income (Loss)	Growth (%)	ROI (%)
2012	\$ 2,490,000.00	\$ 323,453.94	30.2983%	12.9901%
2013	\$ 3,414,000.00	\$ 360,029.27	37.1084%	10.5457%
2014	\$ 3,636,000.00	\$ 223,809.44	6.5026%	6.1554%
2015	\$ 3,597,000.00	\$ (248,506.96)	-1.0726%	-6.9087%
2016	\$ 4,163,000.00	\$ 345,512.12	15.7353%	8.2996%
2017	\$ 4,933,010.00	\$ 509,508.00	18.4965%	10.3285%
2018	\$ 5,173,656.33	\$ 190,646.33	24.2771%	3.6849%
2019	\$ 5,702,249.00	\$ 177,389.00	15.5937%	3.1109%

ENDOWMENT INVESTMENT INCOME
Fiscal Year 2019
Undaudited

Investment Account No.	Investment Account Name	Interest Income	Dividends	Net Gain	Total
58090924	Templeton Global Bond	\$ 1,001.11	\$ 4,443.33	\$ 9,002.12	\$ 14,446.56
78892046	Lazard EM	63.35	3,415.16	15,008.98	18,487.49
79033205	Aristotle Large Value	51.17	7,649.25	12,118.36	19,818.78
79033229	Pacific Income	19.18	995.33	34,126.66	35,141.17
79033234	Miller Howard MLP	72.42	8,324.44	16,522.87	24,919.73
79033248	Adelante REIT	98.66	8,022.22	8,365.33	16,486.21
79033253	Renaissance Intl.	73.12	9,875.66	15,866.22	25,815.00
1320M537	Loomis Sayles LCG	49.16	2,002.19	8,706.95	10,758.30
471LF746	Boston Partners SMID	25.18	2,546.13	8,944.84	11,516.15
Total		\$ 1,453.35	\$ 47,273.71	\$ 128,662.33	\$ 177,389.39

Source: PCC Business Office

See Independent Auditors' Report.