Financial Statements and
Required Supplementary Information

Palau Visitors Authority

(A Component Unit of the Republic of Palau)

Year Ended September 30, 2021
with Report of Independent Auditors

Palau Visitors Authority

(A Component Unit of the Republic of Palau)

Financial Statements and Required Supplementary Information

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Report of Independent Auditors

Board of Directors
Palau Visitors Authority

Report on Financial Statements

We have audited the accompanying financial statements of the Palau Visitors Authority (PVA), a component unit of the Republic of Palau, which comprises the statement of net position as of September 30, 2021, and the related statements of changes in net position and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

A member firm of Ernst & Young Global Limited

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PVA as of September 30, 2021, and the changes in its net position and its cashflows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 9 as well as the Schedule of Proportional Share of the Net Pension Liability on page 32 and the Schedule of Pension Contributions on page 33 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 September 25, 2024, 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 PVA's internal control over financial reporting and compliance.

Ernst + Young

September 25, 2024

Palau Visitors Authority

(A Component Unit of the Republic of Palau)

Management's Discussion and Analysis

Year Ended September 30, 2021

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 revenues earning sectors of the Republic of Palau (ROP) along with other sector industries.

To achieve this, PVA undertakes the role of the country's tourism authority whose position is to be visionary and present a strong image of Palau as a special destination appealing to discerning, high spending, and environmentally conscientious clientele. To this end, it invests about 60% of its annual budget on marketing and promotions 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 composed of a seven-member Board of Directors appointed by the President, with advice and consent of the Senate, to serve terms of two years. Its primary duties are to develop policies and guidelines that account for the effective and efficient management of the organization. The Board approves a yearly work plan that is implemented by the Managing Director who oversees the day-to-day activities and operations of PVA. 2) State and Community, 3) Strategic Planning and 4) Accounting. There are currently fifteen full-time contracted staff on board.

The customers of PVA are visitors to ROP, tourism industry operators, State and National governments, the public/community members, 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:

PVA's goal is for the diversification of market shares by attracting high-valued and quality travelers in key markets (Japan, North America, Taiwan, Korea, Europe, and Asia Pacific) to enjoy Palau as a choice and desirable destination. At the same time, PVA continues to work with the Pacific Asia Travel Association (PATA) by being an international member as well as being a long-standing member with the PATA Micronesia Chapter to coordinate destination cross promotion and enhancing each destination tourism office through sustainable working relationships.

Fiscal Year Objectives:

1. Pursue "Palau Responsible Tourism Framework" implementation as developed by the Tri-Org (Palau Visitors Authority, Belau Tourism Association and Palau Chamber of Commerce for of actions identified for development and sustainability of tourism industry for Palau.

2. During FY2021, as the tourism industry was emerging from the COVID-19 pandemic, PVA implemented a strategic communication campaign to promote Palau as a safe and attractive destination. The campaign emphasized digital marketing channels, such as social media and the Palau tourism website, to disseminate information about travel requirements and the country's COVID-19 mitigation efforts.

3. To mobilize all departments to actively participate in community-based initiatives, specifically beautification programs and coastal and beach clean-ups in all 16 states.

4. The Pandemic Safety Certification program, "SAFE FOR YOU," continues to conduct workshops aimed at certifying various businesses and organizations. These workshops focus on ensuring compliance with preventive measures and adherence to COVID-19 protocols. Participants include accommodation providers, food service establishments, retail and wholesale vendors, tour operators, boat owners, state government offices, spas, beauty salons, and massage and therapeutic establishments.

5. The objectives of the PVA's State and Community Department during FY2021 focused on adapting community engagement and cultural preservation in response to the challenges posed by the COVID-19 pandemic. As many traditional community programs were disrupted, PVA implemented several initiatives aimed at promoting local culture, sustainability, and community resilience, as follows:

    a. PVA continued to foster community spirit through events like the Green Fair, which featured plant contests and a fashion show. This event was designed to promote local artists and businesses, showcasing their creativity and craftsmanship. By integrating artistic expression into community activities, PVA aimed to strengthen local identity and economic resilience. The launch of the Belau Kids Summer Program was a significant initiative aimed at educating young Palauan children, aged 9 to 15, about traditional ways of life. This program included storytelling, preparation of authentic Palauan food, and traditional dance, ensuring that cultural heritage is passed down to future generations.

    b. The "Night Market" is a dynamic initiative organized by the Palau Visitors Authority (PVA) that provides local small businesses with a valuable platform to showcase and sell authentic "Made in Palau" products, including arts, handicrafts, jewelry, and traditional local cuisines. This vibrant event fosters economic growth by supporting local entrepreneurs and creating direct sales opportunities, while also enriching the cultural experience for both visitors and residents. In addition to promoting local businesses, the Night Market serves as a space for cultural exchange, allowing attendees to engage with Palauan customs and enjoy traditional foods. It also highlights the talents of young local musicians and artists, offering them a venue to perform and showcase their work, thereby enriching the market atmosphere. Designed as a family-friendly gathering, the Night Market encourages quality time among families and guests, making it an enjoyable outing for all ages. Conveniently located near the

Friendship Bridge in Airai, the Night Market is easily accessible, ensuring that everyone can partake in this celebration of culture and community. Overall, the Night Market stands as a testament to PVA's commitment to supporting local talent, fostering community spirit, and enhancing the visitor experience in Palau.

c. PVA continued its efforts with the Alii Pass program throughout FY2021, expanding its collaboration with new states to join the initiative. The Alii Pass program aims to enhance, sustain, and promote the economic vitality of local states by showcasing their historical sites. This includes offering local tours and featuring community-catered meals that highlight local cuisines during lunch or dinner.

d. To enhance human resources development in areas such as customer service, tour guiding, brochure development, and grant writing, it is essential to secure training opportunities for states, government, and private sectors. In line with this goal, the Palau Visitors Authority conducted a successful customer service and social media training session in Angaur. This event provided valuable skills to the Angaur community, particularly benefiting government employees, local business owners, and business personnel. By equipping participants with essential skills, the training not only strengthened individual capabilities but also contributed to the overall growth of local establishments and organizations.

e. PVA continues to administer the Pandemic Re-Employment Program (PREP) for individuals, primarily Palauan citizens, affected by the COVID-19 pandemic. The program ended on January 31, 2023. PVA's responsibilities for PREP include handling applications, updating databases, verifying timesheets, checking disbursements, finding job opportunities for participants, and managing work-related issues. The Temporary Workforce Coordinating Committee (TWCC), established by the National Government and comprising the Ministry of Community and Cultural Affairs and the Social Security Administration, oversees the program. Co-chaired by the Minister of Community and Cultural Affairs and the Chairman of the Palau Visitors Authority Board, the Committee coordinates projects and maximizes benefits for the Republic.

Funding

PVA receives its annual operational funding from the Unified Budget appropriation of the Olbiil Era Kelulau (OEK - Palau National Legislature). Its total budget for FY2021, FY2020 and FY2019 was $1,426,000, $1,426,000 and $1,881,000, respectively. PVA's budget is allocated based on its main functions of authority as follows:

- 28.3% for Administration
- 57.0% for Marketing and Research
- 14.7% for Community Services and related program developments.

Overview of Financial Statements

Statements of Net Position:

	2021	2020
Current assets	$ 769,053	$ 789,681
Capital assets	86,081	93,590
Deferred outflows of resources from pension	542,080	574,161
Total assets and deferred outflows of resources	$ 1,397,214	$ 1,457,432
Current liabilities	$ 73,222	$ 350,847
Net pension liability	1,382,775	1,270,443
Deferred inflow of resources from pension	251,368	308,384
Net position:		
Invested in capital assets	86,081	93,590
Unrestricted	(396,232)	(565,832)
Total liabilities, deferred inflow of resources and net position	$ 1,397,214	$ 1,457,432

Statements of Revenues, Expenses and Changes in Net Position:

Operating revenues	$ 161,782	$ 72,120
Operating expenses	1,425,691	1,491,673
Loss from operations	(1,263,909)	(1,419,553)
Nonoperating revenues	1,426,000	1,426,000
Change in net position	162,091	6,447
Net position at beginning of year	(472,242)	(478,689)
Net position at end of year	$(310,151)	$(472,242)

Statements of Cash Flows:

Cash flows from operating activities	$(1,092,507)	$(1,533,210)
Cash flows from noncapital financing activities	1,036,296	1,734,445
Cash flows from capital and related financing activities	(19,955)	(52,265)
Net (decrease) increase in cash	(76,166)	148,970
Cash at beginning of year	685,242	536,272
Cash at end of year	$ 609,076	$ 685,242

Statements of Net Assets:

1. Cash amounted to $609,076 at FYE2021 as compared to $685,242 at FYE2020 due to favorable cash availability from ROP for FY2021, thus, PVA was able to receive its monthly budget allotments from October 2020 to September 2021.

2. Employee receivables amounted to $48,859 at FYE2021 as compared to $74,199 at FYE2020. The decrease is attributed to reconciliations made for business trip reports and travel expense reports from the prior year that had not yet been submitted and liquidated.

3. The allowance for doubtful accounts amounted of $5,637 at FYE2021 as compared to $5,180 at FYE2020 due to delayed employee payroll deductions.

4. Accounts payable amounted to $29,190 at FYE2021 as compared to $311,401 at FYE2020. This improvement is due to timely disbursement of monthly budgetary allotments from ROP enabling PVA to stay within a thirty to sixty days aging.

5. PVA had invested in capital assets, net of accumulated depreciation where applicable, including furniture, machinery & equipment, building improvements and vehicles of $86,081 at FYE2021 as compared to $93,590 at FYE 2020. The decrease is due to improved reconciliation and posting of fixed assets depreciation.

6. Total net position amounted to $(310,151) at FYE2021 as compared to $(472,242) at FYE2020, which is primarily attributed to the foregoing movement from various accounts mentioned above.

Statements of Revenues, Expenses and Changes in Net Assets:

1. Operating revenues amounted to $161,782 in FY 2021 as compared to $72,120 in FY2020 that is attributed to collection for Palau-Taiwan travel bubble agreement, and with registration for local vendors at every night markets, and entry fee for cultural tour and lunch or dinner at Alii Pass Program.

2. Operating expenses - contractual services amounted to $33,585 in FY2021, which is for financial statement audit, legal advisor retainer and COVID-19 Pre-Vaccine protocols & guidelines, as compared to $35,100 FY2020.

3. Operating expenses - representation and tours amounted to $351,762 in FY2021 as compared to $360,833 in FY2020. The decrease is due to COVID-19, that most of tradeshows and FAM Tours were cancelled, and all Flight going in and out of Palau were suspended.

4. Operating expenses - personnel and fringe benefits amounted to $376,569 in FY2021 as compared to $384,848 in FY2020, more or less, in line annually.

5. Operating expenses - tourism development, public awareness, public relations and training amounted to $415,524 in FY2021 as compared to $493,107 in FY2020 due to COVID-19, most of PVA activities, programs and training were suspended.

6. Operating expenses - registration, booth rental and membership fees amounted to $14,570 in FY2021 as compared to $12,137 in FY2020. Increase due to renewal PVA's membership with Pacific Asia Travel Association (PATA) and PATA Travel Mart Publication of Daily News.

7. Operating expenses - depreciation amounted to $27,465 in FY2021 as compared to $27,049 in FY2020 due to increase in capital assets.

8. Operating expenses - communications and postage and supplies and printing amounted to $82,462 in FY2021 as compared to $80,209 in FY2020; slight increase due to marketing/promotion via social media and printing of PREP payroll checks.

9. Operating expenses - travel and transportation amounted to $3,524 in FY2021 as compared to $5,841 in FY2020 due to reduced fuel charge expenditures.

10. Operating expenses - promotional materials amounted to $6,590 in FY2021 as compared to $5,366 in FY2020 as contained within budgeted allocations.

11. Operating expenses - utilities amounted to $10,012 in FY2021 as compared to $13,734 in FY2020 due to reduced water and electricity usage.

12. Nonoperating revenues remained at $1,426,000 in both FY2021 and FY2020.

Concluding Summary

In FY2021 and FY2020, PVA tried its best in adhering to finance and property management policies and procedures with the intention to improve operational and financial compliance and controls for PVA's operations. Ultimate consistency in maintaining monthly reconciliations and recordkeeping continues to be PVA's desired accomplishment for its Accounting. PVA hopes to do its best to improve on compliance and adherence to finance and property management policies and procedures.

Economic Outlook

The global economic crisis, exacerbated by the COVID-19 pandemic, posed significant challenges for Palau in FY2021. Visitor arrivals for in FY2021 totaled 3,400, the lowest recorded since 1980. This represents a 90% decrease compared to FY2020, which saw 35,454 arrivals. Taiwan led with 56% of the total arrivals, bolstered by the launch of the Sterile Corridor, also known as the Palau-Taiwan Travel Bubble. Arrivals from the USA/Canada accounted for 35%, supported by visits from the USA military. Other key markets, including Japan, South Korea, China, Europe, and others, each accounted for less than 3% of the market share. This decline is attributed to ongoing travel restrictions and the suspension of airline operations.

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. The Management's Discussion and Analysis for the year ended September 30, 2020 is set forth in the report on the audit of PVA's financial statements which is dated September 20, 2021. That Discussion and Analysis explains the major factors impacting the 2020 financial statements.

If you have questions about the 2021 or 2020 reports, or need additional information, please contact the Managing Director at the Palau Visitors Authority, P.O. Box 256, Koror, Republic of Palau 96940, or call (680) 488-1930; 488-2793 or e-mail kadoi@pristineparadisepalau.com or fax (680) 488-1453.

Palau Visitors Authority
(A Component Unit of the Republic of Palau)

Statement of Net Position

September 30, 2021

Assets and Deferred Outflows of Resources	
Current assets:	
Cash	$ 609,076
Receivables:	
Republic of Palau	81,259
Employee and other	48,859
	130,118
Less allowance for doubtful accounts	(5,637)
Total receivables, net	124,481
Prepaid expenses	35,496
Total current assets	769,053
Capital assets, net	86,081
Total assets	855,134
Deferred outflows of resources from pension	542,080
Total assets and deferred outflows of resources	$1,397,214
Liabilities, Deferred Inflows of Resources and Net Position	
Current liabilities:	
Accounts payable	$ 29,190
Accrued expenses	44,032
Total current liabilities	73,222
Net pension liability	1,382,775
Total liabilities	1,455,997
Deferred inflows of resources from pension	251,368
Total liabilities and deferred inflows of resources	1,707,365
Net position:	
Net investment in capital assets	86,081
Unrestricted	(396,232)
Total net position	(310,151)
Total liabilities, deferred inflows of resources and net position	$1,397,214

See accompanying notes.

Palau Visitors Authority

(A Component Unit of the Republic of Palau)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended September 30, 2021

Operating revenues:	
Miscellaneous	$ 161,782
Operating expenses:	
Tourism development, public awareness, public relations and training	415,524
Personnel and fringe benefits	376,569
Representation and tours	351,762
Communication and postage	82,462
Insurance	41,422
Contractual services	33,585
Depreciation	27,465
Provision for doubtful accounts	19,736
Registration, booth rental and membership fees	14,570
Utilities	10,012
Supplies and printing	9,921
Promotional materials	6,590
Travel and transportation	3,524
Other	32,549
Total operating expenses	1,425,691
Loss from operations	(1,263,909)
Nonoperating revenues (expense):	
Republic of Palau appropriation	1,426,000
Pandemic Re-employment Program funding	3,389,704
Pandemic Re-employment Program expense	(3,389,704)
Total nonoperating revenues	1,426,000
Change in net position	162,091
Net position at beginning of year	(472,242)
Net position at end of year	$(310,151)

See accompanying notes.

Palau Visitors Authority
(A Component Unit of the Republic of Palau)

Statement of Cash Flows

Year Ended September 30, 2021

Cash flows from operating activities:	
Cash received from customers	$ 175,701
Cash payments to suppliers for goods and services	(1,034,004)
Cash payments to employees for services	(234,204)
Net cash used in operating activities	(1,092,507)
Cash flows from noncapital financing activities:	
Republic of Palau appropriations	1,426,000
Republic of Palau PREP funding	3,000,000
PREP wages paid to temporary workforce	(3,389,704)
Net cash provided by noncapital financing activities	1,036,296
Cash flows from capital and related financing activities -	
Capital asset acquisitions	(19,955)
Net decrease in cash	(76,166)
Cash at beginning of year	685,242
Cash at end of year	$ 609,076
Reconciliation of loss from operations to net cash used in operating activities:	
Loss from operations	$(1,263,909)
Adjustments to reconcile loss from operations to net cash used in operating activities:	
Depreciation	27,465
Noncash pension costs	87,397
Decrease (increase) in assets:	
Employee and other receivables	25,797
Prepaid expenses	(76)
Increase (decrease) in liabilities:	
Accounts payable	26,234
Accrued expenses	4,585
Net cash used in operating activities	$(1,092,507)

See accompanying notes.

Palau Visitors Authority

(A Component Unit of the Republic of Palau)

Notes to Financial Statements

Year Ended September 30, 2021

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.

Accounting 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, 2021, cash was $609,076 and the corresponding bank balance was $757,998. Of these amounts, $755,682 maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance and $444,991 is subject to the FDIC insurance coverage limits. 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, 2021 was $19,949.

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.

Taxes

PVA is exempt from all national and state non-payroll taxes

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.

2. Summary of Significant Accounting Policies, continued

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, 2021, 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

In 2020, GASB issued Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*, which postponed the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements. During the year ended September 30, 2021, PVA implemented the following pronouncements:

- GASB Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

- GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statement No.'s 14 and 61*, which improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, which establishes accounting and reporting requirements related to the replacement of Interbank Offered Rates such as the London Interbank Offered Rate (LIBOR) for hedging derivative instruments. The provision removing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of derivative instruments is effective for the year ending September 30, 2022.

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

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. The remaining requirements of GASB Statement No. 92 are effective for the fiscal year ending September 30, 2022.

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

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

2. Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statement No.'s 14 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this Statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

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.

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan:, continued

Plan Membership. As of October 1, 2019, the valuation date, plan membership consisted of the following:

Inactive members currently receiving benefits	1,629
Inactive members entitled to but not yet receiving benefits	1,252
Active members	3,480
Total members	6,361

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.

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.

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan:, continued

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:

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.

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan:, continued

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.

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan:, continued

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.

Member 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.

Employer and Other Contributions. 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 year ended September 30, 2021 were $14,034, which were equal to the required contributions for the year then ended.

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan:, continued

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of September 30, 2020, for the same measurement date using 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:	6.74% per year, net of investment expenses, including price inflation
Municipal Bond Index Rate:	2.22%
Year fiduciary net position is Projected to be depleted:	2025
Price Inflation:	2.5% per year
Interest on Member Contributions:	5.0% per year
Salary Increase:	3.0% per year
Expenses:	$300,000 each year
Mortality:	RP 2000 Combined 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

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan:, continued

Disability:

Age	Disability
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

Investment Rate of Return

The long-term expected rate of return on Plan's investments of 6.74% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

A. General Information About the Pension Plan:, continued

As of September 30, 2020, the arithmetic real rates of return for each major investment class are as follows:

Asset Class	Target Allocation	Expected Rate of Return
US Large Cap Equity	10%	8.70%
US Large Cap Growth Equity	10%	9.13%
International Equity	15%	9.19%
Emerging markets	10%	12.52%
US Aggregate Fixed Income	35%	3.82%
Global Broad Fixed Income	10%	3.40%
Global REIT	10%	8.33%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 2.28% at the current measurement date from 2.85% 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 2025 for the 2020 measurement date. For years on or after 2025, a discount rate of 2.22% is used. This rate is based on the Bond Buyer General Obligation 20-year Municipal Bond Index Rate.

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 2.28%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (1.28%) or 1.00% higher (3.28%) from the current rate.

1% Decrease 1.28%	Current Single Discount Rate Assumption 2.28%	1% Increase 3.28%
$1,613,720	$1,382,775	$1,192,288

3. Employees' Retirement Plan, continued

Defined Benefit Plan, continued

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

Pension Liability. At September 30, 2021, PVA reported a liability of $1,382,775, 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, 2021, PVA's proportion was 0.4015%.

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

Pension Expense. For the year ended September 30, 2021, PVA recognized pension expense of $101,431.

Pension contribution	$ 14,034
GASB 68 adjustment	87,397
	$101,431

Deferred Outflows and Inflows of Resources. At September 30, 2021, PVA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 46,542	$ 36,578
Change of assumptions	296,722	86,919
Net difference between projected and actual earnings on pension plan investments	2,584	1,770
PVA 's contributions subsequent to measurement date	14,034	---
Changes in proportion and difference between PVA's contributions and proportionate share of contributions	182,198	126,101
	$542,080	$251,368

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:

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, 2021 will be recognized in pension expense as follows:

Year ending September 30,	
2022	$ 57,938
2023	61,313
2024	55,526
2025	62,101
2026	29,098
Thereafter	10,702
	$276,678

4. Capital Assets

Capital assets of PVA as of September 30, 2021, are summarized below:

	Estimated Useful Lives	Balance at October 1, 2020	Additions	Deletions	Balance at September 30, 2021
Building	20 years	$143,122	$ ---	$ ---	$143,122
Furniture, fixtures and equipment	1 - 10 years	184,007	19,955	---	203,962
Building improvements	15 years	48,970	---	---	
		48,970			
Vehicles	3 - 5 years	48,285	---	---	48,285
		424,384	19,955	(---)	444,339
Less accumulated depreciation		(330,794)	(27,464)	---	(358,258)
		$ 93,590	$(7,509)	$ ---	$ 86,081

5. 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.

6. Related Party Transactions

For the year ended September 30, 2021, PVA received a cash subsidy of $1,426,000 from ROP for the purpose of funding its operations.

During the year ended September 30, 2020, the Chairman of the Board of PVA was appointed as Co-chair of the Temporary Workforce Coordinating Committee responsible for the implementation of the Pandemic Re-employment Program (PREP) pursuant to RPPL 10-56 Coronavirus Relief One-Stop-Shop (CROSS) Act and PVA was an implementing agency of the PREP. During the years ended September 30, 2021 and 2020, PVA received $3,000,000 and $800,000 of PREP funding from ROP and disbursed $3,389,704 and $491,555, respectively. At September 30, 2021, the excess disbursement balance of $81,259 is reported as due from ROP in the accompanying statement of net position.

Required Supplementary Information

Palau Visitors Authority

(A Component Unit of the Republic of Palau)

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	2020 Valuation	2019 Valuation	2018 Valuation	2017 Valuation	2016 Valuation	2015 Valuation	2014 Valuation	2013 Valuation
Civil Service Pension Trust Fund (Plan) total net pension liability	$ 344,384,167	$ 308,480,463	$ 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	$ 1,382,775	$ 1,270,443	$ 1,111,286	$ 797,733	$ 847,946	$ 785,542	$ 774,226	$ 808,983
PVA's proportion of the net pension liability	0.4015%	0.4118%	0.4430%	0.3075%	0.3399%	0.3644%	0.3790%	0.4443%
PVA's covered employee payroll**	$ 246,250	$ 246,117	$ 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	561.53%	516.19%	427.58%	447.74%	471.02%	444.45%	434.47%	435.84%
Plan fiduciary net position as a percentage of the total pension liability	8.42%	8.26%	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 Report of Independent Auditor.

Palau Visitors Authority

(A Component Unit of the Republic of Palau)

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

	2020 Valuation	2019 Valuation	2018 Valuation	2017 Valuation	2016 Valuation	2015 Valuation	2014 Valuation	2013 Valuation
Actuarially determined contribution	$ 63,256	$ 58,031	$ 76,694	$ 52,825	$ 49,005	$ 39,724	$ 40,269	$ 44,722
Contribution in relation to the actuarially determined contribution	14,775	14,767	15,594	10,690	10,654	10,535	10,493	11,179
Contribution deficiency	$ 48,481	$ 43,264	$ 61,100	$ 42,135	$ 38,351	$ 29,189	$ 29,776	$ 33,543
PVA's covered-employee payroll**	$ 246,250	$ 246,117	$ 259,900	$ 178,167	$ 180,022	$ 176,744	$ 178,199	$ 185,614
Contribution as a percentage of covered-employee payroll	6.00%	6.00%	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 Report of Independent Auditors.

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Palau Visitors Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Palau Visitors Authority (PVA), a component unit of the Republic of Palau, (PVA), which comprise the statement of net position as of September 30, 2021, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PVA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PVA's internal control. Accordingly, we do not express an opinion on the effectiveness of PVA's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Ernst + Young

September 25, 2024