PALAU VISITORS AUTHORITY
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Deloitte & Touche LLC
P.O. Box 500308
Saipan, MP 96950-0308
USA

Tel: +1 670 322 7337/0860/0861
Fax: +1 670 322 7340
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Palau Visitors Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Palau Visitors Authority (PVA), a component unit of the Republic of Palau, which comprise the statements of net position as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended and the related notes to the financial statements.

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.

Auditor's 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palau Visitors Authority as of September 30, 2015 and 2014, 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

As discussed in note 2 to the financial statements, during the year ended September 30, 2015, PVA implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result, PVA has elected to restate its 2014 financial statements to reflect the implementation of these standards. 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 on pages 3 through 10 as well as the Schedule of Proportional Share of the Net Pension Liability on page 28 and the Schedule of Pension Contributions on page 29 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. This supplementary information is the responsibility of PVA's management. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016 on our consideration of PVA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 PVA's internal control over financial reporting and compliance.

Deloitte & Touche LLC

June 22, 2016

Palau
Visitors Authority
P. O. Box 256, Koror, Republic of Palau 96940
Tel: (680) 488-2793/1930 Fax: (680) 488-1453
Email: pva@visit-palau.com www.visit-palau.com

Management's Discussion and Analysis
Year Ended September 30, 2015

Purpose

The mission of the Palau Visitors Authority (PVA) is to promote and encourage the development and marketing of tourism as one of the main revenue earning sectors of the Republic of Palau (ROP) along with fisheries and agriculture.

To achieve this, PVA undertakes the role of the country's tourism authority whose position is to be a visionary and present a strong image of Palau as a special destination appealing to discerning, high spending and environmentally conscientious clientele. To this end, PVA invests approximately 50% of its annual budget on marketing and promotion activities.

At the local level, PVA is responsible for generating awareness and understanding of tourism within the community, to ensure that the Palauan people understand the importance of sustainable tourism for the country, what tourism is about, what it does and how it affects the people, the community, and Palau as an island nation.

Organization

PVA is managed by a seven-member Board of Directors appointed by the President, with the advice and consent of the Senate, to serve two-year terms and whose primary duties is to develop policies and guidelines that account for the effective and efficient management of the organization. The Board of Directors approves a yearly work plan that is implemented by the Managing Director who oversees the day-to-day activities and operations of PVA.

The Board of Directors has another key responsibility in that it recommends to the President and Congress the passage of legislation aimed at ensuring that tourism is developed in the best interest of ROP.

PVA acts as a liaison between the tourism industry and the community, particularly the States, by assessing and encouraging development of potential tourist sites and land-based activities for the purpose of spreading tourist traffic throughout ROP and diversifying tourism attractions aside from water and diving activities.

There are three main operational areas within the PVA structure: 1) Marketing and Research, 2) Community Services and Support Services, and 3) Accounting. There are currently nine full-time, one part-time and four contracted staff with one full-time vacancy remaining to be filled. Fiscal year 2015 was a transitional period to a new organizational structure which will be fully in effect by fiscal year 2016.

The customers of PVA are visitors to ROP, tourism industry operators, National and State governments, the public and private sectors and internal associates of PVA.

Statement of Goals and Objectives

Mission Statement:

We are committed to promote our heritage and the unique attractions of Palau through sustainable tourism development and the encouragement of responsible practices.

Medium-Term Goals:

1. Ensure the development of tourism strategies to be adopted by the National Government;

2. Turn PVA into a pure marketing body of ROP that is to be recognized internally and externally as one of the most aspirational destinations behind the new branding "Pristine Paradise. Palau.";

3. Seek flexibility and potential extra funding by pursuing a legal entity change from semi-government to a nonprofit organization;

4. Train and develop PVA employees to their fullest potential so that PVA will be a self-sufficient and sustainable organization;

5. Define the role of PVA and the newly developed Board of Trustees in order to deliver tangible and unique contributions; and

6. Continue to improve the recording and accountability of budgetary and financial transactions to ensure full compliance with laws and regulations and generally accepted accounting standards.

Fiscal Year Objectives:

<u>Marketing and Research</u>

1. Visitor Analysis:

    a. Calendar year 2015 marked another historical record high visitor number at 161,931, which is an increase of 15% versus 2014. This growth was continuously attributed to the influx of visitors from the People's Republic of China (PRC) increasing by 121% versus a year ago, more than doubling the visitor number. Traditional key markets suffered mainly from lack of accommodations, including Japan, Korea, ROC Taiwan and Europe at 82%, 84%, 47% and 84%, respectively. The only sustained market was the USA at 100%. With this, PRC is the distant no. 1 sourcing country at 55%, followed by Japan at 20%, ROC Taiwan at 9%, Korea at 8%, USA at 5% and the European markets at 3%.

    b. Fiscal year 2014's visitor trend was 168,767 or an increase of 34.3% versus fiscal year 2013. However, revenues/visitors were down by 12% at $941 versus $1,078 when compared to fiscal year 2013. (The figures are for comparison purposes as complete revenue data was not available for calendar year 2015.) This indicates that the spend-ability of each visitor and/or specific economical contribution is lower than a year ago.

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Research, Continued

1. Visitor Analysis, Continued:

   c. Visitor Arrivals Statistical Reports were submitted on the 10th of each succeeding month for ten of twelve months. Delays in submission of the remaining two months were due to data validation issues and availability. Transitioning to fully utilize the Optical Marker Reader for analysis purposes is still ongoing. Data validation confirmed that there is an accuracy issue related to immigration data due to the processing and readability of handwritten forms.

2. Branding Work:

   The new tagline, "Pristine Paradise. Palau." has been officially adopted and is now utilized in all our communication. We also developed a translation in the Palauan language. In addition, a new brand design logo was developed via a public design contest featuring ideas and symbols that are significantly unique to the Palauan culture.

3. Trade Shows:

   PVA participated in ten tradeshows and solicited partnership with Palau's tourism industry partners to hosting/co-sponsoring to ensure a better return on investment while maximizing the exposure at each show by grouping us as one destination. We have made strategic choices (in order of priority) to focus on: a) Asia and diving, b) low-hanging fruit market and segments, and c) Pacific Asia Tourism Association (PATA) related conferences and tradeshows. These are aimed:

   a. To bring the Japanese and Korean markets back to a positive trend;

   b. To continuously learn about the Chinese speaking markets (Hong Kong, ROC Taiwan and PRC);

   c. To bring back the North American market trends;

   d. To start testing opportunities at tradeshows that focus on specialties, sports fishing and adventure shows; and

   e. To leverage PATA's vast network and huge draw to be cost efficient to reach the rest of the world.

4. Familiarization (FAM) Tours and Agent Meetings:

   FAM Tours were also organized by PVA including overseas representation by soliciting partnership and sponsorship of our key industry stakeholders in order for the media to get maximum exposure and travel agents to learn about destination knowledge. Mainly, FAM trips were conducted to Japan, Hong Kong, Taiwan, PRC, Korea, the USA and Europe. This year, we met new agents and representative groups from mainland China.

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

<u>Marketing and Research, Continued</u>

4. Familiarization (FAM) Tours and Agent Meetings, Continued:

   We have received many requests to diversify attractions and products of Palau to place more emphasis on nature, culture and non-diving activities such as kayaking, bird-watching and eco-tourism tours while continuing to maintain Palau’s core attraction of diving and marine activities.

5. Website and Social Media:

   With a growing shift in media from traditional means to viral and consumer generated contents, PVA is putting more strategic effort and importance on web and social network service usage. Due to slow internet connections in Palau, we have been relying on off-shore hosting and could not conduct a proper analysis.

<u>Community Services and Support Services</u>

1. Night markets have been renewed as a place for locals and tourists to find and enjoy Palauan traditions and entertainment. Specifically, the "Palauan Night Market” serves as an “incubator” by providing an opportunity to local small businesses to display and sell authentic “Made in Palau” products (arts, handicrafts, jewelries, etc.) and local cuisine. “International Night” serves as a public outlet for established businesses to showcase Palau’s “melting pot” of international cuisines, dances, music and souvenirs for the encouragement of positive social interaction between visitors with the community and to provide an opportunity for businesses to showcase and promote their products and services to entice potential customers to experience their hospitality and patronage.

2. Community based programs:

   Enhancement of PVA’s annual activities, programs and projects (namely Welcome All Visitors Enthusiastically, Tourism Awareness Week and Green Fair/Earth Day) to promote community awareness towards a sustainable visitor economy for Palau and to increase awareness of the benefits of the tourism industry. Earth Day 2014 was a huge success after having the Nat Geo’s Pristine Seas’ expedition film featured as a global premiere.

3. State tourism development:

   Through State representative meetings, we work with each State to develop its own unique programs. Also, we provide training opportunities for State governments and private sectors to develop human resources in the areas of customer service, tour guiding, brochure development and grant writing. In fiscal years 2014 and 2015, PVA conducted State surveys and visits to develop unique and original ideas for tourism products in a “concept board” format. Many ideas were exposed and tested at numerous trade shows and consumer interviews.

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

<u>Community Services and Support Services, Continued</u>

4. Island-wide beautification of Palau through the "I Love Palau, I Keep It Clean" campaign that encourages cleanliness of hamlets, States, attraction sites and the Rock Islands for the continuity of Palau's natural and pristine environment.

5. Encourage compliance with to PVA and ROP procurement policies to improve accounting procedures to warrant an unmodified audit opinion and no audit findings for PVA's audits.

Funding

PVA receives its annual operational funding from the Unified Budget appropriation of the Olbiil Era Kelulau. Its total budget for fiscal years 2015, 2014 and 2013 was $840,000, $645,000 and $635,000, respectively. PVA's budget is allocated based on its main functions of authority as follows: 57.0% for marketing and research, 28.3% for administration and 14.7% for community services and related program developments.

Overview of Financial Statements

During the year ended September 30, 2015, PVA adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of* GASB *Statement No. 68*. GASB Statement Nos. 68 and 71 establish standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to employees of state and local governments. PVA contributes to the Republic of Palau Civil Service Pension Trust Fund (the Plan), a defined benefit, cost sharing multi-employer plan as defined by GASB Statement No. 68. The implementation resulted in the recognition of pension expense as well as the reporting of deferred outflows and inflows of resources and a net pension liability based on PVA's proportionate share of those of the overall Plan. Refer to note 2 for cumulative change and note 3 for details of GASB Statement No. 68.

Statements of Net Position:	2015	2014 (As Restated)	2013 (As Restated)
Current assets	$ 250,271	$ 239,270	$ 239,759
Capital assets	76,981	62,176	67,936
Total assets	327,252	301,446	307,695
Deferred outflows of resources from pension	60,024	10,493	-
Total assets and deferred outflows of resources	$ 387,276	$ 311,939	$ 307,695
Current liabilities	$ 88,698	$ 115,119	$ 69,559
Net pension liability	774,226	808,983	911,537
Total liabilities	862,924	924,102	981,096
Deferred inflows of resources from pension	177,593	94,402	-
Total liabilities and deferred inflows from resources	1,040,517	1,018,504	981,096

Overview of Financial Statements, Continued

Statements of Net Position, Continued:

	2015	2014 (As Restated)	2013 (As Restated)
Net position:			
Net investment in capital assets	76,981	62,176	67,936
Unrestricted	(730,222)	(768,741)	(741,337)
Total net position	(653,241)	(706,565)	(673,401)
	$ 387,276	$ 311,939	$ 307,695

Statements of Revenues, Expenses and Changes in Net Position:

	2015	2014 (As Restated)	2013 (As Restated)
Operating revenues	$ 98,243	$ 108,228	$ 58,500
Operating expenses	909,914	786,392	667,367
Loss from operations	(811,671)	(678,164)	(608,867)
Nonoperating revenues	864,995	645,000	635,000
Change in net position	53,324	(33,164)	26,133
Net position at beginning of year	(706,565)	(673,401)	(699,534)
Net position at end of year	$ (653,241)	$ (706,565)	$ (673,401)

Statements of Cash Flows:

	2015	2014 (As Restated)	2013 (As Restated)
Cash flows from operating activities	$ (814,259)	$ (659,497)	$ (595,035)
Cash flows from noncapital financing activities	708,249	754,357	528,821
Cash flows from capital and related financing activities	(9,545)	(10,781)	(16,814)
Net increase (decrease) in cash	(115,555)	84,079	(83,028)
Cash at beginning of year	192,830	108,751	191,779
Cash at end of year	$ 77,275	$ 192,830	$ 108,751

Financial Highlights:

1. ROP receivables amounted to $134,094 in fiscal year 2015 compared to $2,343 in fiscal year 2014 and $111,700 in fiscal year 2013.

2. Employee receivables amounted to $36,724 in fiscal year 2015 compared to $26,838 in fiscal year 2014 and $10,700 in fiscal year 2013. The increase is attributed to trip reports and travel expense reports that are yet to be submitted and reconciled.

3. The allowance for doubtful accounts amounted to $1,915 in fiscal year 2015 compared to $134 in fiscal years 2014 and 2013 due to improved procedures for recognizing bad debts.

4. Accounts payable amounted to $11,906 in fiscal year 2015 compared to $11,126 in fiscal year 2014 and $14,601 in fiscal year 2013. The consistency was due to timely disbursement of monthly budgetary allotments from ROP.

5. At September 30, 2015, 2014 and 2013, PVA had invested in capital assets of $76,981, $62,176 and $67,936, respectively, net of accumulated depreciation where applicable, including building, building improvements, furniture, fixtures and equipment and vehicles. The change is due to improved reconciliation and posting of fixed assets depreciation. See note 4 to the financial statements for more detailed information on PVA's capital assets.

Overview of Financial Statements, Continued

Financial Highlights, Continued:

6. Total net position amounted to $(653,241) in fiscal year 2015 compared to $(706,565) in fiscal year 2014 and $(673,401) in fiscal year 2013 which is primarily attributed to the implementation of GASB 68.

7. Operating revenues amounted to $98,243 in fiscal year 2015 compared to $108,228 in fiscal year 2014 and $58,500 in fiscal year 2013 from collection of contributions from local tourism industry partners (who are Belau Tourism Association members) and co-sharing costs from participating at trade shows, exhibitions, product seminars and road shows alongside PVA at various key markets.

8. Operating expenses - contractual services amounted to $82,058 in fiscal year 2015 compared to $40,830 in fiscal year 2014 and $15,800 in fiscal year 2013 due to the addition of a Legal Counsel.

9. Operating expenses - representation and tours amounted to $248,062 in fiscal year 2015 compared to $233,887 in fiscal year 2014 and $205,750 in fiscal year 2013. The increase is attributed to more participation in trade shows especially in the European markets due to an increase in staff.

10. Operating expenses - personnel and fringe benefits amounted to $245,182 in fiscal year 2015 compared to $204,120 in fiscal year 2014 and $210,550 in fiscal year 2013. The increase is primarily due to vacant positions being filled.

11. Operating expenses - tourism development, public awareness, public relations and training amounted to $126,105 in fiscal year 2015 compared to $132,790 in fiscal year 2014 and $132,894 in fiscal year 2013. These programs include exploring new diversified marketing activities (cruise ships) and response to post-quake disaster relief efforts in Japan, sending eight dancers to the Iwaki City Expo.

12. Operating expenses - registration, booth rental and membership fees amounted to $12,994 in fiscal year 2015 compared to $9,749 in fiscal year 2014 and $8,300 in fiscal year 2013, due to PVA's membership renewal with PATA.

13. Operating expenses - depreciation amounted to $19,735 in fiscal year 2015 compared to $16,541 in fiscal year 2014 and $13,743 in fiscal year. The increase in depreciation in 2015 is attributed to additions of computers and automobiles.

14. Operating expenses - communication and postage and supplies and printing amounted to $42,530 in fiscal year 2015 compared to $30,400 in fiscal year 2014 and $25,764 in fiscal year 2013 due to an increased amount of communication material.

15. Operating expenses - travel and transportation amounted to $4,481 in fiscal year 2015 compared to $7,243 in fiscal year 2014 and $7,711 in fiscal year 2013. Savings were driven by a decrease in staff traveling.

16. Operating expenses - promotional materials amounted to $1,959 in fiscal year 2015 compared to $13,100 in fiscal year 2014 and $5,458 in fiscal year 2013; however, costs were contained within budgeted allocations.

Overview of Financial Statements, Continued

Financial Highlights, Continued:

17. Operating expenses - other amounted to $115,013 in fiscal year 2015 compared to $79,920 in fiscal year 2014 and $25,016 in fiscal year 2013. The increase pertains to the Airport Luggage Cart Project and meeting expenses related to PATA.

18. Nonoperating revenues amounted to $864,995 in fiscal year 2015 compared to $645,000 for fiscal year 2014 and $635,000 for fiscal year 2013.

Economic Outlook

Fiscal year 2015 marked another historical record high number of visitors at 161,931 or a 15% increase versus 2014. This growth was attributed to the influx of PRC visitors increasing by 121% versus a year ago, more than doubling the visitor number. Traditional key markets suffered mainly from lack of accommodations, including Japan, Korea, ROC Taiwan and Europe at 82%, 84%, 47% and 84%, respectively. The only sustained market was the USA at 100%. With this, PRC is the distant no. 1 sourcing country at 55%, followed by Japan at 20%, ROC Taiwan at 9%, Korea at 8%, USA at 5% and the European markets at 3%.

Our overall theme for fiscal year 2015 was to turn PVA into a more marketing-focused agency. We prioritized our efforts on a) State tourism product development, as we are working closely with each State government to discover unique ideas through concept board development and qualification, b) website and social network service by upgrading our website and its contents development, and c) program developments that can feature unique Palauan experiences while locals receive the benefits (e.g., Night Market and community based activities).

PVA's mission statement defines our role, "We are committed to promote our heritage and the unique attractions of Palau through sustainable tourism development and the encouragement of responsible practices." With this, we will continue to deliver our commitment and priorities by a) promoting Palau under the new branding campaign, "Pristine Paradise. Palau", b) diversifying tourism products especially the development of Babeldaob with collaboration with each State, and c) developing community programs to ensure the benefits of the tourism industry is returned to the Palauan people.

The Management's Discussion and Analysis for the year ended September 30, 2014 is set forth in PVA's report on the audit of financial statements, which is dated May 18, 2015. That Discussion and Analysis explains the major factors impacting the 2014 financial statements and can be viewed at the Office of the Public Auditor's website at www.palauopa.org.

Contacting PVA's Financial Management

This financial report is designed to provide a general overview of PVA's finances and to demonstrate PVA's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Managing Director at the Palau Visitors Authority, P.O. Box 256, Koror, Republic of Palau 96940, at (680) 488-1930/2793 or e-mail nanaesingeo@pristineparadisepalau.com or fax (680) 488-1453.

PALAU VISITORS AUTHORITY

Statements of Net Position
September 30, 2015 and 2014

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2015	2014 (As Restated)
Current assets:		
Cash	$ 77,275	$ 192,830
Receivables:		
Republic of Palau	134,094	2,343
Employee and other	36,724	26,838
	170,818	29,181
Less allowance for doubtful accounts	(1,915)	(134)
Total receivables, net	168,903	29,047
Prepaid expenses	4,093	17,393
Total current assets	250,271	239,270
Capital assets, net	76,981	62,176
Total assets	327,252	301,446
Deferred outflows of resources from pension	60,024	10,493
Total assets and deferred outflows of resources	$ 387,276	$ 311,939

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2015	2014 (As Restated)
Current liabilities:		
Republic of Palau	$ 24,410	$ 24,410
Accounts payable	11,906	11,126
Unearned revenue	-	47,975
Accrued expenses	52,382	31,608
Total current liabilities	88,698	115,119
Net pension liability	774,226	808,983
Total liabilities	862,924	924,102
Deferred inflows of resources from pension	177,593	94,402
Total liabilities and deferred inflows of resources	1,040,517	1,018,504
Commitment and contingency		
Net position:		
Net investment in capital assets	76,981	62,176
Unrestricted	(730,222)	(768,741)
Total net position	(653,241)	(706,565)
	$ 387,276	$ 311,939

See accompanying notes to financial statements.

PALAU VISITORS AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2015 and 2014

	2015	2014 (As Restated)
Operating revenues:		
Miscellaneous	$ 98,243	$ 108,228
Operating expenses:		
Representation and tours	248,062	233,887
Personnel and fringe benefits	245,182	204,120
Tourism development, public awareness, public relations and training	126,105	132,790
Contractual services	82,058	40,830
Communication and postage	33,451	19,449
Depreciation	19,735	16,541
Registration, booth rental and membership fees	12,994	9,749
Utilities	11,795	17,812
Supplies and printing	9,079	10,951
Travel and transportation	4,481	7,243
Promotional materials	1,959	13,100
Other	115,013	79,920
Total operating expenses	909,914	786,392
Loss from operations	(811,671)	(678,164)
Nonoperating revenues:		
Republic of Palau appropriation	840,000	645,000
Republic of Palau contributed capital	24,995	-
Total nonoperating revenues	864,995	645,000
Change in net position	53,324	(33,164)
Net position at beginning of year	(706,565)	(673,401)
Net position at end of year	$ (653,241)	$ (706,565)

See accompanying notes to financial statements.

PALAU VISITORS AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2015 and 2014

	2015	2014 (As Restated)
Cash flows from operating activities:		
Cash received from customers	$ 40,382	$ 92,090
Cash payments to suppliers for goods and services	(629,136)	(529,882)
Cash payments to employees for services	(225,505)	(221,705)
Net cash used for operating activities	(814,259)	(659,497)
Cash flows from noncapital financing activities:		
Republic of Palau appropriations	708,249	754,357
Net cash provided by noncapital financing activities	708,249	754,357
Cash flows from capital and related financing activities:		
Capital asset acquisitions	(9,545)	(10,781)
Net cash used for capital and related financing activities	(9,545)	(10,781)
Net (decrease) increase in cash	(115,555)	84,079
Cash at beginning of year	192,830	108,751
Cash at end of year	$ 77,275	$ 192,830
Reconciliation of loss from operations to net cash used for operating activities:		
Loss from operations	$ (811,671)	$ (678,164)
Adjustments to reconcile loss from operations to net cash used for operating activities:		
Depreciation	19,735	16,541
Bad debts	1,781	-
Noncash pension costs	(1,097)	(18,645)
(Increase) decrease in assets:		
Employee and other receivables	(9,886)	(16,138)
Prepaid expenses	13,300	(8,651)
Increase (decrease) in liabilities:		
Accounts payable	780	(3,475)
Unearned revenue	(47,975)	47,975
Accrued expenses	20,774	1,060
Net cash used for operating activities	$ (814,259)	$ (659,497)
Supplemental disclosure of noncash capital and related financing activities:		
Recognition of contributed capital assets:		
Noncash increase in fixed assets	$ 24,995	$ -
Noncash increase in capital contributions	(24,995)	-
	$ -	$ -

See accompanying notes to financial statements.

(1) Organization

The Palau Visitors Authority (PVA), a component unit of the Republic of Palau (ROP), was formed on November 23, 1982, under the provisions of the Republic of Palau Public Law (RPPL) No. 1-49 for the purpose of implementing tourism programs, including marketing and related responsibilities. The law created a wholly owned public corporation managed by a Board of Directors appointed by the President of ROP with the advice and consent of the Olbiil Era Kelulau (OEK - Palau National Legislature).

(2) Summary of Significant Accounting Policies

The accounting policies of PVA conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. PVA utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 disclosure 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.

Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources, measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included in the statements of net position. Proprietary fund operating statements reflect increases and decreases in net total assets and utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budget and Appropriation

Prior to the commencement of each fiscal year, PVA prepares an operating budget and the OEK - Palau National Legislature enacts legislation resulting in an appropriation for the operation of PVA. Budgetary financial statements are not considered to be a disclosure requirement by management.

(2) Summary of Significant Accounting Policies, Continued

Cash

For purposes of the statements of net position and cash flows, cash is defined as cash on hand and cash held in demand or savings accounts. As of September 30, 2015 and 2014, cash was $77,275 and $192,830, respectively, and the corresponding bank balances were $118,154 and $217,227, respectively. Of these amounts, $114,367 and $216,180, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and were FDIC insured. PVA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized.

Receivables

PVA grants credit, on an unsecured basis, to individuals, businesses and governmental entities situated in ROP. 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 evaluation of the collectability of these accounts and prior collection experience. The allowance is established through a provision for uncollectible receivables charged to expense and bad debts are written-off against the allowance based on the specific identification method.

Capital Assets

Capital assets are stated at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of $500.

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. PVA has determined the changes in assumption, changes in proportion and difference between PVA's contributions and proportionate share of contributions and pension contributions made subsequent to the measurement date qualify for reporting in this category.

Compensated Absences

Accumulated employee annual leave is recognized when such leave is earned. Unpaid accumulated annual leave is recorded as personnel and fringe benefits expense and accrued expenses in the accompanying financial statements. Sick leave expense is recognized when leave is actually taken. Estimated unused sick leave at September 30, 2015 and 2014 was $22,277 and $22,296, respectively.

Unearned Revenue

Unearned revenue includes amounts received in advance for the Alii Palau Visitors Guide book.

(2) Summary of Significant Accounting Policies, Continued

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses include all direct and administrative revenues and expenses.

Non-operating revenues and expenses result from investing and financing activities including operating grants.

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 an 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. PVA has determined the changes in assumption, differences between projected and actual earnings on pension plan investments and changes in proportion and difference between PVA's contributions and proportionate share of contributions qualify for reporting in this category.

Pensions

Pensions are required to be recognized and disclosed using the accrual basis of accounting. PVA recognizes a net pension liability for the defined benefit pension plan, which represents PVA's proportional share of excess total pension liability over the pension plan assets - actuarially calculated - of a single employer defined benefit plan, measured one year prior to fiscal year-end and rolled forward. 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 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. 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.

Net Position

PVA's net position is classified as follows:

- Net investment in capital assets: capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

- Restricted: net position subject to externally imposed stipulations that can be fulfilled by actions of PVA pursuant to those stipulations or that expire by the passage of time. At September 30, 2015 and 2014, PVA does not have restricted net position.

(2) Summary of Significant Accounting Policies, Continued

Net Position, Continued

- Unrestricted: net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

New Accounting Standards

During fiscal year 2015, the following pronouncements were implemented:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of* GASB *Statement No. 68,* which revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits through plans that are administered through trusts. The implementation of these statements had a material effect on the accompanying financial statements resulting in the restatement of PVA's fiscal year 2014 financial statements to reflect the reporting of net pension liabilities and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68.

	As Previously Reported	Adjustment	As Restated
As of October 1, 2013:			
Net position	$ 238,136	$ (911,537)	$ (673,401)
For the year ended September 30, 2014:			
Operating expenses	$ 805,037	$ (18,645)	$ 786,392
Change in net position	$ (51,809)	$ 18,645	$ (33,164)
As of September 30, 2014:			
Deferred outflows from pension	$ -	$ 10,493	$ 10,493
Net pension liability	$ -	$ (808,983)	$ (808,983)
Deferred inflows from pension	$ -	$ (94,402)	$ (94,402)
Net position	$ 186,327	$ (892,892)	$ (706,565)

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* which improves accounting and financial reporting for state and local governments' combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale. The implementation of this statement did not have a material effect on the accompanying financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application,* which addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions in Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this statement only requires additional disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques and will not have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, which aligns the reporting requirements for pensions and pension plans not covered in GASB Statements No. 67 and No. 68 with the reporting requirements in Statement No. 68. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions in Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions in Statement No. 76 are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*, which requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Employees' Retirement Plan

Defined Benefit Plan

A. General Information About the Pension Plan:

Plan Description: PVA contributes to the Republic of Palau Civil Service Pension Trust Fund (the Plan), a defined benefit, cost sharing multi-employer plan, which is a component unit of the Republic of Palau (ROP) National Government, providing retirement, security and other benefits to employees, their spouses and dependents, of the ROP, ROP State Governments and ROP agencies, funds and public corporations. The Plan was established pursuant to Republic of Palau Public Law (RPPL) No. 2-26 passed into law on April 3, 1987, and began operations on October 1, 1987. Portions of RPPL No. 2-26 were revised by RPPL 3-21, RPPL 4-40, RPPL 4-49, RPPL 5-30, RPPL 6-37, RPPL 7-56, RPPL 8-10 and RPPL 9-2.

A single actuarial valuation report is performed annually covering all plan members and the same contribution rate applies to each employer. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the Plan's Administrator at the Republic of Palau Civil Service Pension Trust Fund, P.O. Box 1767, Koror, Republic of Palau 96940, or e-mail cspp@palaunet.com or call (680) 488-2523.

Plan Membership. As of September 30, 2014, the date of the most recent valuation, plan membership consisted of the following:

Inactive members currently receiving benefits	1,356
Inactive members entitled to but not yet receiving benefits	206
Active members	3,107
Total members	4,669

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Pension Benefits. Retirement benefits are paid to members who are required, with certain exceptions, to retire no later than their sixtieth birthday or after thirty years of service. A member may retire after his or her fifty-fifth birthday at a reduced pension amount if the member has completed at least twenty years of government employment. A married member of a former member receiving a distribution of benefits under the Pension Fund receives reduced benefit amounts to provide survivors' benefits to his or her spouse. An unmarried member or former member may elect to receive a reduced benefit amount during his or her lifetime with an annuity payable to his or her designated beneficiary. Disability benefits are paid to qualified members for the duration of the disability. Effective May 17, 1996, through RPPL 4-49, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board. Effective July 1, 1999, pursuant to RPPL 4-49 and RPPL 5-30, retirement is mandatory for all members who have thirty years or more of total service and all employees who are sixty years of age or older with certain exceptions. Beginning October 1, 2003, pursuant to RPPL 6-37, mandatory retirement may be delayed for up to five years, by specific exemption by the Board. In December 2008, RPPL 7-56 eliminated early retirement and thirty year mandatory service provisions. These provisions were restored through RPPL 8-10 in October, 2009. 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, the Board adopted a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Plan. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

Currently, normal benefits are paid monthly and are two percent of each member's average monthly salary for each year of credited total service up to a maximum of thirty years total service. The average annual salary is the average of the highest three consecutive fiscal years of compensation received by a member during his or her most recent ten full fiscal years of service. For members who have not completed three consecutive fiscal years of employment during his or her most recent ten full fiscal years of service, the average annual salary is the average monthly salary during the term of the member's service multiplied by twelve.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

The benefit amount that married members or unmarried members receive, who have elected to designate a beneficiary, is based on the normal benefit amount reduced by the following factors:

Factor	If the Spouse or Beneficiary is:
1.00	21 or more years older than the member
0.95	16 to 20 years older than the member
0.90	11 to 15 years older than the member
0.85	6 to 10 years older than the member
0.80	0 to 5 years younger than the member or 0 to 5 years older than the member
0.75	6 to 10 years younger than the member
0.70	11 to 15 years younger than the member
0.65	16 or more years younger than the member

Surviving beneficiaries of an employee may only receive benefits up to the total present value of the employee's accrued benefit pursuant to RPPL 9-2.

A member that meets the requirements for early retirement and elects to retire on an early retirement date is entitled to receive payment of an early retirement benefit equal to the member's normal retirement benefit reduced according to the following schedule based on the age at which early retirement benefit payments begin:

- $1/12^{th}$ per year for the first 3 years before age 60;
- plus an additional $1/18^{th}$ per year for the next 3 years;
- plus an additional $1/24^{th}$ per year for the next 5 years; and
- plus an additional $1/50^{th}$ per year for each year in excess of 11 years.

Upon the death of a member or former member with eligible survivors before commencement of the members' normal, early, or late retirement benefits or disability retirement benefits the following shall be payable:

- If the former member is not an employee at his date of death and a spouse or beneficiary survives, the total death benefits payable shall be the actuarial equivalent of the member's present value of accrued benefit.

- If the member is an employee at his date of death and a spouse or beneficiary survives, the total death benefit payable shall be the actuarial equivalent of the greater of 3 times the member's average annual salary or the member's present value of accrued benefits.

Upon the death of a member or former member before commencement of his normal, early, or late retirement benefit or disability retirement benefit leaving no persons eligible for survivor benefits, the following shall be payable:

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

- If the former member is not an employee at the date of death, a refund of the total amount of contributions made by the member.

- If the member was an employee at the date of death and had completed one year of total service, the estate of the member shall be entitled to a death benefit equal to the greater of three times the member's annual salary or the present value of the member's accrued benefit payable in the form of a single lump sum payment.

Any member who is not otherwise eligible to receive normal, early or late retirement benefits, who shall become totally and permanently disabled for service regardless of how or where the disability occurred, shall be entitled to a disability retirement annuity, provided that he or she is not receiving disability payments from the United States Government or its agencies for substantially the same ailment, and further provided that to be eligible for a disability retirement annuity from a cause unrelated to service, the member shall have had at least ten (10) years of total service credited. The amount of disability retirement annuity shall be an amount equal to the actuarial equivalent at the attained age of the member's present value of accrued benefit and shall be paid in the same form as a normal retirement benefit. Any special compensation allowance received or payable to any member because of disability resulting from accidental causes while in the performance of a specific act or acts of duty shall be deducted from the disability annuity payable by the Plan on account of the same disability.

Contributions. Member contribution rates are established by RPPL No. 2-26 at six percent of total payroll and are deducted from the member's salary and remitted by participating employers. Upon complete separation from service, a member with less than fifteen years membership service may elect to receive a refund of all of his or her contributions. Subsequent changes in the percentage contributed by members may be made through an amendment of the Trust Fund Operation Plan subject to the requirements of Title 6 of the Palau National Code. RPPL 9-2 requires each employee of the National Government and all State Governments, without regard to whether the employee is employed part-time or on a temporary basis, seasonal or an impermanent basis, to contribute to the Plan through payroll deduction.

Employers are required to contribute an amount equal to that contributed by employees. Pursuant to RPPL No. 2-26 and RPPL No. 3-21, the Government of the Republic of Palau must from time to time contribute additional sums to the Plan in order to keep the Plan on a sound actuarial basis. RPPL 9-2 requires the Government of ROP to make regular contributions to the Plan equal to the amount contributed by each and every employee of ROP. Additionally, an excise tax of four percent (4%) is levied against each non-citizen person transferring money out of ROP. The money transfer tax must be remitted to the Plan.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

PVA's contribution to the Plan for the years ended September 30, 2015, 2014 and 2013 were $21,071, $20,530 and $22,152, respectively, which were equal to the required contributions for the respective years then ended.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2013, and rolled forward using generally accepted actuarial procedures to the measurement date as of September 30, 2014, using the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Investment Income:	7.5% per year
Expenses:	$300,000 each year
Salary Increase:	3.0% per year
Mortality:	RP 2000 Combined Healthy Mortality Table, set forward four years
Disabled Mortality:	PBGC Mortality Table for Disabled Persons receiving Social Security
Retirement Age:	Age 60 and contributed for at least 5 years
Pre-retirement Beneficiary Benefit Members:	Present value of accrued benefit earned by the member. 80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses
Pre-retirement Beneficiary Benefit Former Members:	Present value of accrued benefit earned by the member. 80% of the workers are assumed to be married and males are assumed to be 3 years older than their spouses
Post Retirement Survivor's Benefit:	100% of the benefit the retiree was receiving prior to death. 80% of active workers are assumed to be married when they retire. Males are assumed to be 3 years older than their spouses

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Disability:	Rates are from the 2007 US Social Security Trustees Report Intermediate Assumptions
Turnover:	5% per year prior to age 40; none after age 40
Refund of Contributions:	80% of those who terminate and are eligible to receive a refund of their employee contributions in lieu of a future benefit elect to receive the refund.
Workers Included In the Valuation:	Workers indicated in the census as Active or Inactive with a vested benefit.

Investment Rate of Return

The long-term expected rate of return on PVA's investments of 7.5% was determined using the building-block method, creating a best-estimate range for each asset class.

As of September 30, 2014, the geometric mean rates of return for each major investment class are as follows:

Asset Class	Target Allocation	Expected Rate of Return
Equity	55%	8.8%
Governmental fixed income	35%	5.5%
Corporate fixed income	10%	6.4%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 4.22%. 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 2022 for 2014. For years after 2021, a discount rate of 4.11% is used. This rate is equal to the last Bond Buyer 20-Bond Go Index rate for September.

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of PVA, calculated using the discount rate of 4.22%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (3.22%) or 1.00% higher (5.22%) from the current rate.

1% Decrease 3.22%	Current Single Discount Rate Assumption 4.22%	1% Increase 5.22%
$ 870,083	$ 774,226	$ 639,183

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability. At September 30, 2015 and 2014, PVA reported a liability of $774,226 and $808,983, respectively, for its proportionate share of the net pension liability. PVA's proportion of the net pension liability was based on the projection of PVA's long-term share of contributions to the Plan relative to the projected contributions of Republic of Palau, Republic of Palau's component units and other Government agencies, actuarially determined. At September 30, 2015 and 2014, PVA's proportion was 0.379% and 0.444%, respectively.

Pension Expense. For the years ended September 30, 2015 and 2014, PVA recognized pension expense of $9,698 and $3,003, respectively.

Deferred Outflows and Inflows of Resources. At September 30, 2015 and 2014, PVA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015		2014	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,087	$ -	$ -
Change of assumptions	49,489	44,611	-	65,333
Net difference between projected and actual earnings on pension plan investments	-	-	-	133
PVA 's contributions subsequent to measurement date	10,535	-	10,493	-
Changes in proportion and difference between PVA's contributions and proportionate share of contributions	-	130,895	-	28,936
	$ 60,024	$ 177,593	$ 10,493	$ 94,402

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2015 will be recognized in pension expense as follows:

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

Year ending September 30,	
2016	$ (22,926)
2017	$ (22,926)
2018	$ (22,926)
2019	$ (22,954)
Thereafter	$ (36,372)

(4) Fixed Assets

Fixed assets of PVA as of September 30, 2015 and 2014, are summarized below:

	Estimated Useful Lives	Balance at October 1, 2014	Additions	Deletions	Balance at September 30, 2015
Building	20 years	$ 143,122	$ -	$ -	$ 143,122
Furniture, fixtures and equipment	1 - 10 years	124,096	9,545	(8,175)	125,466
Building improvements	15 years	50,869	-	-	50,869
Vehicles	3 - 5 years	4,200	24,995	-	29,195
		322,287	34,540	(8,175)	348,652
Less accumulated depreciation		(260,111)	(19,735)	8,175	(271,671)
		$ 62,176	$ 14,805	$ -	$ 76,981

	Estimated Useful Lives	Balance at October 1, 2013	Additions	Deletions	Balance at September 30, 2014
Building	20 years	$ 143,122	$ -	$ -	$ 143,122
Furniture, fixtures and equipment	1 - 10 years	120,499	5,341	(1,744)	124,096
Building improvements	15 years	45,429	5,440	-	50,869
Vehicles	3 - 5 years	4,200	-	-	4,200
		313,250	10,781	(1,744)	322,287
Less accumulated depreciation		(245,314)	(16,541)	1,744	(260,111)
		$ 67,936	$ (5,760)	$ -	$ 62,176

(5) Commitment and Contingency

RPPLs 9-44 and 9-15 appropriated $840,000 and $645,000 to PVA for the years ended September 30, 2015 and 2014, respectively, unobligated amounts of which lapse at year end. There were no unobligated amounts related to RPPL 9-44 and 9-15 as of September 30, 2015 and 2014. PVA has recorded liabilities to ROP of $24,410 as of September 30, 2015 and 2014 for lapsed funding related to its appropriation for the year ended September 30, 2007.

(6) Risk Management

PVA 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. PVA has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims have not exceeded this commercial coverage in any of the past three years.

PALAU VISITORS AUTHORITY

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

	2014 Valuation	2013 Valuation
Civil Service Pension Trust Fund (Plan) total net pension liability	$ 204,281,232	$ 182,080,332
PVA's proportionate share of the net pension liability	$ 774,226	$ 808,983
PVA's proportion of the net pension liability	0.379%	0.444%
PVA's covered employee payroll**	$ 140,436	$ 164,633
PVA's proportionate share of the net pension liability as a percentage of its covered employee payroll	551.30%	491.39%
Plan fiduciary net position as a percentage of the total pension liability	14.01%	15.84%

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

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

See accompanying Independent Auditors' Report.

PALAU VISITORS AUTHORITY

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

	2014 Valuation	2013 Valuation
Actuarially determined contribution	$ 25,433	$ 27,949
Contribution in relation to the actuarially determined contribution	10,493	11,179
Contribution (excess) deficiency	$ 14,940	$ 16,770
PVA's covered-employee payroll**	$ 140,436	$ 164,633
Contribution as a percentage of covered-employee payroll	7.47%	6.79%

* This data is presented for those years for which information is available.
** Covered-employee payroll data from the actuarial valuation date with one-year lag.

See accompanying Independent Auditors' Report.