

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 17 as well as the Schedule of Proportional Share of the Net Pension Liability on page 33 and the Schedule of Pension Contributions on page 34 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 March 9, 2020 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 solely 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 the effectiveness of PVA's 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 Fund's internal control over financial reporting and compliance.

Deloitte & Touche LLC

March 9, 2020



Management's Discussion and Analysis Year Ended September 30, 2019

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 to all segments of the community in Palau 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 are 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 four main operational areas within the PVA structure under the Managing Director and Operations and Program Director: 1) Human Resources, 2) Strategic Planning, 3) State and Community and, 4) Marketing & Programs. There are currently fifteen full-time and two part-time airport employees and two contracted staff.

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.

Palau Visitors Authority

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Statement of Goals and Objectives, Continued

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:

PVA provides monthly visitor analysis and works with the Office of Budget and Statistics to provide an in-depth assessment of the industry trend and economic activities of ROP.

1. Visitor Analysis: The tourism industry is still extremely vulnerable. For Palau, 2019 was no exception as Small Planet ceased operations to Palau, Korean Airlines suspended flights in July 2019 and began flying again in October 2019 and China Airlines added their 4th flight (weekly) in March 2019 after reducing flights in December 2018. In January 2018, ROP began collecting the \$100 entry fee into Palau. We saw a declining trend beginning in 2016 due to the drought and effect of the Jellyfish Lake continuing through 2017 and 2018. The increase in package tours from 2015 is still a factor in losing the European, Taiwan, South Korea, U.S./Canada and Japan markets. Also, there were chartered airlines that discontinued services to Palau. Charter airline services are responsible for 15% to 38% of our visitors.
2. In 2017, the People's Republic of China (PRC) government banned packaged tour sales to all markets without an approved destination status, directly affecting some operators. Since the ban, China remains our leading market. Throughout 2017, 2018 and continuing in 2019, the trend is slower but there have been efforts to bring in free independent travelers (FIT) via secondary ports such as Hong Kong, Macau, Korea, Taiwan and Japan.
3. European and Japanese blogs are still talking about the influx of Chinese tourists.
4. A majority of Korean tourists are visiting Guam, Saipan and the Philippines since their package tours are less expensive and they have more airline access. Travel agencies in Taiwan block seats on China Airlines to Palau preventing FITs from booking.
5. The Japan market has been hurt with Delta Airlines canceling flights in May 2018 and Korean Air suspending flights from July 2019 to September 2019, indicating a recession as exchange rates are low. This year, Jellyfish Lake re-opened and Japan Airlines began chartered flights but China Airlines continues to be our top airline.
6. Fiscal year 2019 marked a drop-in visitor numbers at 89,726 or -23% versus 2018 with 115,997 visitors. This was attributed to the closure of Jellyfish Lake continuing from 2016 and the ban on China visitors in September 2016.

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

7. By market trend: China is still the number one sourcing market at 28,504 (32% market share), followed by Japan at 19,637 (22% market share), Taiwan at 14,065 (16% market share), South Korea at 11,569 (13% market share) and others at 15,951 (17% market share).
8. Revenue per visitor: Fiscal year 2019 was up by 0.02% at \$1,011 per visitor versus \$1,009 from that of fiscal year 2018. This suggests that the quality of visitors are returning after seeing a revenue dilution from the mass tourism model.

Marketing and Community Programs Department (Key Performance Indicators)

Tradeshows - PVA made strategic choices of which shows to participate in on the basis of maturity of the market and market presence from Palau and the level of participation by our key industry partners. PVA weighs more for newer markets (e.g. PRC) and high value segments (diving, sports fishing and bird watching) where we add value by presenting Palau. PVA attended annual tradeshows in target markets including Japan, South Korea, North America, Europe and Asia Pacific. PVA strategically makes choices to utilize each trade show as a different opportunity and we position them as great networking venues, which saves cost when key parties gather at one venue with the same objectives. There are three categories of tradeshows, including:

- Exhibitor: Attending trade shows with PVA as an exhibitor, with a booth, staff and promotional materials. There are also instances of incorporating traditional dance groups, carvers, or weavers into the exhibition as a display of Palauan culture.
- B2B: Also known as Business to Business, there are opportunities to meet with trade, media and related key stakeholders. In addition, some of these B2B shows provide sellers with the opportunity to pre-request appointments.
- PATA-related meetings: The Pacific Asia Travel Association (PATA) is a not-for-profit association that is internationally acclaimed for acting as a catalyst for the responsible development of travel and tourism to, from and within the Asia Pacific region. PVA is both an International and Micronesia chapter member. PATA holds annual events such as travel marts (exhibitor/B2B), training, Micronesia chapter meetings, annual summits (conference/exhibitor), and responsible tourism conferences. PVA participates in many of these events throughout the year.

Event:	Taipei International Travel Fair - TITF
Date:	November 23-26, 2018 (Every Year)
Place:	Taipei World Trade Center (TWTC) or the Nangang Exhibition Center
Estimated Participants:	38k Participants
	500+ Exhibitors
B2B	100 Travel Agents
B2C	2500+
Event:	PATA Destination Market Forum - PDMF
Date:	November 28-30, 2018
Place:	Khon Kaen, Thailand
Estimated Participants:	PATA Members
B2B	30
B2C	400
Event:	Asia Pacific Destination Leadership Summit - PATA
Date:	December 10-11, 2018
Place:	Sydney, Australia
Estimated Participants:	PATA Members
B2B	40
B2C	400
Event:	Travel Adventure Show
Date:	January 12-13, 2019
Place:	Chicago - Donald E. Stephens Convention Center
Estimated Participants:	Total attendees in 2019 was 28,764 visitors
B2B	20+
B2C	500+

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

Event:	Osaka Sports Fishing
Date:	February 2-3, 2019
Place:	INTEX Osaka, Osaka, Japan
Estimated Participants:	60k visitors
	500+ exhibitors
B2B	none
B2C	2000+
Event:	PATA Annual Summit
Date:	May 9-12, 2019
Place:	Thailand
Estimated Participants:	PATA Members
B2B	30+
B2C	500+
Event:	Marine Diving Fair
Date:	April 5-7, 2019
Place:	Sunshine City Convention Center Hall C,D Ikebukuro, Tokyo, Japan
Estimated Participants:	1k - 5k visitors
	100 - 500 Exhibitors
B2B	100+
B2C	2500+
Event:	ADEX Singapore
Date:	April 11-14, 2019
Place:	Suntec Singapore Convention & Exhibition Centre
Estimated Participants:	70k Visitors
	200 Exhibitors
B2B	25
B2C	2500
Event:	Guam Military Fair
Date:	May 2-3, 2019
Place:	Guam-Andersen Air Force Base and Top of the Mar in Asan
Estimated Participants:	600 attendees in 2019
B2B	15
B2C	160
Event:	Scuba Show
Date:	May 4-5, 2019
Place:	Long Beach Convention Centre, Exhibition Hall C 300 East Ocean Boulevard Long Beach California, 90802
Estimated Participants:	5k - 20k visitors
	100 - 500 exhibitors
B2B	20
B2C	1500
Event:	Taipei Tourism Expo
Date:	May 17-19, 2020
Place:	Taipei World Trade Center, Taipei, Taiwan
Estimated Participants:	20k - 50k visitors
	500+ exhibitors
B2B	100
B2C	3000
Event:	KOTFA - Korea World Travel Fair
Date:	June 6-9, 2019
Place:	COEX Hall A, Seoul, Korea
Estimated Participants:	130k attendees
B2B	80
B2C	5000
Event:	Hana Tour Convention - Hana Tour International Travel Show
Date:	June 7-9, 2019
Place:	Ilsan, S. Korea
Estimated Participants:	100k visitors
B2B	25
B2C	4000
Event:	Global Digital Summit - PATA
Date:	August 14, 2019
Place:	Dusit Thani Guam Resort, Tumon, Guam
Estimated Participants:	PATA Members
B2B	30
B2C	500

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

Event:	Mode Tour Travel Mart
Date:	September 5-8, 2019
Place:	COEX 1 st Hall A, Hall B1 Seoul, South Korea
Estimated Participants:	110k in 2019
B2B	50
B2C	4000
Event:	PATA Travel Mart
Date:	September 8-20, 2019
Place:	Korme Exhibition Center Nur-Sultan (Astana) Kazakhstan
Estimated Participants:	1k - 5k visitors
	100 - 500 exhibitors
B2B	30
B2C	1500
Event:	JATA World Expo
Date:	October 24-27, 2019
Place:	INTEX Osaka and its surrounding areas - 1-5-102 Minami Kohoku, Suminoe Ward, Osaka City 559-0034
Estimated Participants:	Total number of visitors - 130k
	34k - Industry
	96k - General
B2B	100
B2C	4000
Event:	KONQER - PALAU
Date:	January 18-19, 2020
Place:	Ngchesar State/Long Island Park, Koror, Palau
Estimated Participants:	

- PATA provides aligned advocacy, insightful research and innovative events to its member organizations, comprising of ninety-five government, state and city tourism bodies, twenty-nine international airlines, airports and cruise lines, sixty-three educational institutions and hundreds of travel industry companies in Asia Pacific and beyond. PVA is a member of the main body and the Micronesian chapter. We also have access to an industry database, Waterpower, and other industry partners' research. PVA is using Waterpower for marketing and analysis purposes to offset resource gaps.
- Familiarization (FAM) Tours and Agent Meetings: FAM tours were organized by PVA including overseas representation by soliciting partnerships and sponsorships from key industry stakeholders in order for media to get maximum exposure and travel agents to learn about destination knowledge. Fiscal year 2018 FAM trips were mainly conducted from Japan and two from Taiwan. We will continue to evaluate our FAM system and budget allocations due to increasing challenges with airfare support, talent fee for social media influencers, media and filming production companies.
- Digital Marketing:

PVA has three main social media accounts, namely Facebook, Instagram and YouTube. There are two accounts for Facebook, one for local events and information and another for targeted postings of news, video, images or stories designed to entice potential visitors to Palau. For the Instagram account, there exists an opportunity for viewer content to be publicized through the **#visitpalau** postings. The YouTube page is set up as Pristine Paradise. Palau and contains various videos from Night Markets, specially made PVA promotional videos and videos shared by visitors to Palau.

The PVA web site (www.pristineparadisepalau.com) has been upgraded in fiscal year 2018 for a fresher look and easier navigation. Palau is also featured in the www.micronesiatours.com web site, which is part of Magnificent Micronesia, a Micronesian islands regional co-promotion.

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

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 a social media platform.

Objective: Showcase Palau’s attractions and PVA’s activities to increase interest in Palau.

Strategy:

- Work with digital savvy destination management consultants to manage contents with a small budget effectively;
- Define target clearly (diving, bird watching, sporting events) to effectively reach online communities overseas;
- Use the social media platform with our community-based activities (contests) to increase “likes” or engagement of our page (Palau); and
- Manage contents frequently to invite users to our page.

	Facebook Statistics		Verifiable Indicator
	FY 2019	FY 2018	
Followers	15,124	8,093	Increased by 7,031; increased page productivity
Total posts	151	110	Improved posts to include live videos, articles and local events
Reach	1,609,643	967,363	Number of postings and paid advert increased number of reach
Total post likes	44,870	14,487	
Total post shares	21,370	1,036	
	Website Statistics		
Page views	242,111	204,651	
Total visitors	88,659	61,476	Increased 27,183
Monthly average of page views	20,176	17,304	Increased 2,872












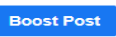




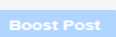




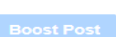




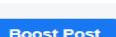




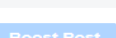




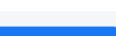




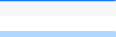




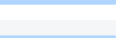




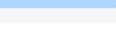




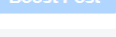




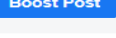




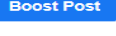




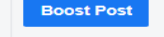




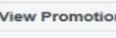























































Charts show an increase of 7,031 followers over fiscal year 2019. By the end of fiscal year 2019, Pristine Paradise. Palau’s Facebook page had 15,124 followers. A total of 151 posts were published on Pristine Paradise. Palau’s Facebook page, and there was a total of 44,870 “likes” and 21,370 “shares”.

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

Social Media, Continued

11/26/2018 8:59 AM		A visual update of the famous Jellyfish Lake!! 🐠 The BUL			2.4K		299 109	
11/19/2018 5:11 PM		Imagine starting your mornings with this stunning view.. the			2.6K		281 257	
11/15/2018 12:31 PM		Pristine Paradise Palau			1.2K		158 21	
11/15/2018 12:27 PM		Pristine Paradise Palau			1.1K		148 29	
11/10/2018 6:01 PM		📍 Ngkeklau, Palau whether low tide or high tide... both are			1.7K		35 120	
11/03/2018 12:00 AM		Pristine Paradise Palau			433		236 134	
10/30/2018 12:13 AM		Hey there little guy 🐸 #visitpalau Keep sharing your			1.9K		85 162	
10/24/2018 1:22 PM		Incredible!! #visitpalau #divepalau			381		220 71	
10/23/2018 8:22 AM		Who would you love to have by your side to explore Palau?!!??			651		214 163	
10/09/2018 2:26 PM		Spend a day woodcarving in Palau #TebangPalau			526		344 80	
10/05/2018 8:56 PM		dreamy views 😍👉 hope you all had an awesome week!!			2.4K		53 123	
10/02/2018 12:15 PM		Aliii!!! Hello 🐸 Friendly reminder to all KONQER 2018			1.1K		87 12	
10/02/2018 11:46 AM		Yesterday, October 1st, 2018, marked Palau's 24th year of			3.6K		189 233	
09/22/2019 12:00 PM		Curious what lies beyond! 📍 Ngatpang Waterfall, Photo			6.9K		195 288	
09/17/2019 4:18 PM		Pristine Paradise Palau			1.2K		15 16	
09/17/2019 10:15 AM		Originally, stories and legends were carved on the			7.5K		147 312	
09/16/2019 9:23 AM		The region's biggest OCR event! Watch how the two-			37.8K		5.2K 142	
09/14/2019 2:29 PM		If you are in Palau, swing by Ernguul Park for a rare			4.2K		666 206	
09/12/2019 8:56 AM		Day 2 of KONQER 2018 The man-made obstacle			21.4K		3K 645	
09/11/2019 10:18 PM		Ukaeb: Stuffed crab! One of the many local delicacies to			11.3K		327 644	
09/10/2019 3:41 PM		Ongeim'l Tketau- Jellyfish Lake. Something to cross off			47.8K		2K 1.1K	
09/09/2019 9:51 AM		Here is a schedule of events, all celebrating			1.8K		147 40	
09/07/2019 10:22 AM		Camping expeditions are especially fun with a guide			11.6K		1.2K 355	
09/04/2019 2:19 PM		Day 1 of KONQER 2018- Natural Course! An eco-			7.2K		314 100	
09/04/2019 12:03 AM		October 1st, 2019 will mark Palau's 25th year of			1.3K		19 48	
08/30/2019 10:57 PM		Tell your parents and friends you'll be gone for a couple			8.9K		408 436	

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

Sports Marketing

PVA promoted and assisted the following:

- KONQER
- Etpison Cup
- Micro Cup
- Wahoo Classic
- Open swimming events

Local News Paper (Ad Value)

Objective: Showcase and introduce PVA's activities especially to local key stakeholders.

Strategy:

- Maximize exposure via press releases to take advantage of free media; and
- Position PVA as one of the aspiring working environments for the young Palauan community.

	Newspaper (Local) FY 2019	Newspaper (Local) FY 2018	Newspaper (Local) FY 2017
# of articles	7	74	34
Other ads	28	18	n/a
AD Value	\$12,183	\$11,648	\$5,000

Review of our Media Touch Points

- 1) **Website:** We are currently working with our web developer on improving our website drastically, upgrading user-ability, contents and compatibility with an SNS platform in fiscal year 2020.
- 2) **Social media platform:** We completed an audit of our social media platform target profiling and community opportunities. Our consultant, Destination Think! team, proposed a few individuals who would act as "key influencers" for our key segments (diving and our new Alii Pass Program).
- 3) **Local media:** Our focus on social media has grown immensely. Therefore, based on much evaluation, Channel 37 ceased in fiscal year 2019. Radio stations were heavily utilized due to the fact that we had more programs and activities that we wanted the local community and relevant agencies to be aware of. In fiscal year 2019, we spent \$12,183 on local radio and TV stations.

State and Community Programs

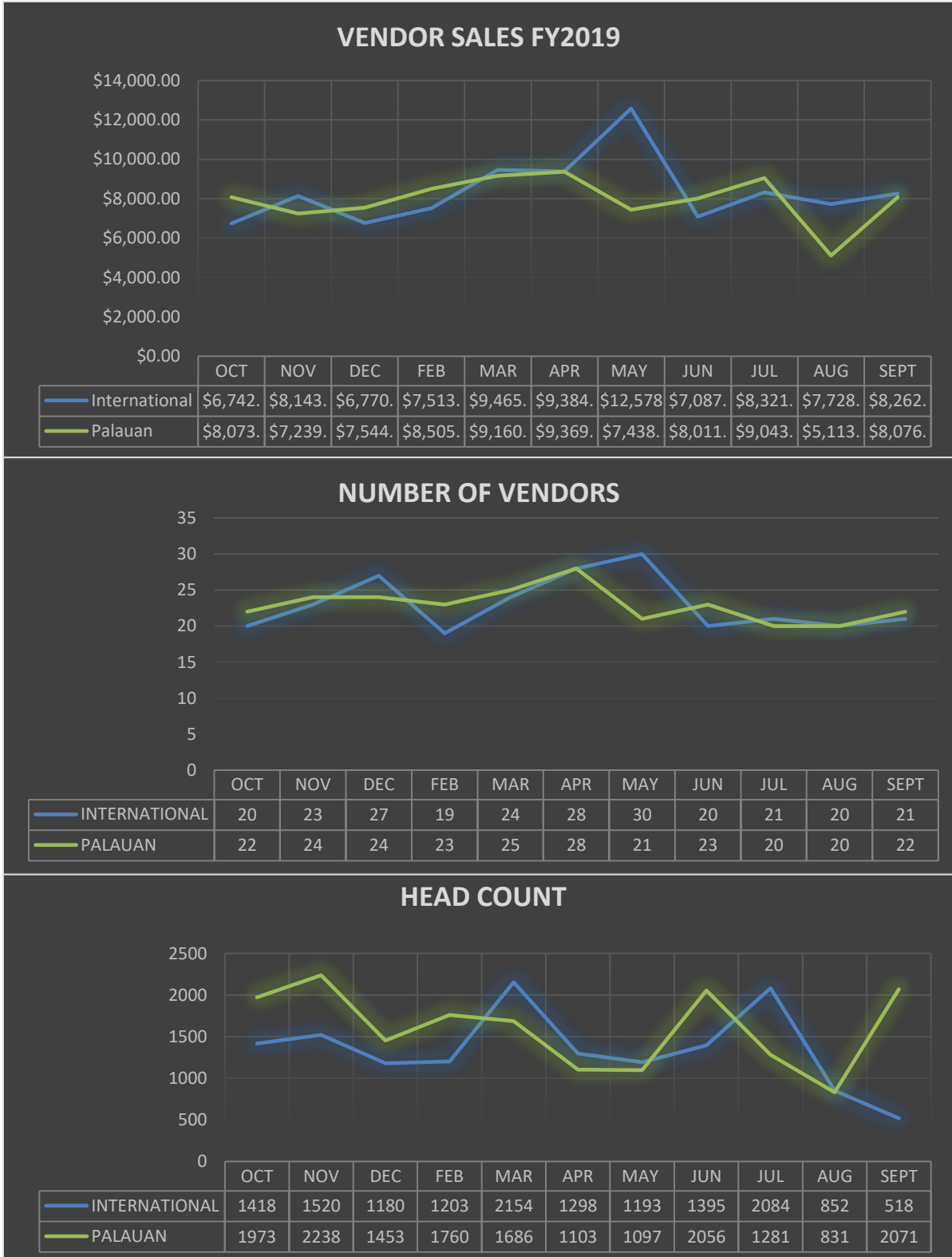
Night markets: The PVA night markets are intended to provide night activity for visitors and locals alike. It also serves as a venue for local entrepreneurs and established businesses to sell locally made products such as food, jewelry and handicrafts. The night market has been a marked event for families and tourists, and it is an opportunity for local people to mingle with our visitors from different countries. Throughout the year, the night market has featured different organizations to help them fundraise for their activities and programs. In addition, we have included side activities such as weaving demonstration, carving, coconut husking and face painting.

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

State and Community Programs, Continued



Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

State and Community Programs, Continued

<p>Fiscal Year 2019 Annual Vendors Earnings: \$172,483 No. of Vendors: 505 Head Count: 32,364</p> <p>Total Cost: \$70,147</p>

<p>Fiscal Year 2018 Annual Vendors Earnings: \$145,804 No. of Vendors: 457 Head Count: 30,315</p> <p>Total Cost: \$70,573</p>

Community Programs: PVA State Tourism representatives

A sixteen-member body of PVA State Tourism representatives from the sixteen States of ROP works closely with the Marketing and Community Department in promoting the tourism industry in their respective States. They are PVA's eyes, ears and the link to the States. PVA and the State Tourism representatives meet once every two months; six times a year at the PVA conference room to update new tourism developments in the States, to share ideas and concerns related to tourism and to explore ways on how the States can better benefit from the tourism industry. State Tourism representatives are appointed by State Governors and are very important partners for PVA in many ways especially in promoting the States during night markets and other marketing activities (total cost \$1,757).

STATE REP LISTING FY2020				
STATE	GOVERNOR	STATE TOURISM REPRESENTATIVE	CONTACT NUMBERS	E-MAIL ADDRESS
Airai State	<u>Tmewang Rengulbai</u>	Collins Takeo	587-3611 / 587-3511 (Phone) 587-2000 (Fax)	airaigov@palaunet.com
Ngchesar State	Florencio Adelbai	Eunice NgoteI	488-2636 (Phone) 488-6111 (Fax)	ngsgov@palaunet.com
Melekeok State	<u>Henaro Polloi</u>	<u>Glaudin Gabino</u>	654-2967 (Phone)	melekeokgov@gmail.com
Ngilwal State	<u>Ellender Ngirameketii</u>	<u>Mouais Tulop</u>	679-2967 / 678-1000 (Phone) 679-2967 (Fax)	ngilwal@palaunet.com
Ngaraard State	Benjamin Iskawa		824-4490 / 4499 (Phone) 824-4855 (Fax)	demok@palaunet.com
Ngarchelong State	Richard <u>Ngiratrang</u>	<u>Imengel Mai</u>	488-2871 (Phone) 488-2966 (Fax)	ngerch@palaunet.com
Ngeremlengui State	<u>Ijolang Francisca Remengesau</u>	<u>Umgal</u>	733-2967 / 733-1000 (Phone) 733-3000 (Fax)	
Ngardmau State	Johnston <u>Ijengelekei</u>	<u>Remurang Renguul</u>	488-1401 / 747- 2967 (Phone) 488-6805 (Fax)	ngardmaugovt@palaunet.com
Ngatpang State	Francesca <u>Otong</u>	<u>EchoI Sisor</u>	535-1882 / 535-2967 (Phone) 535-6810 (Fax)	ngatpangstategov@palaunet.com
Aimeliik State	<u>Brownny Simer</u>	<u>Lelly Obakerbau</u>	544-2967 (Phone/ Fax)	asg_tourism@palaunet.com
Koror State	Franco Gibbons	Grace <u>Ngirmechaet</u>	488-2439 (Phone) 488-2862 (Fax)	grace.ngirmechaet@yahoo.com
Peleliu State	<u>Temmy Shmull</u>	Tangy <u>Hesus</u>	345-2967 (Phone / Fax)	
Angaur State	<u>Kennouske A. Suzuki</u>		488-5282 (Phone) 488-3858 (Fax)	angaurstate@palaunet.com
Kayangel State	Midas <u>Ngiracheluolu</u>	<u>Tos Kellmall</u>	488-2766 (Phone) 488-6238 (Fax)	kayangel@palaunet.com
Hatohobei State	<u>Huana K. Nestor</u>	Sabina Andrew	488-2218 (Phone / Fax)	hsg@palaunet.com
Sonsorol State	Laura Miles		488-1237 (Phone) 488-5501 (Fax)	sonsorol@palaunet.com

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

One Stop Shop

PVA, Airai State and Ngarairrai established a cooperative relationship through mutual support and collaboration, to wit: through the establishment of a One Stop Shop program (hereinafter "One Stop Shop"), providing a convenient service for tourists to pay one fee to visit designated tourist sites in Airai State. The tour includes Bai ra Rengarairrai, Diangel/Kabekel and Chades ra Mechorei with a local style buffet. PVA also helped provide training for Airai State tour guides who handle all tours to Airai State. Development includes renovation of the existing bus stop to tour guide office, renovation of existing bathrooms to include new toilets, sinks, urinals and outside painting, clearing and cleaning surrounding areas of the Bai and restore all stone paths leading to the Bai (total cost \$72,134).

State Development Program

Ngaraard State Youth Program: Ngebuked Hamlet of Ngaraard State requested assistance from PVA to help with trash and recycle bins for Ngebuked Hamlet. The purpose of this program is to place recycle bins in each hamlet of Ngebuked to collect bottles and cans to sell and use the money to fund youth programs and activities. PVA was able to fund this project (total cost \$1,284).

Angaur State Development: The Uab men’s club of Angaur asked PVA to assist with construction of a tourist resting hut and picnic area. PVA was able to provide some construction materials to complete the project (total cost \$8,299).

Greetings/Welcoming

PVA conducted greeting and welcoming services for the following ships, which visited Palau:

	Vessel	Date of Arrival	Crew	Passengers
FY 2018	Silver Discoverer	3-Oct-17	89	50
	Caledonian Sky	11-Mar-18	72	103
	Ocean Dream	14-Mar-18	352	496
	Silver Discoverer	12-May-18	103	71
FY 2019	Bremen	16-Oct-18	103	118
	M/S Nippon Maru	4-Feb-19	117	272
	M/S Albatross	4-Mar-19	357	545
	M/S Caledonian Sky	19-Mar-19	80	76

PVA also extends its greeting and welcoming services to special guests of ROP including conferences, workshops and important meetings held in Palau (total cost \$10,563).

WAVE (Welcome All Visitors Enthusiastically)

PVA donated trash bags to Melekeok Elementary School for a beach cleanup (total cost: \$63).

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Marketing and Community Programs Department (Key Performance Indicators), Continued

Earth Day/Green Fair

In celebration of Earth Day, PVA conducted Green Fair activities in April 2019 in conjunction with the Earth Day celebration. With this year's theme, "Year of the Family", activities included an Ikebana workshop sponsored by the Japan Embassy in Palau and a weaving workshop held at Ernguul Park in which participants had the opportunity to learn how to harvest and weave Itouch (local fern) from a local instructor from Ngardmau. This annual event features a plant contest as well as booth displays and the sale of farming products and food. The plant contest featured the Ornamental Plant Category and the Medicinal Plant Category (total cost \$2,957).

Beautification Programs

PVA continues to promote its beautiful Pristine Paradise. Palau through production of signage and stickers to remind ourselves to keep our island clean for us as well as tourists. We also funded the youth project for painting at Ngerkesoal, Koror (total cost \$135).

Strategic Planning Department

The Strategic Planning Department assumed responsibility of providing analytics and strategy development not only for PVA but also for ROP. As an NTO, we have access to various data and resources that are being capitalized. We have actively proposed consumer and customer driven ideas, market assessments and solution-oriented action plans.

- Objectives

The Strategic Planning Department provides analysis by utilizing available data, creating new research/surveys to showcase opportunities and conducting competitive assessment and consumer-driven ideas and actions.

- Market Assessment

The Strategic Planning team together with the Marketing team built up market intelligence. For 2018, PVA prioritized and invested to learn more about the biggest sourcing market, PRC. Through tradeshow and "market ready" training, we built up knowledge and capabilities to market into PRC and other countries.

- Monthly Visitor Stats Report: Released by the 10th of each month.

- A visitor and air access analysis was conducted to identify the need of comprehensive air access strategy development. There is a 100% co-relationship between number of flights and visitors. Hence, in order for Palau to be a sustainable destination, it is recommended to evaluate today's carrier imbalance.

- Palau Entry Forms/OMR Scanner

The Palau Entry Forms (arrival forms) are a combined card of the Palau Customs Border Protection and PVA. Arrival forms are available in English, Japanese, traditional Chinese, simplified Chinese and Korean. All passengers are required to accurately provide information on both sides of the arrival form. Data scanned from the arrival forms are needed to generate reports that are interpreted and analyzed and are used to formulate options and recommendations to the Marketing Department (total cost \$ 4,334).

Statement of Goals and Objectives, Continued

Fiscal Year Objectives, Continued:

Strategic Planning Department, Continued

- Pricing (cost of hotel room or package tour) and visitor trend analysis also indicates that there is a strong co-relation between pricing and the number of visitors. Pricing elasticity and visitor assessment is recommended for policy-making agencies.

Administration Department

- Encouraged compliance with PVA and ROP procurement policies to improve accounting procedures to warrant an unmodified audit opinion and no audit findings for PVA audits.

Funding

PVA receives its annual operational funding from the Unified Budget appropriation of the Olbiil Era Kelulau. Its total budget for fiscal years 2019, 2018 and 2017, was \$1,881,000, \$1,426,000 and \$1,426,000, respectively. In April 2019, PVA received a supplemental budget of \$455,000 increasing our fiscal year 2020 budget to \$1,881,000. PVA's budget is allocated based on its main functions of authority as follows: 68% for marketing and community programs, 17% for administration, 10% for operations and 5% for Board of Directors programs.

Overview of Financial Statements

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statements of Net Position:			
Current assets	\$ 595,632	\$ 414,836	\$ 652,477
Capital assets	<u>68,374</u>	<u>78,648</u>	<u>76,864</u>
Total assets	664,006	493,484	729,341
Deferred outflows of resources from pension	<u>477,546</u>	<u>186,030</u>	<u>148,126</u>
Total assets and deferred outflows of resources	\$ <u>1,141,552</u>	\$ <u>679,514</u>	\$ <u>877,467</u>
Current liabilities	\$ 216,927	\$ 104,980	\$ 109,085
Net pension liability	<u>1,111,286</u>	<u>797,733</u>	<u>847,946</u>
Total liabilities	1,328,213	902,713	957,031
Deferred inflows of resources from pension	<u>292,028</u>	<u>261,239</u>	<u>186,741</u>
Total liabilities and deferred inflows from resources	<u>1,620,241</u>	<u>1,163,952</u>	<u>1,143,772</u>
Net position:			
Net investment in capital assets	68,374	78,648	76,864
Unrestricted	<u>(547,063)</u>	<u>(563,086)</u>	<u>(343,169)</u>
Total net position	<u>(478,689)</u>	<u>(484,438)</u>	<u>(266,305)</u>
Total liabilities, deferred inflows from resources and net position	\$ <u>1,141,552</u>	\$ <u>679,514</u>	\$ <u>877,467</u>
Statements of Revenues, Expenses and Changes in Net Position:			
Operating revenues	\$ 108,300	\$ 46,996	\$ 55,265
Operating expenses	<u>1,983,551</u>	<u>1,691,129</u>	<u>1,137,433</u>
Loss from operations	(1,875,251)	(1,644,133)	(1,082,168)
Nonoperating revenues	<u>1,881,000</u>	<u>1,426,000</u>	<u>1,426,000</u>
Change in net position	5,749	(218,133)	343,832
Net position at beginning of year	<u>(484,438)</u>	<u>(266,305)</u>	<u>(610,137)</u>
Net position at end of year	\$ <u>(478,689)</u>	\$ <u>(484,438)</u>	\$ <u>(266,305)</u>
Statements of Cash Flows:			
Cash flows from operating activities	\$ (1,669,641)	\$ (1,534,861)	\$ (1,237,505)
Cash flows from noncapital financing activities	1,881,000	1,426,000	1,646,000
Cash flows from capital and related financing activities	<u>(9,405)</u>	<u>(20,192)</u>	<u>(23,334)</u>
Net increase (decrease) in cash	201,954	(129,053)	385,161
Cash at beginning of year	<u>334,318</u>	<u>463,371</u>	<u>78,210</u>
Cash at end of year	\$ <u>536,272</u>	\$ <u>334,318</u>	\$ <u>463,371</u>

Financial Highlights:

1. ROP receivables amounted to \$2,343 in fiscal years 2019, 2018 and 2017.
2. Employee receivables amounted to \$34,598 in fiscal year 2019 compared to \$26,756 in fiscal year 2018 and \$15,578 in fiscal year 2017. The increase is attributed to untimely submission and reconciliation of trip and travel expense reports.
3. The allowance for doubtful accounts amounted to \$5,180 in fiscal years 2019 and 2018 compared to \$4,082 in fiscal year 2017 due to improved procedures in evaluating collectability.
4. Accounts payable amounted to \$145,001 in fiscal year 2019 compared to \$25,535 in fiscal year 2018 and \$49,335 in fiscal year 2017. The increase was due to untimely disbursement of monthly budgetary allotments from ROP.
5. At September 30, 2019, 2018 and 2017, PVA had net investment in capital assets of \$68,374, \$78,648 and \$76,864, respectively, net of accumulated depreciation where applicable, including building, building improvements, furniture, fixtures and equipment and vehicles. The decrease is due to reconciliation and posting of capital asset depreciation. See note 4 to the financial statements for more detailed information on PVA's capital assets.
6. Total net position amounted to \$(478,689) for fiscal year 2019 compared to \$(484,438) in fiscal year 2018 and \$(266,305) in fiscal year 2017 which is primarily attributed to GASB 68 requirements.
7. Operating revenues amounted to \$108,300 in fiscal year 2019 compared to \$46,996 in fiscal year 2018 and \$55,265 in fiscal year 2017 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 \$104,870 in fiscal year 2019 compared to \$48,915 in fiscal year 2018 and \$101,585 in fiscal year 2017.
9. Operating expenses - representation and tours amounted to \$584,587 in fiscal year 2019 compared to \$393,350 in fiscal year 2018 and \$423,435 in fiscal year 2017. The increase is attributed to more participation in trade shows especially in the Asian markets due to an increase in staff.
10. Operating expenses - personnel and fringe benefits amounted to \$384,673 in fiscal year 2019 compared to \$325,488 in year 2018 and \$260,579 in fiscal year 2017. The increase is primarily due to vacant positions being filled.
11. Operating expenses - tourism development, public awareness, public relations and training amounted to \$733,372 in fiscal year 2019 compared to \$517,430 in fiscal year 2018 and \$200,627 in fiscal year 2017. These programs include exploring new diversified markets in Asia and sending dancers to tradeshows in Japan and Taiwan.
12. Operating expenses - registration, booth rental and membership fees amounted to \$7,197 in fiscal year 2019 compared to \$8,895 in fiscal year 2018 and \$30,849 in fiscal year 2017 due to PVA's membership renewal with PATA.
13. Operating expenses - depreciation amounted to \$19,679 in fiscal year 2019 compared to \$18,408 in fiscal year 2018 and \$23,416 in fiscal year 2017. The increase in depreciation is attributed to additions of furniture, fixtures and equipment and vehicles.
14. Operating expenses - communications and postage and supplies and printing amounted to \$54,380 in fiscal year 2019 compared to \$281,141 in fiscal year 2018 and \$42,003 in fiscal year 2017. The decrease in fiscal year 2019 relates to completion of the TripAdvisor project.

Financial Highlights, Continued:

15. Operating expenses - travel and transportation amounted to \$5,220 in fiscal year 2019 compared to \$4,803 in fiscal year 2018 and \$5,273 in fiscal year 2017. Savings were driven by an increase in staff traveling.
16. Operating expenses - promotional materials amounted to \$12,183 in fiscal year 2019 compared to \$11,648 in fiscal year 2018 and \$3,325 in fiscal year 2017; however, costs were contained within budgeted allocations.
17. Operating expenses - other amounted to \$65,460 in fiscal year 2019 compared to \$67,502 in fiscal year 2018 and \$36,250 in fiscal year 2017.
18. Non-operating revenues amounted to \$1,881,000 in fiscal year 2019 compared to \$1,426,000 in fiscal years 2018 and 2017.

Economic Outlook

Our overall theme for fiscal year 2019 was to turn PVA into a more marketing-focused agency. We prioritized our efforts on a) strategic planning with a more comprehensive analysis of visitor statistics, markets and trends, b) website and social network service by upgrading our website and its contents development, and c) creating education and awareness programs of responsible and sustainable destination.

We also continue to work on d) State tourism product development, as we are working closely with each State government to discover unique ideas through concept development and qualification, and e) program developments that can feature unique Palauan experiences while locals receive the benefits (e.g., Night Market and community based activities). In fiscal year 2019, program developments were launched in Airai and Ngarchelong States.

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 benefits of the tourism industry are returned to the Palauan people.

The Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in PVA's report on the audit of financial statements, which is dated May 14, 2019. That Discussion and Analysis explains the major factors impacting the 2018 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 sn@pristineparadisepalau.com or fax (680) 488-1453.

PALAU VISITORS AUTHORITY

Statements of Net Position
September 30, 2019 and 2018

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 536,272	\$ 334,318
Receivables:		
Republic of Palau	2,343	2,343
Employee and other	<u>34,598</u>	<u>26,756</u>
	36,941	29,099
Less allowance for doubtful accounts	<u>(5,180)</u>	<u>(5,180)</u>
Total receivables, net	<u>31,761</u>	<u>23,919</u>
Prepaid expenses	<u>27,599</u>	<u>56,599</u>
Total current assets	595,632	414,836
Capital assets, net	<u>68,374</u>	<u>78,648</u>
Total assets	664,006	493,484
Deferred outflows of resources from pension	<u>477,546</u>	<u>186,030</u>
Total assets and deferred outflows of resources	<u>\$ 1,141,552</u>	<u>\$ 679,514</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Republic of Palau	\$ 24,410	\$ 24,410
Accounts payable	145,001	25,535
Accrued expenses	<u>47,516</u>	<u>55,035</u>
Total current liabilities	216,927	104,980
Net pension liability	<u>1,111,286</u>	<u>797,733</u>
Total liabilities	1,328,213	902,713
Deferred inflows of resources from pension	<u>292,028</u>	<u>261,239</u>
Total liabilities and deferred inflows of resources	<u>1,620,241</u>	<u>1,163,952</u>
Commitment and contingency		
Net position:		
Net investment in capital assets	68,374	78,648
Unrestricted	<u>(547,063)</u>	<u>(563,086)</u>
Total net position	<u>(478,689)</u>	<u>(484,438)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,141,552</u>	<u>\$ 679,514</u>

See accompanying notes to financial statements.

PALAU VISITORS AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Miscellaneous	\$ <u>108,300</u>	\$ <u>46,996</u>
Operating expenses:		
Tourism development, public awareness, public relations and training	733,372	517,430
Representation and tours	584,587	393,350
Personnel and fringe benefits	384,673	325,488
Contractual services	104,870	48,915
Communication and postage	44,378	253,918
Depreciation	19,679	18,408
Promotional materials	12,183	11,648
Utilities	11,930	13,549
Supplies and printing	10,002	27,223
Registration, booth rental and membership fees	7,197	8,895
Travel and transportation	5,220	4,803
Other	<u>65,460</u>	<u>67,502</u>
Total operating expenses	<u>1,983,551</u>	<u>1,691,129</u>
Loss from operations	<u>(1,875,251)</u>	<u>(1,644,133)</u>
Nonoperating revenues:		
Republic of Palau appropriation	<u>1,881,000</u>	<u>1,426,000</u>
Total nonoperating revenues	<u>1,881,000</u>	<u>1,426,000</u>
Change in net position	5,749	(218,133)
Net position at beginning of year	<u>(484,438)</u>	<u>(266,305)</u>
Net position at end of year	<u>\$ (478,689)</u>	<u>\$ (484,438)</u>

See accompanying notes to financial statements.

PALAU VISITORS AUTHORITY

Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from customers	\$ 108,300	\$ 46,996
Cash payments to suppliers for goods and services	(1,430,733)	(1,251,267)
Cash payments to employees for services	<u>(347,208)</u>	<u>(330,590)</u>
Net cash used for operating activities	<u>(1,669,641)</u>	<u>(1,534,861)</u>
Cash flows from noncapital financing activities:		
Republic of Palau appropriations	<u>1,881,000</u>	<u>1,426,000</u>
Net cash provided by noncapital financing activities	<u>1,881,000</u>	<u>1,426,000</u>
Cash flows from capital and related financing activities:		
Capital asset acquisitions	<u>(9,405)</u>	<u>(20,192)</u>
Net cash used for capital and related financing activities	<u>(9,405)</u>	<u>(20,192)</u>
Net increase (decrease) in cash	201,954	(129,053)
Cash at beginning of year	<u>334,318</u>	<u>463,371</u>
Cash at end of year	<u>\$ 536,272</u>	<u>\$ 334,318</u>
Reconciliation of loss from operations to net cash used for operating activities:		
Loss from operations	\$ (1,875,251)	\$ (1,644,133)
Adjustments to reconcile loss from operations to net cash used for operating activities:		
Depreciation	19,679	18,408
Bad debts	-	1,098
Noncash pension costs	52,826	(13,619)
(Increase) decrease in assets:		
Employee and other receivables	(7,842)	(11,178)
Prepaid expenses	29,000	118,668
Increase (decrease) in liabilities:		
Accounts payable	119,466	(23,800)
Accrued expenses	<u>(7,519)</u>	<u>19,695</u>
Net cash used for operating activities	<u>\$ (1,669,641)</u>	<u>\$ (1,534,861)</u>

See accompanying notes to financial statements.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(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.

Cash

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand and cash held in demand or savings accounts. As of September 30, 2019 and 2018, cash was \$536,272 and \$334,318, respectively, and the corresponding bank balances were \$553,776 and \$424,664, respectively. Of these amounts, \$553,722 and \$423,469, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. PVA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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, 2019 and 2018 was \$38,335 and \$38,042, respectively.

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.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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, 2019 and 2018, PVA has not recorded a restricted net position.
- 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 the year ended September 30, 2019, PVA implemented the following pronouncements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The implementation of these statements did not have a material effect on the accompanying financial statements.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards Continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(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 multiple 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, 2017, the valuation date, plan membership consisted of the following:

Inactive members currently receiving benefits	1,576
Inactive members entitled to but not yet receiving benefits	1,162
Active members	<u>3,422</u>
Total members	<u>6,160</u>

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 Plan 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.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

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.

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:

<u>Factor</u>	<u>If the Spouse or Beneficiary is:</u>
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:

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

- 1/12th per year for the first 3 years before age 60;
- plus an additional 1/18th per year for the next 3 years;
- plus an additional 1/24th per year for the next 5 years; and
- plus an additional 1/50th 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:

- 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.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

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.

PVA's contribution to the Plan for the years ended September 30, 2019 and 2018 were \$14,767 and \$14,923, respectively, which were equal to the required contributions for the respective years then ended.

Actuarial Assumptions. The total pension liability for measurement date of September 30, 2018 by an actuarial valuation as of October 1, 2017, used the following actuarial assumptions:

Actuarial Cost Method:	Normal costs are calculated under the entry age normal method
Amortization Method:	Level dollar, open with remaining amortization period of 30 years
Asset Valuation Method:	Market Value of Assets
Investment Income:	7.5% per year, net of investment expenses, including price inflation
Inflation:	3.0%
Interest on Member Contributions:	5.0% per year
Salary Increase:	3.0% per year
Expenses:	\$300,000 each year

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Actuarial Assumptions, Continued

Mortality:	RP 2000 Combined Healthy Mortality Table, set forward four years for all members except disability recipients, where the table is set forward ten years	
Termination of Employment:	5% for ages 20 to 39; none 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% of 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.	

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(3) Employees' Retirement Plan, Continued

Defined Benefit Plan, Continued

A. General Information About the Pension Plan, Continued:

Long-Term Expected Rate of Return

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Large Cap Equity	20%	8.70%
US Small/Mid Cap Equity	5%	9.13%
International Equity	15%	9.19%
Emerging markets	10%	12.52%
US Aggregate Fixed Income	35%	3.82%
Global Broad Fixed Income	10%	3.40%
Global REIT	5%	8.33%
	<u>100%</u>	

Discount Rate

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

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 4.16%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (3.16%) or 1.00% higher (5.16%) from the current rate.

<u>1% Decrease 3.16%</u>	<u>Current Single Discount Rate Assumption 4.16%</u>	<u>1% Increase 5.16%</u>
\$ 1,278,063	\$ 1,111,286	\$ 972,201

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

Pension Liability. At September 30, 2019 and 2018, PVA reported a liability of \$1,111,286 and \$797,733, 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, 2019 and 2018, PVA's proportion was 0.4430% and 0.3075%, respectively.

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(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:

Pension Expense. For the years ended September 30, 2019 and 2018, PVA recognized pension expense of \$67,593 and \$1,304, respectively.

	<u>2019</u>	<u>2018</u>
Pension contribution	\$ 14,767	\$ 14,923
GASB 68 adjustment	<u>52,826</u>	<u>(13,619)</u>
	<u>\$ 67,593</u>	<u>\$ 1,304</u>

Deferred Outflows and Inflows of Resources. At September 30, 2019 and 2018, PVA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2019</u>		<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 87,635	\$ 16,594	\$ 73,437	\$ 15,592
Change of assumptions	99,361	153,390	93,278	75,571
Net difference between projected and actual earnings on pension plan investments	3,163	4,843	4,392	3,898
PVA's contributions subsequent to measurement date	14,767	-	14,923	-
Changes in proportion and difference between PVA's contributions and proportionate share of contributions	<u>272,620</u>	<u>117,201</u>	<u>-</u>	<u>166,178</u>
	<u>\$ 477,546</u>	<u>\$ 292,028</u>	<u>\$ 186,030</u>	<u>\$ 261,239</u>

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, 2018 will be recognized in pension expense as follows:

Year ending September 30,

2020	\$ 21,978
2021	\$ 26,679
2022	\$ 29,649
2023	\$ 32,866
2024	\$ 25,646
Thereafter	\$ 33,933

PALAU VISITORS AUTHORITY

Notes to Financial Statements
September 30, 2019 and 2018

(4) Fixed Assets

Fixed assets of PVA as of September 30, 2019 and 2018, are summarized below:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2019</u>
Building	20 years	\$ 143,122	\$ -	\$ -	\$ 143,122
Furniture, fixtures and equipment	1 - 10 years	153,948	9,405	(7,222)	156,131
Building improvements	15 years	48,970	-	-	48,970
Vehicles	3 - 5 years	<u>30,290</u>	<u>-</u>	<u>-</u>	<u>30,290</u>
		376,330	9,405	(7,222)	378,513
Less accumulated depreciation		<u>(297,682)</u>	<u>(19,679)</u>	<u>7,222</u>	<u>(310,139)</u>
		<u>\$ 78,648</u>	<u>\$ (10,274)</u>	<u>\$ -</u>	<u>\$ 68,374</u>
		<u>Balance at October 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2018</u>
Building	20 years	\$ 143,122	\$ -	\$ -	\$ 143,122
Furniture, fixtures and equipment	1 - 10 years	147,270	20,192	(13,514)	153,948
Building improvements	15 years	48,970	-	-	48,970
Vehicles	3 - 5 years	<u>30,290</u>	<u>-</u>	<u>-</u>	<u>30,290</u>
		369,652	20,192	(13,514)	376,330
Less accumulated depreciation		<u>(292,788)</u>	<u>(18,408)</u>	<u>13,514</u>	<u>(297,682)</u>
		<u>\$ 76,864</u>	<u>\$ 1,784</u>	<u>\$ -</u>	<u>\$ 78,648</u>

(5) Commitment and Contingency

RPPLs 10-34 and 10-12 appropriated \$1,881,000 and \$1,426,000 to PVA for the years ended September 30, 2019 and 2018, respectively, unobligated amounts of which lapse at year end. There were no unobligated amounts related to RPPL 10-34 and 10-12 as of September 30, 2019 and 2018. PVA has recorded liabilities to ROP of \$24,410 as of September 30, 2019 and 2018 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
 Schedule of Proportional Share of the Net Pension Liability
 Last 10 Fiscal Years*

	2018 <u>Valuation</u>	2017 <u>Valuation</u>	2016 <u>Valuation</u>	2015 <u>Valuation</u>	2014 <u>Valuation</u>	2013 <u>Valuation</u>
Civil Service Pension Trust Fund (Plan) total net pension liability	\$ 250,868,784	\$ 259,395,005	\$ 249,453,960	\$ 215,546,176	\$ 204,281,232	\$ 182,080,332
PVA's proportionate share of the net pension liability	\$ 1,111,286	\$ 797,733	\$ 847,946	\$ 785,542	\$ 774,226	\$ 808,983
PVA's proportion of the net pension liability	0.4430%	0.3075%	0.3399%	0.3644%	0.3790%	0.4443%
PVA's covered employee payroll**	\$ 259,900	\$ 178,167	\$ 180,022	\$ 176,744	\$ 178,199	\$ 185,614
PVA's proportionate share of the net pension liability as a percentage of its covered employee payroll	427.58%	447.74%	471.02%	444.45%	434.47%	435.84%
Plan fiduciary net position as a percentage of the total pension liability	10.24%	10.18%	10.55%	11.54%	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
Schedule of Pension Contributions
Last 10 Fiscal Years*

	<u>2018</u> <u>Valuation</u>	<u>2017</u> <u>Valuation</u>	<u>2016</u> <u>Valuation</u>	<u>2015</u> <u>Valuation</u>	<u>2014</u> <u>Valuation</u>	<u>2013</u> <u>Valuation</u>
Actuarially determined contribution	\$ 76,694	\$ 52,825	\$ 49,005	\$ 39,724	\$ 40,269	\$ 44,722
Contribution in relation to the actuarially determined contribution	<u>15,594</u>	<u>10,690</u>	<u>10,654</u>	<u>10,535</u>	<u>10,493</u>	<u>11,179</u>
Contribution deficiency	<u>\$ 61,100</u>	<u>\$ 42,135</u>	<u>\$ 38,351</u>	<u>\$ 29,189</u>	<u>\$ 29,776</u>	<u>\$ 33,543</u>
PVA's covered-employee payroll**	<u>\$ 259,900</u>	<u>\$ 178,167</u>	<u>\$ 180,022</u>	<u>\$ 176,744</u>	<u>\$ 178,199</u>	<u>\$ 185,614</u>
Contribution as a percentage of covered-employee payroll	6.00%	6.00%	5.92%	5.96%	5.89%	6.02%

* 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.