

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

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**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

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**For the Year Ended September 30, 2021**



PALAU  
COMMUNITY  
COLLEGE

# **PALAU COMMUNITY COLLEGE**

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**For the Year Ended September 30, 2021**

Prepared by:  
Administration & Finance Department

Jay Olegeriil  
Vice President for Administration & Finance

Uroi N. Salii  
Director of Finance

Debbie O. Ngiraibai  
Accountant/Business Supervisor

P.O. Box 9  
Koror, Palau 96940

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

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**INTRODUCTORY SECTION**

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**For the Year Ended September 30, 2021**

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TABLE OF CONTENTS  
September 30, 2021 and 2020

<b><u>ITEM(s)</u></b>	<b><u>PAGE(s)</u></b>
<b>I. INTRODUCTORY SECTION</b>	
Table of Contents	I-II
President’s Letter	III
Transmittal Letter	IV-IX
Principal Officials	X
Organization Chart	XI
<b>II. FINANCIAL SECTION</b>	
Independent Auditors’ Report on Financial Statements	1-3
Management’s Discussion and Analysis (required supplementary information)	4-13
Statements of Net Position	14
Statements of Revenues, Expenses and Changes in Net Position	15
Statements of Cash Flows	16-17
Statements of Revenues, Expenses, and Changes in Net Position – Budget and Actual (GAAP Basis)	18
Schedule of Proportional Share of the Net Pension Liability	19
Schedule of Pension Contributions	20
Notes to Financial Statements	21-52
<b>III. UNIFORM GUIDANCE REPORTS</b>	
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 <i>Government Auditing Standards</i>	53-54
Independent Auditors’ Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i>	55-57
Introduction to Federal Award Programs	58-59
Schedule of Expenditures of Federal Awards	60-61
Notes to Schedule of Expenditures of Federal Awards	62-63

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

TABLE OF CONTENTS  
September 30, 2021 and 2020

<b><u>ITEM(s)</u></b>	<b><u>PAGE(s)</u></b>
Schedule of Findings and Questioned Costs Summary of Auditors' Results	64-65
Findings relating to the Financial Statements which are required to be reported in accordance with <i>Government Auditing Standards</i>	66
Findings and Questioned Costs relating to Federal Awards	66
 IV. STATISTICAL SECTION	
Average Number of Employees	67
Student Enrollment and Demographic Statistics	68
Tuition Rates and Enrollment Statistics	69
Students' Pell Awards and Refunds	70
Endowment Investment Portfolio	71



June 28, 2022

Ladies and Gentlemen of the Board:

I am pleased to submit to you and leadership of the Republic of Palau the College's Annual Comprehensive Financial Report for fiscal year 2021. This document presents the record of Palau Community College's financial operations for the year ended September 30, 2021.

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



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

June 28, 2022

To : President Tellei and  
Members of the Board of Trustees

The Annual Comprehensive Financial Report of Palau Community College for the fiscal year ended September 30, 2021 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 Annual Comprehensive Financial Report (ACFR) 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

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- 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, 2021, 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Enrollment										
- Full Time Total	1,277	1,279	812	715	721	737	1,442	1,669	1,892	1,816
- Continuing Education and Other Training*	<u>520</u>	<u>916</u>	<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>
Total	<u>1,797</u>	<u>2,195</u>	<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>

\*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, 2021, the College's investments from current funds generated net investment income of \$1,463,225 from endowment fund investments. The College invests endowment fund in Money Market funds managed by Raymond James & Associates, Inc.

## **RISK MANAGEMENT**

In fiscal year 2021, the College paid approximately \$6,295 for Worker's Compensation and \$16,851 for General Liabilities insurance coverage as protection against risks. The College also paid \$3,128 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 annual comprehensive 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, 2021

BOARD OF TRUSTEES

Rev. Billy G. Kuartei	Chairperson
Ms. Romana Wong	Vice-Chair
Mr. Masa-Aki Emesiochl	Secretary/Treasurer
Mr. Kione Isechal	Trustee
Mr. Kobe Moses	Student Trustee

OFFICERS OF THE COLLEGE

Dr. Patrick U. Tellei	President
Mr. Jay Olegeriil	Vice President for Administration and Finance
Dr. Christopher Kitalong	Vice President for Cooperative Research and Extension
Ms. Deikola Olikong	Dean of Academic Affairs
Mr. Jefferson Thomas	Dean of Continuing Education
Ms. Hilda N. Reklai	Dean of Students
Ms. Johvannah Yaoch	President of the Faculty Senate Association
Mr. Lyndon Masami	President of the Classified Staff Organization
Ms. Minelli-Rain K. Olkeriil	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

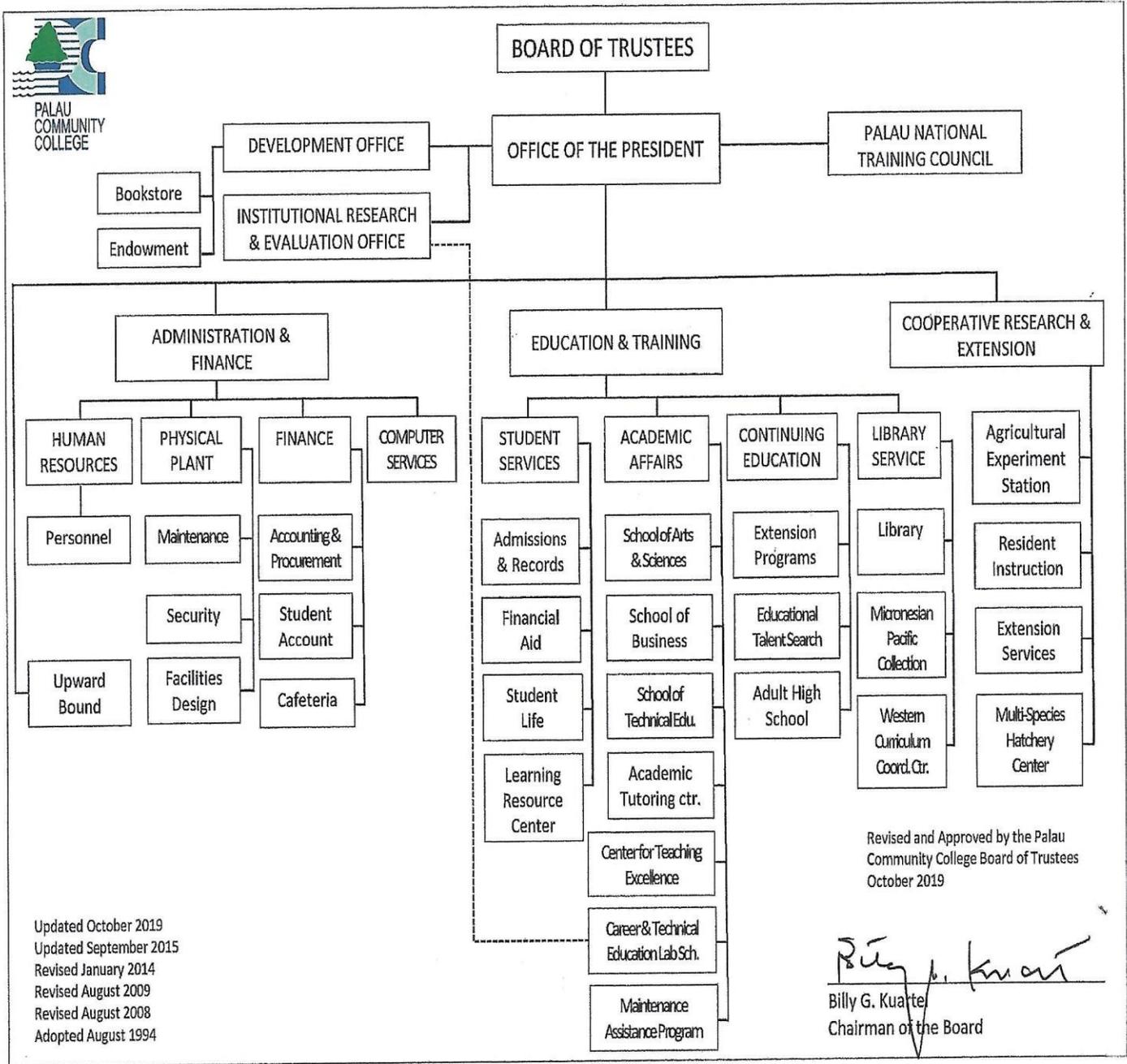
DIVISION ISSUING REPORT

Finance

# PALAU COMMUNITY COLLEGE

## ORGANIZATION CHART

Year ended September 30, 2021



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

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**FINANCIAL SECTION**

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**For The Years Ended September 30, 2021 and 2020**

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

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**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

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**September 30, 2021 and 2020**



**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, 2021 and 2020, 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.

**Saipan Office**

Suite 203 MH II Building  
P.O. Box 504053, Saipan, MP 96950  
Tel Nos. (670) 235-8722 (670) 233-1837  
Fax Nos. (670) 235-6905 (670) 233-8214

**Guam Office**

333 South Marine Corps Drive  
Tamuning, Guam 96913  
Tel Nos. (671) 646-5044 (671) 472-2680  
Fax Nos. (671) 646-5045 (671) 472-2686

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, 2021 and 2020, 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.

### ***Emphasis of a Matter***

#### ***COVID-19***

As discussed in Note 16 to the financial statements, the PCC determined that the COVID-19 pandemic may negatively impact its operations and net position. However, due to the uncertainty surrounding the duration of the COVID-19 pandemic, PCC is unable to reasonably estimate its ultimate impact. Our opinion is not modified with respect to this matter.

### ***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 67 through 71 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 58-59 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 June 28, 2022 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  
June 28, 2022

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

Management's Discussion and Analysis  
September 30, 2021

**Management's Discussion and Analysis**

This section of Palau Community College's Annual Comprehensive Financial Report presents management's discussion and analysis of the College's financial activity during the fiscal year ended September 30, 2021. 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 52). 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 assets and deferred outflows of resources totaled \$17.8 million at September 30, 2021. This balance reflects a \$2.3 million increase from the 2020 fiscal year. The increase was caused by a \$1.6 million increase in endowment investments and \$0.7 million increase in capital assets.

The College's operating revenues totaled \$6.2 million for fiscal year 2021 compared to \$5.3 million in 2020. The 17% increase over fiscal year 2020 operating revenues was due to increase in federal grants. Operating expenses totaled \$7.1 million for fiscal year 2021 compared to \$8.7 million in 2020. The decrease of 18% is consistent with increase in capital assets.

**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 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, 2021

**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.

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, 2021. 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, 2021. 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, 2021. 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, 2021. 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, 2021

**Overview of Financial Statements, Continued**

*Basic Financial Statements, Continued*

**Financial Analysis of the College as a Whole**  
**Net Position**  
**As of September 30, 2021, 2020, 2019**

	2021	2020	2019
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current Assets			
Cash	\$ 222,302	\$ 121,531	\$ 60,245
Accounts receivable, net	1,835,137	2,086,246	2,092,124
Inventory	330,583	276,951	319,444
Total current assets	2,388,022	2,484,728	2,471,813
Noncurrent assets			
Restricted cash	2,095,711	1,983,704	2,196,705
Endowment investments	7,557,306	5,977,405	5,702,249
Capital assets, net	2,403,277	1,684,729	1,132,670
Total noncurrent assets	12,056,294	9,645,837	9,031,624
Total assets	14,444,316	12,130,566	11,503,437
Deferred outflows of resources related to pensions	3,358,134	3,358,134	1,831,337
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
Current liabilities			
Accounts payable	\$ 30,096	\$ 276,951	\$ 392,895
Accrued liabilities and benefit payable	307,297	832,178	319,442
Unearned revenues	639,494	640,509	507,402
Compensated absences, current portion	158,957	167,030	169,064
Total current liabilities	1,135,844	1,916,668	1,388,803
Noncurrent liabilities			
Compensated absences, net of current portion	52,986	71,584	72,456
Net pension liability	12,858,175	12,858,175	10,702,283
Total noncurrent liabilities	12,911,161	12,929,759	10,774,739
Total liabilities	14,047,005	14,846,428	12,163,542
Deferred inflows of resources related to pensions	3,038,649	3,038,649	3,200,479
Net position			
Net investments in capital assets	2,403,277	1,684,729	1,132,670
Restricted			
Expendable	2,251,318	2,246,415	2,178,880
Nonexpendable	7,605,126	6,037,928	5,451,819
Unrestricted	(11,542,925)	(12,365,448)	(10,792,616)
<b>Total net position</b>	<b>\$ 716,796</b>	<b>\$ (2,396,376)</b>	<b>\$ (2,029,247)</b>

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

Management's Discussion and Analysis  
September 30, 2021

**Overview of Financial Statements, Continued**

**Statement of Net Position**

The College's overall financial position increased in FY 2021. 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 2021 and FY 2020 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, 2019). Deferred inflows of resources represent the College's proportionate share of anticipated earnings on contributions over the life of the plan.

**Revenues**  
**For the Years Ended**  
**September 30, 2021, 2020, and 2019**

	2021	2020	2019
Operating revenues:			
U.S. Federal grants	\$ 4,299,674	\$ 2,796,601	\$ 2,703,942
Tuition and fees, net	726,402	909,097	472,171
Other grants	786,331	1,002,956	860,213
Auxiliary enterprise sale and charges	71,231	92,957	126,047
Other	354,671	528,200	56,631
<b>Total operating revenues, net</b>	<b>6,238,309</b>	<b>5,329,811</b>	<b>4,219,004</b>
Non-operating revenues:			
Republic of Palau appropriations	2,546,000	2,546,000	2,558,000
Miscellaneous revenue	225	81,304	32,600
Investment income, net	1,463,225	382,868	177,389
<b>Total non-operating revenues</b>	<b>4,009,450</b>	<b>3,010,172</b>	<b>2,767,989</b>
<b>Total Revenues</b>	<b>\$ 10,247,759</b>	<b>\$ 8,339,983</b>	<b>\$ 6,986,993</b>

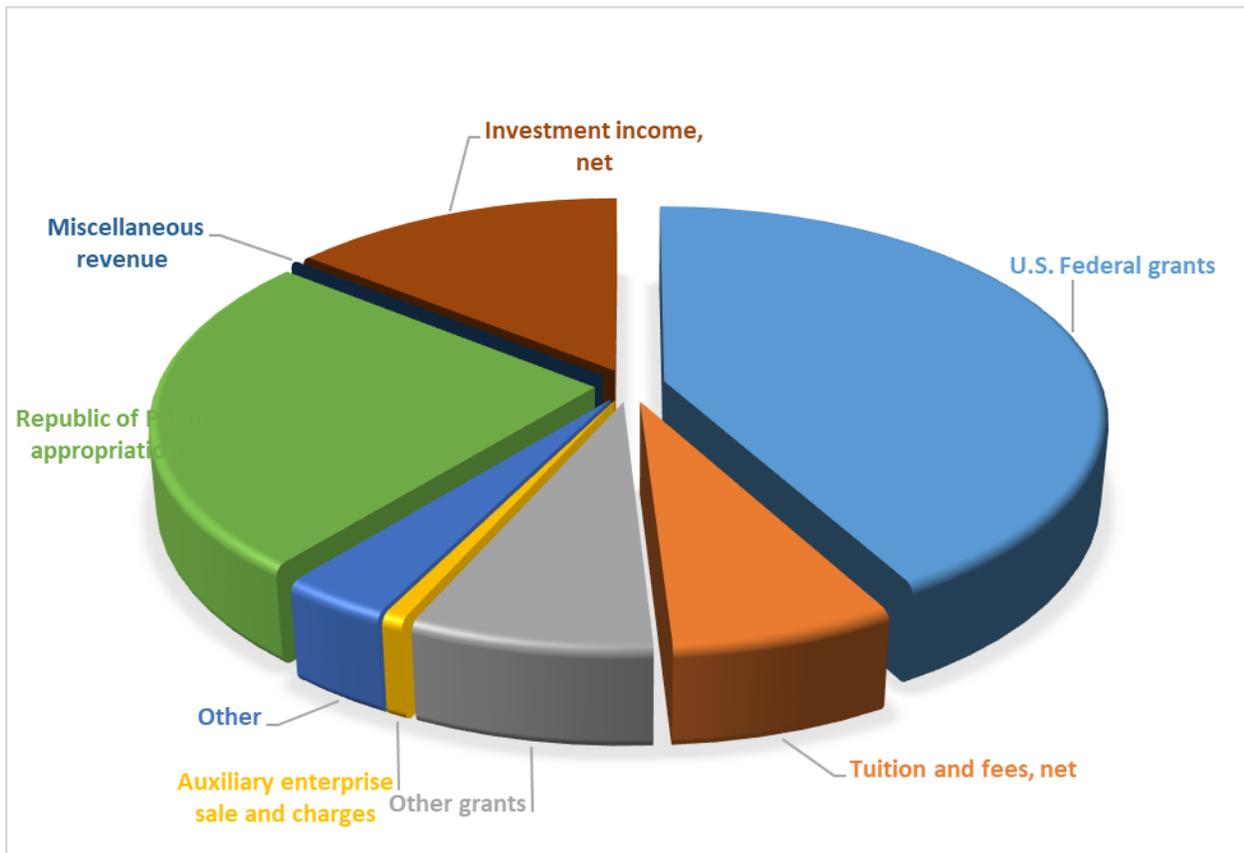
**PALAU COMMUNITY COLLEGE**  
(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis  
September 30, 2021

**Overview of Financial Statements, Continued**

The schedule indicates total revenues realized by the College in fiscal year 2021 of \$10.3 million. The largest portion of revenues (\$4.3 million) was contributed by the U.S. Federal Government through grants. Approximately \$2.5 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 2021:

**Revenues Breakdown  
For The Year Ended September 30, 2021**



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

Management's Discussion and Analysis  
September 30, 2021

**Overview of Financial Statements, Continued**

**Operating Expenses**  
**For the Years Ended**  
**September 30, 2021, 2020 and 2019**

	2021	2020	2019
Expenditures and mandatory transfers			
Educational and general			
Student aid	\$ 2,007,703	\$ 1,242,583	\$ 622,765
Instructional	1,327,170	1,327,234	1,331,158
Administration	1,636,207	3,111,362	2,150,969
Student services	730,326	1,221,864	1,123,109
Operations and maintenance	454,540	740,472	624,894
Academic support	317,873	333,711	403,737
Depreciation	395,948	394,602	182,556
Total educational and general expenditures	6,869,767	8,371,828	6,439,188
Mandatory transfers			
Auxiliary enterprises expenditures	264,820	335,284	398,354
Total expenditures and mandatory transfers	\$ 7,134,587	\$ 8,707,112	\$ 6,837,542

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 \$7.1 million in fiscal year 2021. Total operating expenses in fiscal year 2021 decreased \$1,572,525 or 18% from fiscal year 2020. The following expenses by function comprise the significant portions of this total net increase:

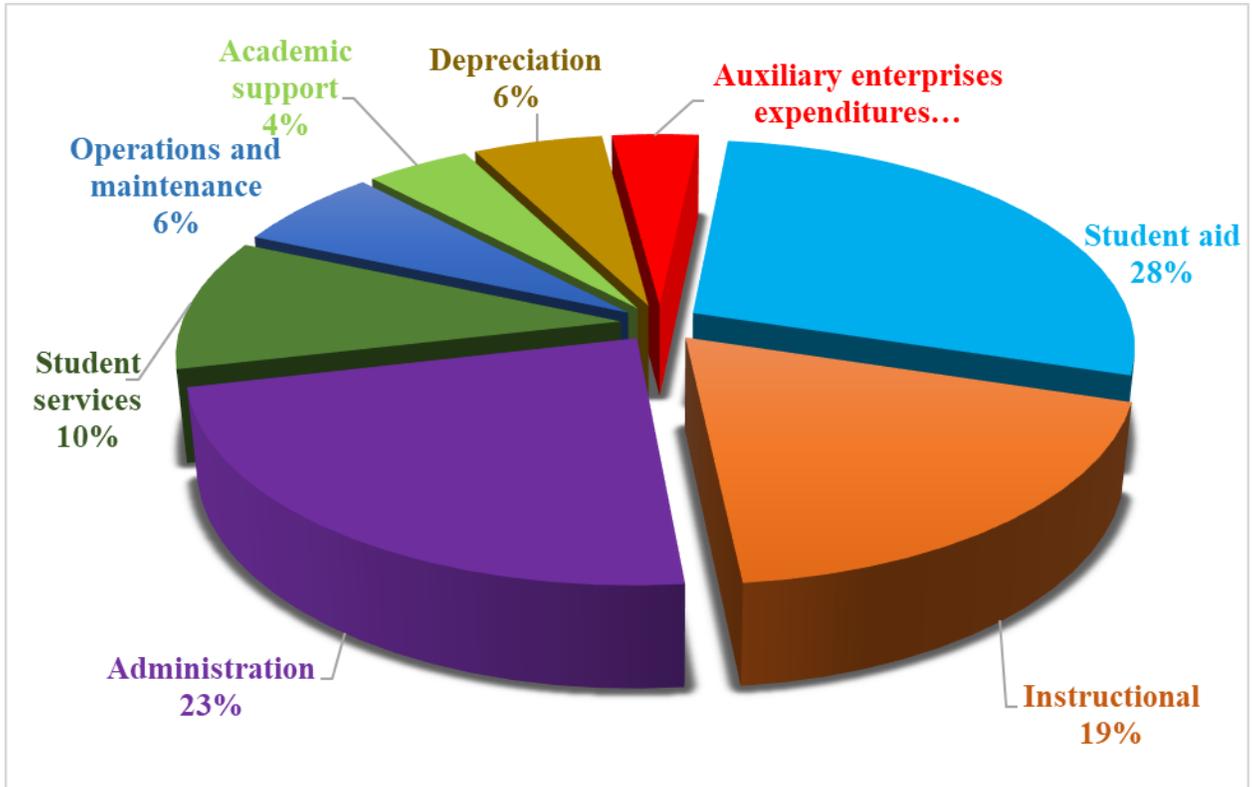
- Student aid function increased by \$765,120 or 62% over prior year due to the increase in federal financial aid grants available to students, such as Pell and HEERF Funding.
- Administration expenditures decreased by \$1,475,155 or 47% over prior year is mainly attributed to capitalizing costs associated with significant changes to the delivery of instruction due to the coronavirus where funding is provided by the HEERF Funding.

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

Management's Discussion and Analysis  
September 30, 2021

**Overview of Financial Statements, Continued**

**Expenses Breakdown  
For The Year Ended September 30, 2020**



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

Management's Discussion and Analysis  
September 30, 2021

**Overview of Financial Statements, Continued**

**Changes in Net Position  
For the Years Ended  
September 30, 2021, 2020, and 2019**

	2021	2020	2019
Net position, beginning of the year	\$ (2,396,376)	\$ (2,029,247)	\$ (2,178,698)
Change in net position	3,113,172	(367,129)	149,451
Net position, end of the year	\$ 716,796	\$ (2,396,376)	\$ (2,029,247)

Net position increased \$3,113,172 million primarily due to income during the year.

**CAPITAL ASSETS**

At September 30, 2021, the College had \$11.8 million in capital assets, less accumulated depreciation of \$9.4 million, for net capital assets of \$1.6 million. The current year additions of \$1,114,496 in capital assets were mainly improvements for various school facilities to accommodate Our Oceans 2020 and equipment for various departments. Depreciation charges for the current fiscal year totaled \$395,948.

The following table summarizes the College's capital assets for the fiscal year 2020:

	Balance at 9/30/2020	Additions	Transfers/ Deletions	Balance at 9/30/2021
Buildings and improvements	\$ 8,934,571	\$ 391,753	\$ -	\$ 9,326,324
Furniture, vehicles, and equipments	1,742,347	722,743	-	2,465,090
Total depreciable assets	10,676,918	1,114,496	-	11,791,414
Accumulated depreciation	(8,992,189)	(395,948)	-	(9,388,137)
Capital assets, net	\$ 1,684,729	\$ 718,548	\$ -	\$ 2,403,277

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

Management's Discussion and Analysis  
September 30, 2021

**Overview of Financial Statements, Continued**

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-eight 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 moved the College Board of Trustees to increase tuition in the 2020 fall semester and 2021 spring semester to mitigate the ever-increasing cost of providing higher education programs and services.

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. However, due to the Coronavirus Pandemic (COVID-19), countries shut their borders and while there has been a slight reopening of borders recently, we anticipate few, if any, new students coming from off-island. 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 allotters as well as solicitations for direct donations.

Again, it is anticipated that the College's appropriation from the national government for fiscal year 2022 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. At the same time, the College has benefited from funds received thru the Cares Act Education Stabilization Grants for the Higher Education Emergency Relief Funds (HEERF) to help PCC address areas and operations affected by the COVID-19 pandemic.

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

Management's Discussion and Analysis  
September 30, 2021

**Economic Factors that will affect the Future, Continued**

The College also realizes that future challenges will emerge and anticipating them through proactive planning places the College in a better 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 and continue to be made to mitigate the impacts of COVID-19. While the Palau government has stepped up to ensure that financial assistance continues, 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 the Palau Community College. Questions or requests for additional information should be addressed to:

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

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

STATEMENTS OF NET POSITION  
September 30, 2021 and 2020

	2021	2020
<u>Assets and Deferred Outflows of Resources</u>		
Current assets:		
Cash	\$ 222,302	\$ 121,531
Accounts receivable, net	1,835,137	2,086,246
Inventory	330,583	276,951
Total current assets	2,388,022	2,484,728
Noncurrent assets:		
Restricted cash	2,095,711	1,983,704
Endowment investments	7,557,306	5,977,405
Capital assets, net	2,403,277	1,684,729
Total noncurrent assets	12,056,294	9,645,838
Total assets	14,444,316	12,130,566
Deferred outflows of resources related to pensions	3,358,134	3,358,134
Total assets and deferred outflows of resources	\$ 17,802,450	\$ 15,488,700
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 30,096	\$ 276,951
Accrued liabilities and benefit payable	307,297	832,178
Unearned revenues	639,494	630,357
Other unearned revenues	-	10,152
Compensated absences, current portion	158,957	167,030
Total current liabilities	1,135,844	1,916,668
Noncurrent liabilities:		
Compensated absences, net of current portion	52,986	71,584
Net pension liability	12,858,175	12,858,175
Total liabilities	14,047,005	14,846,427
Deferred inflows of resources related to pensions	3,038,649	3,038,649
Net Position:		
Net investment in capital assets	2,403,277	1,684,729
Restricted:		
Expendable	2,251,318	2,246,415
Nonexpendable	7,605,126	6,037,928
Unrestricted	(11,542,925)	(12,365,448)
Total net position	716,796	(2,396,376)
Total liabilities, deferred inflows of resources and net position	\$ 17,802,450	\$ 15,488,700

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Federal grants	\$ 4,299,674	\$ 2,796,601
Tuition and fees, net of scholarship discounts and allowances of \$1,451,830 and \$1,209,168 in 2021 and 2020, respectively	726,402	909,097
Other grants	786,331	1,002,956
Auxiliary enterprise sales and charges (net of scholarship discounts and allowances)	71,231	92,957
Other operating revenues	<u>354,671</u>	<u>528,200</u>
 Total operating revenues	 <u>6,238,309</u>	 <u>5,329,811</u>
 Operating expenses:		
Education and general:		
Student aid	2,007,703	1,242,583
Instructional	1,327,170	1,327,234
Administration	1,636,207	3,111,362
Student services	730,326	1,221,864
Operations and maintenance	454,540	740,472
Auxiliary enterprises	264,820	335,284
Academic support	317,873	333,711
Depreciation	<u>395,948</u>	<u>394,602</u>
 Total operating expenses	 <u>7,134,587</u>	 <u>8,707,112</u>
 Operating loss	 <u>(896,278)</u>	 <u>(3,377,301)</u>
 Non-operating revenues (expenses):		
Republic of Palau appropriations	2,546,000	2,546,000
Loss on disposal of capital assets	-	-
Miscellaneous revenue	225	81,304
Investment income, net	<u>1,463,225</u>	<u>382,868</u>
 Total non-operating revenues, net	 <u>4,009,450</u>	 <u>3,010,172</u>
 Change in net position	 3,113,172	 (367,129)
 Net position, beginning of year	 <u>(2,396,376)</u>	 <u>(2,029,247)</u>
 Net position, end of year	 <u>\$ 716,796</u>	 <u>\$ (2,396,376)</u>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from students for tuition and fees	\$ 1,823,446	\$ 2,799,274
Cash received from auxiliary activities	71,231	92,957
Cash received from federal grants	4,347,616	2,828,634
Cash received from other grants	1,697,940	957,098
Cash paid to employees	(2,997,076)	(3,947,612)
Cash paid to suppliers	<u>(6,045,432)</u>	<u>(4,670,421)</u>
Net cash used for operating activities	<u>(1,102,275)</u>	<u>(1,940,070)</u>
Cash flows from noncapital financing activities:		
Republic of Palau appropriations	<u>2,546,000</u>	<u>2,546,000</u>
Net cash provided by noncapital financing activities	<u>2,546,000</u>	<u>2,546,000</u>
Cash flows from capital and related financing activities:		
Loss on disposal of capital assets	-	-
Additions to capital assets	<u>(1,114,496)</u>	<u>(946,661)</u>
Net cash used for capital and related financing activities	<u>(1,114,496)</u>	<u>(946,661)</u>
Cash flows from investing activities:		
Investment income	1,463,225	382,868
Endowment and restricted cash	(111,782)	294,305
Endowment fund investments	<u>(1,579,901)</u>	<u>(275,156)</u>
Net cash provided (used) for investing activities	<u>(228,458)</u>	<u>402,017</u>
Net increase in cash	100,771	61,286
Cash, beginning of year	<u>121,531</u>	<u>60,245</u>
Cash, end of year	<u>\$ 222,302</u>	<u>\$ 121,531</u>

See accompanying notes to financial statements.

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

**STATEMENTS OF CASH FLOWS**  
For the Years Ended September 30, 2021 and 2020

	2021	2020
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (896,278)	\$ (3,377,301)
Adjustments to reconcile operating loss to net cash used for operating activities		
Provision for uncollectable accounts	-	117,939
Depreciation	395,948	394,602
Changes in assets, deferred outflows of resources, liabilities,		
Net pension liability	-	2,155,892
Deferred outflows of resources related to pensions	-	(1,526,797)
Deferred inflows of resources related to pensions	-	(161,830)
Accounts receivable, net	251,109	(112,061)
Inventory	(53,632)	42,493
Accounts payable	(246,855)	(115,944)
Accrued liabilities	(524,881)	512,736
Unearned revenues	9,137	131,862
Other deferred revenue	(10,152)	1,245
Compensated absences	(26,671)	(2,906)
Net cash used for operating activities	\$ (1,102,275)	\$ (1,940,070)

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, 2021

	General and Federal Funds			
	Budgeted Amounts		Actual	Favorable
	Original	Final	Amounts	(Unfavorable) Variance
Operating revenues	\$ 11,305,441	\$ 11,305,441	\$ 7,959,486	\$ 3,345,955
Operating expenses:				
Supplies, materials, other operating expenses and services	9,382,128	9,382,128	5,198,360	4,183,768
Salaries	3,497,511	3,497,511	2,800,162	697,349
Employee benefits	610,802	610,802	521,850	88,952
Utilities	361,000	361,000	261,639	99,361
Total operating expenses	13,851,441	13,851,441	8,782,011	5,069,430
Operating loss	(2,546,000)	(2,546,000)	(822,525)	1,723,475
Non-operating revenues (expenses):				
Republic of Palau appropriations	2,546,000	2,546,000	2,546,000	-
Total non-operating revenues, net	2,546,000	2,546,000	2,546,000	-
Excess of revenues and other financing sources over expenditures and other financing uses.	\$ -	\$ -	\$ 1,723,475	\$ 1,723,475
Reconciliation of Budget to GAAP basis:				
	General Fund	Federal Fund	Total	
Budget basis	\$ 6,635,797	\$ 7,215,644	\$ 13,851,441	
Adjustments (net)				
Revenue accruals	-	-	-	
Expenditures accruals	-	-	-	
Encumbrances	-	(115,286)	(115,286)	
GAAP basis	\$ 6,635,797	\$ 7,100,358	\$ 13,736,155	

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\*

	2019	2018	2017	2016	2015	2014
Civil Service Pension Trust Fund (Plan) total net pension liability	\$ 308,480,483	\$ 250,864,784	\$ 259,395,005	\$ 249,453,960	\$ 215,546,176	\$ 204,281,232
PCC proportionate share of the net pension liability	\$ 12,858,175	\$ 10,702,283	\$ 11,666,392	\$ 11,982,658	\$ 11,064,282	\$ 10,680,027
PCC proportionate share of the net pension liability	4.168%	4.266%	4.498%	4.804%	5.133%	5.228%
PCC covered-employee payroll**	\$ 2,490,950	\$ 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	516.20%	427.62%	447.75%	470.99%	444.45%	434.53%
Plan Fiduciary of net position as a percentage of the total pension liability	8.26%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 587,337	\$ 738,568	\$ 772,621	\$ 692,555	\$ 559,507	\$ 555,409
Contribution in relation to the actuarially determined contribution	<u>149,457</u>	<u>150,166</u>	<u>156,335</u>	<u>150,556</u>	<u>148,371</u>	<u>144,731</u>
Contribution (excess) deficiency	\$ 437,880	\$ 588,402	\$ 616,286	\$ 541,999	\$ 411,136	\$ 410,678
PCC's covered-employee payroll	\$ 2,490,950	\$ 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%	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, 2021 and 2020

(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, 2021 and 2020

(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, 2021. 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, 2021 and 2020

(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. 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, 2021 and 2020, 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 \$0 and \$117,939, respectively.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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, 2021 and 2020 was \$211,942 and \$238,614 respectively.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(1) Summary of Significant Accounting Policies, Continued

Classification of Revenues

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

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

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

Estimates

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

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net 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, 2021 and 2020 were \$1,451,830 and \$1,209,168, respectively.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

*Deposits, Continued*

As of September 30, 2021 and 2020, the carrying amount of PCC's total cash was \$222,302 and \$121,531, respectively, and restricted cash was \$2,095,711 and \$1,983,704 respectively. The corresponding bank balances as of September 30, 2021 and 2020 were \$546,451 and \$175,342 respectively, and are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. From these deposits, \$1,092,739 and \$996,308 in fiscal year 2021 and 2020, respectively were subject to coverage by FDIC with the remaining balance exceeding insurable limits. The uninsured bank balance as of September 30, 2021 and 2020 was \$1,549,422 and \$1,162,737, 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, 2021 and 2020, 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, 2021 and 2020, an allowance for impairment of deposit for the entire amount has been recorded and is reported as a component of the allowance for uncollectible accounts disclosed in Note 2.

*Investments*

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

- Category 1 – Investments that are insured or registered, or securities held by the College or its agent in the College's name.
- Category 2 – Investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the College's name.
- Category 3 – Investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the College's name.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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, 2021 and 2020, PCC's investments stated at fair value consisted of the following:

2021	Allocation		Market Value
	Actual	Per Policy	9/30/2021
Fixed income - U.S. Fixed Income	24%	25%	\$ 1,816,806
Fixed income - Global	4%	5%	329,371
U.S. Equities - Large Cap Value	13%	13%	979,498
U.S. Equities - Large Cap Growth	15%	12%	1,125,956
U.S. Equities - Small Cap Core	10%	10%	775,061
Non U.S. Equities - Developed	24%	15%	1,779,483
Non U.S. Equities - Emerging	4%	10%	332,549
Alternatives - Master Limited Partnerships	0%	5%	-
Alternatives - Real Estate Investment Trusts	<u>6%</u>	<u>5%</u>	<u>418,582</u>
	<u>100%</u>	<u>100%</u>	<u>\$ 7,557,306</u>

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

Notes to Financial Statements  
September 30, 2021 and 2020

(1) Summary of Significant Accounting Policies, Continued

Deposits and Investments, Continued

Investments, Continued

2020	Allocation		Market Value
	Actual	Per Policy	9/30/2020
Fixed income - U.S. Fixed Income	28%	25%	\$ 1,655,083
Fixed income - Global	5%	5%	284,710
U.S. Equities - Large Cap Value	14%	13%	813,364
U.S. Equities - Large Cap Growth	17%	12%	1,045,229
U.S. Equities - Small Cap Core	9%	10%	542,668
Non U.S. Equities - Developed	14%	15%	854,511
Non U.S. Equities - Emerging	8%	10%	492,693
Alternatives - Master Limited Partnerships	0%	5%	-
Alternatives - Real Estate Investment Trusts	<u>5%</u>	<u>5%</u>	<u>289,147</u>
	<u>100%</u>	<u>100%</u>	<u>\$ 5,977,405</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.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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, 2021 and 2020, 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, 2021 and 2020, 100% of PCC's investments were held in PCC's name, and PCC is not exposed to custodial credit risk related to these investments.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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, 2021 and 2020, PCC did not have investments in foreign currency.

Investment income

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

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 (ie, 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:

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

Notes to Financial Statements  
September 30, 2021 and 2020

(1) Summary of Significant Accounting Policies, Continued

Fair Value Measurement of the Investments, Continued

	Fair Value Measurement Using			
	2021	Level 1	Level 2	Level 3
Investments by fair value				
Debt securities:				
U.S. treasury securities	\$ 832,042	\$ 832,042	\$ -	\$ -
Government securities	-	-	-	-
Corporate bonds	898,109	-	898,109	-
Equity securities:				
Common stock	5,576,809	5,576,809	-	-
Total investments by fair value level	<u>\$ 7,306,960</u>	<u>\$ 6,408,851</u>	<u>\$ 898,109</u>	<u>\$ -</u>

Investments measured at cost based measure	
Cash and cash equivalents	<u>\$ 250,346</u>

	Fair Value Measurement Using			
	2020	Level 1	Level 2	Level 3
Investments by fair value				
Debt securities:				
U.S. treasury securities	\$ 733,933	\$ 733,933	\$ -	\$ -
Government securities	130,412	-	130,412	-
Corporate bonds	759,257	-	759,257	-
Equity securities:				
Common stock	4,202,859	4,202,859	-	-
Total investments by fair value level	<u>\$ 5,826,461</u>	<u>\$ 4,936,792</u>	<u>\$ 889,669</u>	<u>\$ -</u>

Investments measured at cost based measure	
Cash and cash equivalents	<u>\$ 150,944</u>

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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).

New Accounting Standards

PCC is currently evaluating the effects of the following upcoming accounting pronouncements might have on its financial statements.

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statements No. 84, 89, 90, 91, 92 and 93 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. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these 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 recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Management believes that this Statement, upon implementation, may have a material effect on the financial statements. The provisions of Statement No. 87 will be effective for PCC for the fiscal year ending September 30, 2022.

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. Management believes that this Statement, upon implementation, may have a material effect on the financial statements. GASB Statement No. 89 will be effective for PCC for the fiscal year ending September 30, 2022.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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 disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB issued Statement No. 91 will be effective for the fiscal year ending September 30, 2023.

In January 2020, GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and implementation Guide No. 2019-13, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 95, the remaining requirements of GASB No. 92 are effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (IBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of effectiveness of derivative instruments is effective for the fiscal year ended September 30, 2022. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 is effective for fiscal year ending September 30, 2023.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(1) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 is effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 is effective for fiscal year ending September 30, 2023.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(2) Accounts Receivable

Accounts receivable consists of the following at September 30, 2021 and 2020:

	2021	2020
Tuition and fees	\$3,521,295	\$3,227,456
Due from grantor agencies	860,039	907,981
Accounts receivable, others	226,224	800,332
College of Micronesia	74,152	41,486
Employees and Board of Trustees	-	25,647
	4,681,709	5,002,902
Allowance for uncollectable accounts	(2,846,572)	(2,916,656)
Accounts receivable, net	\$1,835,137	\$2,086,246

The accounts receivable, others includes an amount of \$96,457 for cash deposits in a local bank which operations was placed under receivership in 2007 by the Republic of Palau Financial Institution Commission. Due to the uncertainty of the recoverability of the cash deposits from the local bank, PCC provided an allowance for impairment of cash deposits of \$96,457 for the fiscal years ended September 30, 2021 and 2020, respectively, and is included as a component of the allowance for uncollectible accounts.

(3) Inventory

Inventory consists of the following at September 30, 2021 and 2020:

	2021	2020
Bookstore	\$ 326,458	\$ 273,686
Cafeteria	4,125	3,265
Total	\$ 330,583	\$ 276,951

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

Notes to Financial Statements  
September 30, 2021 and 2020

(4) Restricted Cash

Restricted cash consists of the following at September 30, 2021 and 2020:

	2021	2020
Management Information System Fund	\$ 1,264,130	\$ 1,159,762
PCC Reserve Fund	503,113	502,975
PCC Infrastructure Improvement Fund	156,198	161,100
Non-Freely Associated States Employees' Retirement Savings	124,451	99,344
Endowment Savings	47,820	60,523
Total restricted cash	\$ 2,095,711	\$ 1,983,704

(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, 2021 and 2020:

	2021	2020
Endowment investments	\$7,557,306	\$5,977,405
Endowment fund-restricted cash	47,820	60,523
Total	\$7,605,126	\$6,037,928

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

Notes to Financial Statements  
September 30, 2021 and 2020

(5) Endowment Fund Investment, Continued

As of September 30, 2021 and 2020, the PCC's endowment investments at fair value are as follows:

	2021	2020
Fixed income securities:		
Corporate bonds	\$ 898,109	\$ 759,257
U.S. treasury securities	832,042	733,932
Government	-	130,413
Mutual funds	-	-
Total fixed income	1,730,151	1,623,602
Other investments:		
U.S. equities	3,079,582	2,112,068
International equities	2,112,032	1,754,053
Real Estate and Tangibles	385,195	336,738
Cash and cash alternatives	250,346	150,944
	5,827,155	4,353,803
	\$ 7,557,306	\$ 5,977,405

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

Notes to Financial Statements  
September 30, 2021 and 2020

(5) Endowment Fund Investment, Continued

At September 30, 2021 and 2020, PCC's fixed income securities had the following ratings and maturities:

Investment type	2021					Rating	
	Fair Value	Investment Maturities (In Years)				Moody	Standard & Poor's
		Less than 1	1-5	6-10	More than 10		
Corporate bonds	\$ 53,563	\$ -	\$ 53,563	\$ -	\$ -	A1	BBB+
Corporate bonds	53,815	-	53,815	-	-	Baa2	BBB
U.S. Treasury Securities	339,452	-	339,452	-	-	AAA	No rating
Corporate bonds	53,817	-	-	53,817	-	A2	BBB+
Corporate bonds	52,203	-	-	52,203	-	Baa1	BBB
Corporate bonds	161,543	-	-	161,543	-	A3	A-
Corporate bonds	51,676	-	-	51,676	-	Baa3	BBB
Corporate bonds	207,475	-	-	207,475	-	Baa2	BBB
U.S. Treasury Securities	353,666	-	-	353,666	-	AAA	No rating
Corporate bonds	52,920	-	-	-	52,920	Aaa	AAA
Corporate bonds	52,521	-	-	-	52,521	Baa2	BBB+
Corporate bonds	54,026	-	-	-	54,026	Baa1	BBB+
Corporate bonds	104,550	-	-	-	104,550	A2	A-
Corporate bonds	-	-	-	-	-	BAA2	BBB
U.S. Treasury Securities	138,924	-	-	-	138,924	AAA	No rating
Total	<u>\$1,730,151</u>	<u>\$ -</u>	<u>\$ 446,830</u>	<u>\$ 880,380</u>	<u>\$ 402,941</u>		
Percentage of Portfolio	<u>100%</u>	<u>0%</u>	<u>26%</u>	<u>51%</u>	<u>23%</u>		

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

Notes to Financial Statements  
September 30, 2021 and 2020

(5) Endowment Fund Investment, Continued

Investment type	2020					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	<u>\$1,706,354</u>	<u>\$ 247,456</u>	<u>\$ 338,261</u>	<u>\$ 805,357</u>	<u>\$ 315,280</u>		
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, 2021 and 2020

(6) Capital Assets

A schedule of changes in capital assets for the fiscal years ended September 30, 2021 and 2020 is shown below:

Capital assets activity for the fiscal year ended September 30, 2021:

	<u>Balance at</u> 9/30/20	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance at</u> 9/30/21
Buildings and improvements	\$ 8,934,571	\$ 391,753	\$ -	\$ 9,326,324
Furniture, vehicles and equipment	<u>1,742,347</u>	<u>722,743</u>	<u>-</u>	<u>2,465,090</u>
Total depreciable assets	10,676,918	1,114,496	-	11,791,414
Accumulated depreciation	<u>(8,992,189)</u>	<u>(395,948)</u>	<u>-</u>	<u>(9,388,137)</u>
Capital assets, net	<u>\$ 1,684,729</u>	<u>\$ 718,548</u>	<u>\$ -</u>	<u>\$ 2,403,277</u>

Capital assets activity for the fiscal year ended September 30, 2020:

	<u>Balance at</u> 9/30/19	<u>Additions</u>	<u>Transfers/</u> <u>Deletions</u>	<u>Balance at</u> 9/30/20
Buildings and improvements	\$ 8,116,505	\$ 818,066	\$ -	\$ 8,934,571
Furniture, vehicles and equipment	<u>1,613,752</u>	<u>128,595</u>	<u>-</u>	<u>1,742,347</u>
Total depreciable assets	9,730,257	946,661	-	10,676,918
Accumulated depreciation	<u>(8,597,587)</u>	<u>(394,602)</u>	<u>-</u>	<u>(8,992,189)</u>
Capital assets, net	<u>\$ 1,132,670</u>	<u>\$ 552,059</u>	<u>\$ -</u>	<u>\$ 1,684,729</u>

Capital assets essentially serve all functions. The depreciation expense of \$395,948 and \$394,602, respectively, for the years ended September 30, 2021 and 2020, is unallocated.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(7) Long-term Liabilities

At September 30, 2021 and 2020, the summary of changes in the long-term liabilities is as follows:

2021

	Outstanding October 1, 2020	Additions	Reductions	Outstanding September 30, 2021	Current	Noncurrent
Compensated absences	\$ 238,614	\$ 149,647	\$ (176,319)	\$ 211,942	\$ 158,957	\$ 52,986
Net pension liability	<u>12,858,175</u>	<u>-</u>	<u>-</u>	<u>12,858,175</u>	<u>-</u>	<u>12,858,175</u>
	<u>\$13,096,789</u>	<u>\$ 149,647</u>	<u>\$ (176,319)</u>	<u>\$ 13,070,117</u>	<u>\$ 158,957</u>	<u>\$12,911,161</u>

2020

	Outstanding October 1, 2019	Additions	Reductions	Outstanding September 30, 2020	Current	Noncurrent
Compensated absences	\$ 241,520	\$ -	\$ (2,906)	\$ 238,614	\$ 167,030	\$ 71,584
Net pension liability	<u>10,702,283</u>	<u>2,155,892</u>	<u>-</u>	<u>12,858,175</u>	<u>-</u>	<u>12,858,175</u>
	<u>\$10,943,803</u>	<u>\$ 2,155,892</u>	<u>\$ (2,906)</u>	<u>\$ 13,096,789</u>	<u>\$ 167,030</u>	<u>\$12,929,759</u>

(8) National Government Contributions

At September 30, 2021 and 2020, the Republic of Palau appropriated and contributed the following to PCC:

	<u>2021</u>	<u>2020</u>
For operational costs of PCC and its Board of Trustees	<u>\$2,546,000</u>	<u>\$2,546,000</u>

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

Notes to Financial Statements  
September 30, 2021 and 2020

(9) Functional Expenses Classifications

The functional expenses classifications for fiscal years ended 2021 and 2020 are as follows:

2021

	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Utilities	Depreciation	Total
Student aid	\$ 83,327	\$ -	\$ 1,924,376	\$ -	\$ -	\$ 2,007,703
Instructional	846,176	150,203	298,375	32,416	-	1,327,170
Administration	815,192	156,092	637,543	27,380	-	1,636,207
Student services	273,340	58,864	395,880	2,242	-	730,326
Operations and maintenance	219,011	37,703	58,417	139,409	-	454,540
Auxiliary enterprises	99,870	22,115	141,527	1,308	-	264,820
Academic support	94,965	140,218	82,690	-	-	317,873
Depreciation	-	-	-	-	395,948	395,948
	<u>\$ 2,431,881</u>	<u>\$ 565,195</u>	<u>\$ 3,538,808</u>	<u>\$ 202,755</u>	<u>\$ 395,948</u>	<u>\$ 7,134,587</u>

2020

	Salaries	Employee Benefits	Supplies, Materials, Other Operating Expenses and Services	Utilities	Depreciation	Total
Student aid	\$ 154,955	\$ -	\$ 1,087,628	\$ -	\$ -	\$ 1,242,583
Instructional	933,301	181,944	181,127	30,862	-	1,327,234
Administration	1,132,671	675,841	1,183,275	119,575	-	3,111,362
Student services	522,160	132,857	558,314	8,533	-	1,221,864
Operations and maintenance	235,822	42,557	219,688	242,405	-	740,472
Auxiliary enterprises	119,562	23,629	189,146	2,947	-	335,284
Academic support	217,492	42,088	72,806	1,325	-	333,711
Depreciation	-	-	-	-	394,602	394,602
	<u>\$ 3,315,963</u>	<u>\$ 1,098,916</u>	<u>\$ 3,491,984</u>	<u>\$ 405,647</u>	<u>\$ 394,602</u>	<u>\$ 8,707,112</u>

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

Notes to Financial Statements  
September 30, 2021 and 2020

(10) Retirement Plan

PCC contributes to the Palau Civil Service Pension Trust Fund (the Fund), a defined benefit, cost-sharing, multi-employer pension plan established and administered by the Republic of Palau. The Fund issues a stand-alone financial report which is available at its office site. The Fund provides retirement, security and other benefits to employees, and their spouses and dependents, of the Republic of Palau State Governments and Republic of Palau agencies, funds and public corporations, which are paid monthly and are two percent of each member's average monthly salary. Normal benefits are the credited total service up to a maximum of thirty years total service. Generally, benefits vest after three years of credited service. Members, who retire at or after age 60, or with 30 years of vesting service, are entitled to retirement benefits. 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 contributions". 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 Republic of Palau Public Law 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 Republic of Palau Public Law 2-26, the Fund's Board of Trustees adopted a Trust Fund Operation which has the force and effect of law, and which sets forth the procedures for the administration and coverage of the Plan. Amendments to the Plan are subject to the requirements of Title 6 of the Palau National Code.

RPPL 10-8 and RPPL 10-12 was 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 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, 2021 and 2020

(10) Retirement Plan, Continued

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of September 30, 2019, 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:	6.74% per year, net of investment expenses, plus price inflation
Inflation:	2.5%
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**  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements  
September 30, 2021 and 2020

(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, 2021 and 2020

(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 6.74% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of September 30, 2019, the arithmetic real rates of return for each major investment class are as follows:

	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Large Cap Value Equity	10%	8.70%
US Large Cap Growth Equity	10%	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	10%	8.33%

*Discount Rate*

The discount rate used to measure the total pension liability was 2.85% at the current measurement date and 4.16% 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 2024 for the 2019 measurement date. For years on or after 2024, a discount rate of 2.81% 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, 2021 and 2020

(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, 2019, calculated using the discount rate of 2.85%, as well as what the net pension liability would be if were calculated using a discount rate that is 1% lower (1.85%) or 1% higher (3.85%) from the current rate.

	1% Decrease in Discount Rate <u>1.85%</u>	Current Discount Rate <u>2.85%</u>	1% Increase in Discount Rate <u>3.85%</u>
Net Pension Liability	<u>\$ 14,958,914</u>	<u>\$ 12,858,175</u>	<u>\$ 11,120,452</u>

*Deferred Outflows and Inflows of Resources:* As of September 30, 2021 and 2020, PCC reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021		2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 653,887	\$ 501,284	\$ 653,887	\$ 501,284
Net difference between projected and actual earnings on pension plan investments	35,760	30,522	35,760	30,522
Change in assumptions	2,668,487	1,172,218	2,668,487	1,172,218
Changes in proportion and difference between PCC's contributions and proportionate share of contributions	-	1,334,625	-	1,334,625
Total	<u>\$ 3,358,134</u>	<u>\$ 3,038,649</u>	<u>\$ 3,358,134</u>	<u>\$ 3,038,649</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, 2021 and 2020, the reserve for encumbrances was \$115,286 and \$101,268, respectively, within the unrestricted fund.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(11) Commitments and Contingencies, Continued

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, 2021 and 2020 was \$1,293,459 and \$1,289,091, 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, 2021 and 2020, PCC derives 67% and 64% 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.

(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.

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

Notes to Financial Statements  
September 30, 2021 and 2020

(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) COVID-19

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. Schools and nonessential Republic of Palau offices were temporarily closed, large gatherings were limited and entry into Palau from other countries was restricted. It is anticipated that these impacts will continue for some time. Future potential impacts may include disruptions on PCC's employees' ability to work or the student's ability to attend class. As a result of the spread of the coronavirus pandemic, economic uncertainties have arisen which are likely to impact PCC's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time.

(17) Subsequent Events

In preparing the accompanying financial statements and these footnotes, management has evaluated subsequent events through June 28, 2022, which is the date the financial statements were available to be issued.

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

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**UNIFORM GUIDANCE REPORTS**

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**For The Year Ended September 30, 2021**



**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, 2021, 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 June 28, 2022.

**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  
June 28, 2022



**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, 2021. 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.

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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, 2021.

### **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 "Benge Comar Maglia". The signature is written in a cursive style with a large initial 'B'.

Koror, Republic of Palau  
June 28, 2022

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

Introduction to Federal Award Programs  
For the Year Ended September 30, 2021

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, 2021, 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 continued to be in effect until award year ended June 30, 2020. During award year ended June 30, 2021, the College secured a waiver exempting it from providing institutional matching share which continues to be in effect as of September 30, 2021.

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
- Asian American and Native American Pacific Islander-Serving Institutions Program (AANAPISI)
- Higher Education Emergency Relief Fund (HEERF)

United States Department of Health and Human Services

Passed-Through Grants

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

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

Introduction to Federal Award Programs  
For the Year Ended September 30, 2021

United States Department of the Interior

Direct Grants

No existing grants were received from the U.S. Department of Interior during the year ended September 30, 2021. MAP ended in FY 2020.

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, 2021

Federal Grantor's Program Title	Federal Assistance Listing Number	Project/ Grant Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Direct Programs:			
Student Financial Aid Programs:			
Federal Supplemental Educational Opportunity Grant	84.007	P063P193406	\$ 28,900
Federal Work Study	84.033	P007A194582	83,327
Pell Grant	84.063	P033A194582	<u>2,067,105</u>
			<u>2,179,332</u>
TRIO Programs:			
Upward Bound	84.047A	P047A171592-20	413,136
Talent Search	84.044A	P044A161011-20	<u>262,014</u>
			<u>675,150</u>
CARES Act - Education Stabilization Grants:			
HEERF - Minority Serving Institutions	84.425L	P425L200563	-
HEERF - Student Portion	84.425E	P425E203907	285,945
HEERF - Institutional Portion	84.425F	P425F203968	<u>968,521</u>
			<u>1,254,466</u>
AANAPISI	84.031L	P031L200029	<u>176,275</u>
Sub-total			<u>4,285,223</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through:			
Basic/Core Area Health and Education Center	93.107	KA1347	<u>100,094</u>
Sub-total			<u>100,094</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Building Faculty Capacity & Enhancing Instruction Delivery Through Distance Education	10.322	2018-70004-28679	<u>14,451</u>
Sub-total			<u>\$ 14,451</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, 2021

Federal Grantor's Program Title	Federal Assistance Lisitng Number	Project/ Grant Number	Federal Expenditures
<u>Passed Through National Science Foundation</u>			
Louise Stokes STEM Pathways & Research Alliance - Islands of Opportunity Alliance	47.076	HI1442	27,319
NSF-ATE: Partnership for Advanced Marine & Environmental Science for Pacific Islanders	47.076	MA1159	<u>4,561</u>
Sub-total			<u>31,880</u>
<u>Passed Through Center for Tropical &amp; Subtropical Aquaculture</u>			
Development of Sustainable Aquaculture & Fishery for the Mangrove Crab Scylla Serrata Forskal	10.200	MA1612	<u>11,788</u>
Sub-total			<u>11,788</u>
Total Federal Financial Assistance			<u>\$ 4,443,436</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, 2021

(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, 2021. 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, 2021

(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.

Indirect Costs

PCC does not have an indirect costs negotiation agreement and does not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in accordance with 2 CFR §200.14.

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, 2021

**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, 2021

**SECTION I – SUMMARY OF AUDITORS’ RESULTS, Continued**

Federal Awards

Identification of major programs:

<u>AL Numbers</u>	<u>Description</u>	<u>Federal Expenditures</u>
	CARES Act – Education Stabilization Grants:	
84.425L	HEERF Minority Serving Institutions	\$ -
84.425E	HEERF Student Portion	285,945
84.425F	HEERF Institutional Portion	<u>968,521</u>
	TRIO Cluster	<u>\$ 1,254,466</u>

Additional Major Program:

	Student Financial Assistance Cluster:	
84.063	Federal Pell Grant Program	\$ 2,067,105
84.007	Federal Supplemental Educational Opportunity Grants	28,900
84.033	Federal Work-Study Program	<u>83,327</u>
	Student Financial Assistance Cluster	<u>2,179,332</u>

Total Federal Expenditures-Major Programs \$ 3,433,798

Percentage of total federal awards tested 77%

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, 2021

**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, 2021.

**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, 2021.

**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)**

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**STATISTICAL SECTION**

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**For the Year Ended September 30, 2021**

**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
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
2020	31	3	72	45	151
2021	35	4	87	47	173

**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
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
2020	64%	36%	258	267	31	494	35	25
2021	54%	46%	264	273	19	518	25	16

Fall Semester Fiscal Year	Palau	Yap	Pohnpei	Chuuk	Marshalls	Kosrae	Others(1)	Total Headcount
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	550
2020	396	48	8	11	15	19	28	525
2021	482	17	2		6	3	27	537

**Source:** Registrar's Office

**Note(1):** Others consist Philippines, Nigeria, China, CNMI, 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)
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
2020	\$ 120.00	525	424	101
2021	\$ 130.00	537	289	248

**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.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Pell Grant Awarded to Students	\$ 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	\$ 1,832,116.00	\$ 1,754,875.00	\$ 1,977,034.08
Less: Pell Award Applied to Student's Tuition & Fees	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	1,272,505.11	1,170,263.14	1,423,030.01
Amount Refunded to Students	825,834.91	891,476.58	436,519.54	772,432.28	503,280.72	519,989.81	518,396.93	559,610.89	584,611.86	554,004.07

**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	42.2898%	3.6849%
2019	5,702,249.00	177,389.00	58.5279%	3.1109%
2020	5,977,405.27	277,170.20	4.8254%	4.6370%
2021	7,557,305.89	1,059,785.57	26.4312%	14.0233%

ENDOWMENT INVESTMENT INCOME (LOSS)  
Fiscal Year 2021  
Undaudited

Investment Account No.	Investment Account Name	Interest Income	Dividends	Net Gain (Loss)	Total
79033229	Pacific Income Mkt Duration	44,709.70	30,820.07	154,563.37	230,093.14
79033248	Adelante REIT	9,861.61	24,115.05	101,142.41	135,119.07
79033210	Penn Capital SMID	-	-	-	-
79033205	Aristotle LCM	17,032.01	12,102.56	111,554.61	140,689.18
78892046	Lazard EM	28,194.58	20,529.16	106,865.27	155,589.01
32564878	Cash Account	-	-	0.05	0.05
1320M537	Loomis Sayles LCG	7,330.23	6,677.59	123,667.21	137,675.03
471LF746	Boston Partners MCV	11,591.63	8,357.00	117,890.06	137,838.69
817NR212	iShares Int Bonds IAGG	1,981.24	-	-	1,981.24
837HD246	Clearbridge IE Growth ADR E	10,964.36	9,877.24	99,958.56	120,800.16
Total		\$ 131,665.36	\$ 112,478.67	\$ 815,641.54	\$ 1,059,785.57

**Source:** PCC Business Office

See Independent Auditors' Report.