

*Financial Statements, Required Supplementary  
Information and Report on Internal Control and  
Compliance*

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

*Years ended September 30, 2023 and 2022  
with Report of Independent Auditors*



**Shape the future  
with confidence**

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

Financial Statements, Required Supplementary Information and  
Report on Internal Control and Compliance

Years ended September 30, 2023 and 2022

**Contents**

Report of Independent Auditors.....	1
Management’s Discussion and Analysis .....	4
Audited Basic Financial Statements	
Statements of Net Position.....	14
Statements of Revenues, Expenses and Changes in Net Position .....	15
Statements of Cash Flows.....	16
Statements of Fiduciary Net Position .....	17
Statements of Changes in Fiduciary Net Position.....	18
Notes to Financial Statements.....	19
Required Supplementary Information	
Schedule I – Schedule of Proportionate Share of the Net Pension Liability .....	36
Schedule II – Schedule of Pension Contributions.....	37
Compliance and Internal Control	
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 <i>Government Auditing Standards</i> .....	38

## Report of Independent Auditors

Board of Directors  
Palau Visitors Authority

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type and fiduciary activities of Palau Visitors Authority (the Authority), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of Palau Visitors Authority as of September 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## *Auditor's Responsibility for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

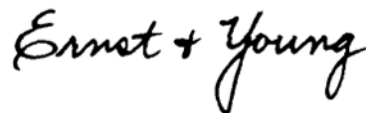
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 13, the Schedule of Proportionate Share of the Net Pension Liability on page 36, and Schedule of Pension Contributions on page 37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 April 7, 2026, on our consideration of the Authority'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 the Authority'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 the Authority's internal control over financial reporting and compliance.

The logo for Ernst + Young, featuring the company name in a stylized, cursive script font.

April 7, 2026

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

Management's Discussion and Analysis

Years ended September 30, 2023 and 2022

**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.

The Board 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 interests 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 now four (4) main operational areas within the PVA structure: 1) Marketing & Programs, 2) State and Community, 3) Strategic Planning and 4) Accounting. There are currently sixteen 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.

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

Management's Discussion and Analysis, continued

*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 goals during FY2023 were primarily focused on getting the island ready to welcome visitors. This was exercised through the continuation of temporary job placements to maintain the industry's skills, planning and executing the Palau Travel Corridor/Bubble, promoting our islands based on airline accessibility, beautification projects on island, and lastly assessments on tourism sites.

**Fiscal Year Objectives for Palau in Post-COVID Recovery:**

Building on the progress made in FY2022, PVA continues to pursue these core objectives while introducing new initiatives to further accelerate recovery and diversification of Palau's tourism sector:

Broaden marketing outreach beyond traditional markets by targeting emerging regions such as China, South Korea, and Europe, alongside sustaining efforts in the U.S., Japan, and Taiwan. Leverage influences partnerships, familiarization tours, and digital campaigns to increase global visibility.

Further develop community-led tourism products with an emphasis on sustainability and cultural preservation. Expand the Alii Pass program to additional states and integrate environmental stewardship into all tourism initiatives.

Strengthen alliances with international partners, embassies, regional organizations, and local stakeholders to support tourism growth and resilience. Promote knowledge exchange and capacity building through training programs and industry events.

Invest in digital platforms, social media engagement, and innovative marketing tools to reach wider audiences and provide real-time information to travelers. Support the growth of digital entrepreneurship within the tourism ecosystem.

Through these expanded objectives, PVA aims to sustain momentum in visitor arrivals, diversify source markets, and ensure that tourism development aligns with Palau's values of environmental protection and community wellbeing. This comprehensive approach positions Palau for continued success and resilience in the evolving global tourism landscape.

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

Management's Discussion and Analysis, continued

**Marketing & Programs Department**

For FY2023, the Marketing & Programs Department operated in a challenging post-pandemic recovery environment while working to revitalize Palau's key tourism markets and rebuild visitor demand. Palau's efforts centered on re-engaging source markets such as North America, Japan, Guam, and Taiwan through targeted participation in travel and dive shows, trade events, and consumer exhibitions. Air Niugini's commencement of flights from Australia created an opportunity to grow arrivals from that market, but the lack of pre-promotion and a dedicated marketing budget limited initial penetration. At the same time, the restricted China Airlines schedule of only two flights per week from Taiwan constrained Palau's ability to rapidly return to pre-pandemic visitor levels, even as interest in the destination began to recover.

PVA deployed a multi-faceted marketing framework that combined physical market presence with digital and media-driven promotion. This approach included attending both trade and consumer travel shows in established and emerging markets, organizing familiarization (FAM) tours, and working closely with Key Opinion Leaders (KOLs), influencers, and media partners to increase destination visibility. Due to budget constraints, the number of FAM tours was lower than in previous years, so the department prioritized those most likely to open or strengthen new markets, particularly Australia. Public relations work, coverage in major international outlets, and collaboration with content creators helped position Palau as a distinctive, high-value destination for diving, nature, and culture.

Beyond external promotion, the marketing team focused on strengthening Palau's tourism products and information assets to better support both visitors and industry partners. Working jointly with State & Community and Strategic Planning, the department advanced state attraction assessments and contributed to the development and enhancement of community-based tourism offerings across multiple states. Tourism information materials were overhauled to align fully with the "Pristine Paradise. Palau" brand, emphasizing consistent visual identity, updated content, and stronger storytelling about Palau's marine environment, culture, and heritage. This included work on the official website, travel guide, and tourist map, all designed to present accurate post-pandemic information, highlight non-diving activities, and distribute tourism benefits more evenly throughout the archipelago.

Digital marketing and social media became even more central to the department's strategy in FY2023, reflecting the growing influence of viral and consumer-generated content on travel decisions. PVA managed ten social media accounts, including dedicated platforms for the Japanese and Taiwanese markets, and pursued a clear objective of elevating Palau's global profile and inspiring travel through visually rich, authentic content. The team worked deliberately on community building, aiming to cultivate a loyal online audience that appreciates Palau's natural beauty and cultural richness, and used consistent posting schedules, interactive content, and storytelling to sustain engagement. Partnerships with influencers and KOLs, along with high-impact posts that reached large audiences, demonstrated the potential of social media to drive awareness and interest in Palau as borders reopened and flight capacity slowly improved.

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

Management’s Discussion and Analysis, continued

The department also supported initiatives that link tourism with broader national development goals, including sports tourism, data collection, and public health coordination. Marketing staff contributed to efforts around the Belau marathon and other events designed to attract international participants and spectators, positioning Palau as a venue for niche sporting experiences. In collaboration with other agencies, the team helped conceptualize and plan an online arrival form to streamline data collection and support health monitoring requirements, reflecting lessons learned from the pandemic. Overall, the Marketing & Programs Department in FY2023 balanced immediate recovery-driven promotion with longer-term brand building, product development, and digital transformation, laying groundwork for more diversified and resilient tourism growth in the years ahead.

The table below illustrates a growing interest for Palau across social media platforms demonstrating the effectiveness of our social media strategy.

	<b>FY2022</b>	<b>FY2023</b>	<b>Percentage</b>
Fans & Followers	99,328	111,386	12.1%
Post Reach	828,884	1,111,592	34.1%
Post Shares	1988	5,627	183%
Posts	103	179	73.8%
Page & Profile Impressions	3,593,389	1,737,092	-51.6%

- *Post Reach* The number of people who saw your posts on your Facebook, Instagram, and TikTok Pages or accounts.
- *Page & Profile Impressions* The number of times any content from or about your Facebook, Instagram, LinkedIn, and Pinterest Pages or accounts was displayed on a person’s screen. Content includes posts, check-ins, ads, feed stories, and more.

**Website:** The significant website redesign implemented in FY2023 has been instrumental in driving increased web traffic, with key metrics correlating directly to our enhanced focus on visual appeal, user experience, and strategic marketing initiatives.

- **Objective:** To ensure Palau maintains its competitive position as a premier travel destination, a focused enhancement of its digital footprint is imperative.

**Our strategy is centered on:**

- **Visual Engagement:** Cultivating a visually captivating online experience through the incorporation of high-quality imagery that showcases Palau's natural beauty.
- **Usability Enhancement:** Improving website usability by streamlining information architecture and optimizing navigation.
- **Streamlined Operator Information:** Providing clear and concise operator listings, comprehensively categorized by activity, with a particular emphasis on promoting non-diving excursions.
- **Profile Maintenance:** Ensuring all operator profiles are consistently updated to reflect current information.
- **Content-Driven Traffic & Engagement:** Driving increased website traffic and sustained user engagement through the consistent creation of compelling blog posts and event updates.

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

Management’s Discussion and Analysis, continued

The recent overhaul of our website has demonstrably increased traffic to the nation's official tourism platform. This surge in engagement indicates a heightened interest in Palau and positions our website as the primary informational resource for prospective travelers.

	<b>FY2022</b>	<b>FY2023</b>	<b>Percentage</b>
Sessions	4,307	53,394	1140%
New users	3,288	36,969	1024%
Returning Users	11	-203	-1945.5%
Views	20,600	107,060	419.7%
Engagement	48.4%	50.8%	4.9%

**State & Community Programs Department**

The State and Community Department is instrumental in advancing sustainable tourism and strengthening community involvement. Its responsibilities include evaluating local attractions, supporting tourism initiatives led by communities, and promoting the unique cultural heritage and products of each area. By prioritizing responsible tourism, the department aims to generate economic benefits for residents while also safeguarding the environment, ensuring that tourism growth positively influences both people and nature.

**Highlights**

Throughout FY2023, the *680 Night Market* has played a significant role in sustaining and revitalizing Palau’s local economy. By providing a consistent platform for local vendors, artisans, and food producers, the night market enables small businesses to reach both residents and visitors, generating income and increasing exposure for local products and services. By continuously drawing both locals and tourists, especially as visitor arrivals rebounded in 2022 and continued to grow in 2023, the *680 Night Market* has helped drive economic activity, support entrepreneurship, and showcase Palau’s unique culture. Its ongoing success demonstrates how community-driven initiatives can effectively contribute to economic resilience and growth.

PVA engaged with the governors of 11 Palauan states—Ngchesar, Airai, Ngaraard, Ngarchelong, Ngardmau, Aimeliik, Kayangel, Peleliu, Angaur, Melekeok, and Ngatpang—to present ideas and share strategies focused on the development and diversification of tourism across Palau.

PVA successfully secured Memorandums of Understanding with ten states—Aimeliik, Airai, Angaur, Kayangel, Melekeok, Ngaraard, Ngarchelong, Ngatpang, Ngchesar, and Peleliu—to implement the Alii Pass Program, strengthening collaborative efforts to promote tourism.

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

**Management’s Discussion and Analysis, continued**

The official opening ceremony and ribbon-cutting of the Ngerderar Tourism Information Office and Market marked a milestone in building a stronger partnership with Aimeliik State, advancing sustainable tourism development through the Alii Pass initiative.

To bolster local agencies, PVA formed partnerships with organizations involved in the night market, including MAFE, PCS, and MHHS. This collaboration represents a shared commitment to strengthening community agencies and contributing to overall community development.

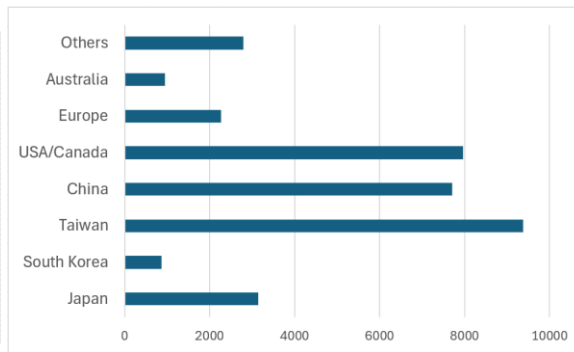
PVA conducted Customer Service and Tour Guide training sessions for state employees from Ngardmau, Ngatpang, and Ngarchelong, held at the Ngardmau Capitol Building, to enhance service quality and visitor experience.

These efforts demonstrate PVA’s dedication to promoting sustainable tourism and actively involving local communities, aiming to distribute the advantages of tourism equitably while protecting Palau’s distinctive cultural traditions and natural environment.

**Strategic Planning Department**

The Strategic Planning Department plays a role in analyzing visitor statistics, forecasting future trends, and maintaining comprehensive records of tourism-related businesses. In FY 2023, Palau continues its strong tourism recovery, with total visitor arrivals reaching 35,052—an increase of 279.1% over FY2022’s total of 9,247. This surge highlights renewed global travel confidence and the effectiveness of ongoing marketing and promotional efforts.

Market	FY2022	FY2023	Growth (%)
JAPAN	762	3,143	312%
SOUTH KOREA	136	866	537%
TAIWAN	892	9,373	951%
CHINA	57	7,707	13421%
USA/CANADA	5,687	7,960	40%
EUROPE	563	2,271	303%
AUSTRALIA	175	944	439%
OTHERS	975	2,788	186%
TOTAL	9,247	35,052	279%



Taiwan emerges as Palau’s largest source market in FY2023, accounting for 26.7% of total arrivals and posting a remarkable 950.6% growth from the previous year. China also demonstrates extraordinary growth, with arrivals soaring from 57 to 7,707, now representing 22.0% of the market. USA/Canada remains a key market, contributing 22.7% of arrivals and growing by 40.0%. Japan, Europe, Australia, South Korea, and Others all show substantial gains, with South Korea and Australia both increasing by more than 400%. The overall visitor base diversifies significantly, with all major markets expanding rapidly.

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

Management's Discussion and Analysis, continued

***Funding***

PVA receives its annual operational funding from the Unified Budget appropriation of the OEK. Its total budget for FY2023, FY2022 and FY2021 was \$1,098,000, \$1,088,000 and \$1,426,000, 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**

PVA's investment in capital assets for FY2023 was \$64,144 as compared to \$91,093 in FY2022 as compared to \$86,081 in FY2021. This is due to assets being fully depreciated and replacement of deletions.

***Statements of Net Position:***

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current assets	\$ 422,373	\$ 792,308	\$ 769,053
Capital assets	64,144	91,093	86,081
Deferred outflows of resources from pension	<u>487,520</u>	<u>410,192</u>	<u>542,080</u>
Total assets and deferred outflows of resources	<u>\$ 974,037</u>	<u>\$ 1,293,593</u>	<u>\$ 1,397,214</u>
Current liabilities	\$ 87,794	\$ 140,614	\$ 73,222
Net pension liability	1,168,847	1,181,039	1,382,775
Deferred inflow of resources	563,952	382,309	251,368
Net position:			
Invested in capital assets	64,144	91,093	86,081
Unrestricted	<u>( 910,700)</u>	<u>( 501,462)</u>	<u>( 396,232)</u>
Total net position	<u>\$ 974,037</u>	<u>\$ 1,293,593</u>	<u>\$ 1,397,214</u>

***Statements of Revenues, Expenses and Changes in Net Position:***

Operating revenues, net	\$ 735,413	\$ 1,312,270	\$ 142,046
Operating expenses	<u>2,290,852</u>	<u>2,500,488</u>	<u>1,405,955</u>
Loss from operations	(1,555,439)	(1,188,218)	(1,263,909)
Nonoperating revenues	<u>1,119,252</u>	<u>1,088,000</u>	<u>1,426,000</u>
Change in net position	( 436,187)	( 100,218)	162,291
Net position at beginning of year	<u>( 410,369)</u>	<u>( 310,151)</u>	<u>( 472,242)</u>
Net position at end of year	<u>\$ ( 846,556)</u>	<u>\$ ( 410,369)</u>	<u>\$ ( 310,151)</u>

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

Management's Discussion and Analysis, continued

***Statements of Cash Flows:***

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows from operating activities	\$(1,460,496)	\$( 965,693)	\$(1,092,507)
Cash flows from noncapital financing activities	1,362,500	823,500	1,036,296
Cash flows from capital and related financing activities	( 2,954)	( 35,952)	( 19,955)
Net decrease in cash	( 100,950)	( 178,145)	( 76,166)
Cash at beginning of year	<u>430,931</u>	<u>609,076</u>	<u>685,242</u>
Cash at end of year	<u>\$ 329,981</u>	<u>\$ 430,931</u>	<u>\$ 609,706</u>

***Statements of Net Position:***

1. Cash amounted to \$329,981 at FYE2023 as compared to \$430,931 at FYE2022, due to continuation of Travel Bubble Incentives, PREP Program, Belau OMAL Marathon Support.
2. Employee receivables amounted to \$91,706 at FYE2023 as compared to \$62,920 at FYE2022. The increase is attributed to trip reports and travel expense reports of business trips taken during last week of September 2023 that are still yet to be submitted and reconciled.
3. The allowance for doubtful accounts amounted to \$3,864 at FYE2023 as compared to \$1,539 at FYE2022 due to timely employee payroll deductions.
4. Accounts payable, accrued liabilities and due to fiduciary fund amounted to \$87,794 at FYE2023 as compared to \$140,614 at FYE2022. This improvement is due to timely disbursement of monthly budgetary allotments from ROP enabling PVA to stay within thirty to sixty days aging.
5. PVA had invested in capital assets of \$64,144 at FYE2023 as compared to \$91,093 at FYE2022, net of accumulated depreciation where applicable, including Furniture, Machinery & Equipment building improvements and vehicles.
6. Total net position amounted to \$(846,556) at FYE2023 as compared to \$(410,369) at FYE2022, which is primarily related to completion of 7th Our Ocean Conference and discontinuation of COVID Relief Program.

***Statements of Revenues, Expenses and Changes in Net Position:***

1. Operating revenue amounted to \$735,413 in FY2023 as compared to \$1,312,270 in FY2022, the decrease was attributed to completion of 7th Our Ocean Conference and discontinuation of COVID Relief Program.
2. Operating expenses – contractual services amounted to \$17,975 in FY2023, which is for Single Audit, Legal Advisor Retainer and COVID-19 Pre-Vaccine Protocols & Guidelines, as compared to \$119,740 FY2022.

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

Management's Discussion and Analysis, continued

3. Operating expenses – representation and tours amounted to \$638,550 in FY2023 as compared to \$975,592 in FY2022. The decrease was due to PVA not attending some tradeshows in FY2023.
4. Operating expenses – personnel and fringe benefits amounted to \$510,808 in FY2023 as compared to \$397,202 in FY2022. The increase was due to the increase in the hourly rate and in number of personnel as compare to previous year.
5. Operating expenses – tourism development, public awareness, public relations and training amounted to \$876,324 in FY2023 as compared to \$764,635 in FY2022; Due to flights resuming their regular schedules, there was an increase in activities related to public awareness, public relations, and training.
6. Operating expenses – registration, booth rental and membership fees amounted to \$9,048 in FY2023 as compared to \$9,057 in FY2022. Decrease due to renewal of PVA's membership with Pacific Asia Travel Association (PATA) and PATA Travel Mart Publication of Daily News.
7. Operating expenses – depreciation amounted to \$29,903 in FY2023 as compared to \$30,940 in FY2022 due to decrease of PVA Assets.
8. Operating expenses – communications and postage and supplies and printing amounted to \$83,196 in FY2023 as compared to \$83,572 in FY2022; slight decrease due to Marketing/Promotion via social media and printing of PREP Payroll Checks.
9. Operating expenses – travel and transportation - amounted to \$6,549 in FY2023 as compared to \$5,428 in FY2022, due to the continual increase of fuel costs.
10. Operating expenses – promotional materials amounted to \$5,017 in FY2023 as compared to \$2,935 in FY2022 as contained within budgeted allocations.
11. Operating expenses – Utilities amounted to \$20,426 in FY2023 as compared to \$17,857 in FY2022 due to increase of fuel cost.
12. Nonoperating revenues amounted to \$1,119,252 for FY2023 as compared to \$1,088,000 in FY2022, due to minor increase in ROP appropriation and net revenue from PERP in FY2023 due to the end of the program.

**Concluding Summary**

In FY2023 and FY2022, 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.

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

Management's Discussion and Analysis, continued

***Economic Outlook***

For FY2023, Palau's economy continued to face significant challenges despite a strong resurgence in its critical tourism sector. The economy was estimated to have contracted by approximately 0.2% to 1.5% compared to FY2022, and remained substantially below pre-pandemic FY2019 levels, experiencing an estimated 21-22% decline. This reflected a slow overall recovery, impacted by factors such as persistent inflation—partially attributed to the introduction of the Palau Goods and Services Tax (PGST)—and a decline in construction activity. – Source Pitivit.

Despite the broader economic contraction, Palau's tourism industry, which typically accounts for about 40% of the country's GDP, experienced a remarkable rebound in FY2023. Total visitor arrivals surged to 35,052, representing a substantial 279.1% increase from the 9,247 visitors recorded in FY2022. This impressive recovery was largely driven by Taiwan, which emerged as the largest source market contributing 26.8% of total arrivals and achieving a robust growth of 950.6% compared to the previous year. China also saw an extraordinary surge, with arrivals increasing from just 57 in FY2022 to 7,707 in FY2023, accounting for 22.0% of the market and an astonishing growth exceeding 13,000%. Meanwhile, the USA and Canada remained significant contributors, providing 22.7% of total arrivals and growing by 40.0% from FY2022.

All other major markets, including Japan, South Korea, Europe, and Australia, also experienced substantial growth, contributing to a diversified visitor base. This significant increase in visitor numbers is expected to positively impact various local sectors such as hospitality, retail, and transportation, helping to mitigate broader economic pressures.

The continued success of Palau's tourism recovery is supported by ongoing innovative marketing strategies, strengthened partnerships, and a commitment to sustainable development. By embracing new digital tools, expanding outreach to emerging markets, and fostering community-based tourism initiatives, the Palau Visitors Authority remains focused on enhancing the visitor experience while preserving the island's unique cultural and natural heritage. These efforts are essential to ensuring the resilience and long-term growth of Palau's tourism sector in an increasingly competitive global market.

***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, 2022, is set forth in the report on the audit of PVA's financial statements which is dated August 5, 2025. That Discussion and Analysis explain the major factors impacting the 2022 financial statements. If you have questions about the 2023 or 2022 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@pristine.pw](mailto:kadoi@pristine.pw) or fax (680) 488-1453.

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

Statements of Net Position

	September 30, <u>2023</u>	September 30, <u>2022</u>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets:		
Cash	\$ <u>329,981</u>	\$ <u>430,931</u>
Receivables:		
Republic of Palau	---	264,500
Employee and other	<u>91,706</u>	<u>62,920</u>
	91,706	327,420
Less allowance for doubtful accounts	<u>( 3,864)</u>	<u>( 1,539)</u>
Total receivables, net	<u>87,842</u>	<u>325,881</u>
Prepaid expenses	<u>4,550</u>	<u>35,496</u>
Total current assets	422,373	792,308
Capital assets, net	<u>64,144</u>	<u>91,093</u>
Total assets	486,517	883,401
Deferred outflows of resources from pension	<u>487,520</u>	<u>410,192</u>
Total assets and deferred outflows of resources	<u>\$ 974,037</u>	<u>\$1,293,593</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
Current liabilities:		
Accounts payable	\$ 4,935	\$ 44,619
Accrued expenses	82,859	58,450
Due to fiduciary fund	<u>---</u>	<u>37,545</u>
Total current liabilities	87,794	140,614
Net pension liability	<u>1,168,847</u>	<u>1,181,039</u>
Total liabilities	1,256,641	1,321,653
Deferred inflows of resources from pension	<u>563,952</u>	<u>382,309</u>
Total liabilities and deferred inflows of resources	<u>1,820,593</u>	<u>1,703,962</u>
Net position:		
Net investment in capital assets	64,144	91,093
Unrestricted	<u>( 910,700)</u>	<u>( 501,462)</u>
Total net position	<u>( 846,556)</u>	<u>( 410,369)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 974,037</u>	<u>\$1,293,593</u>

*See accompanying notes.*

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

Statements of Revenues, Expenses and Changes in Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Operating revenues:		
Miscellaneous	\$ 737,738	\$ 1,301,667
(Provision for) recoveries from doubtful accounts	( <u>2,325</u> )	( <u>10,603</u> )
Operating revenues, net	<u>735,413</u>	<u>1,312,270</u>
Operating expenses:		
Representation and tours	876,324	764,635
Tourism development, public awareness, public relations and training	638,550	975,592
Personnel and fringe benefits	510,808	397,202
Communication and postage	83,196	83,572
Insurance	36,560	34,757
Depreciation	29,903	30,940
Utilities	20,426	17,857
Contractual services	17,975	119,740
Registration, booth rental and membership fees	9,048	9,057
Supplies and printing	8,480	20,043
Travel and transportation	6,549	5,428
Promotional materials	5,017	2,935
Other	<u>48,016</u>	<u>38,730</u>
Total operating expenses	<u>2,290,852</u>	<u>2,500,488</u>
Loss from operations	(1,555,439)	(1,188,218)
Nonoperating revenues:		
Republic of Palau appropriation	1,098,000	1,088,000
PREP revenues, net	<u>21,252</u>	<u>---</u>
Change in net position	( 436,187 )	( 100,218 )
Net position at beginning of year	( <u>410,369</u> )	( <u>310,151</u> )
Net position at end of year	\$( <u>846,556</u> )	\$( <u>410,369</u> )

*See accompanying notes.*

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

Statements of Cash Flows

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 733,624	\$1,286,244
Net cash received for fiduciary activities	37,545	118,804
Cash payments to suppliers for goods and services	(1,852,768)	(2,085,564)
Cash payments to employees for services	<u>( 378,897)</u>	<u>( 285,177)</u>
Net cash used in operating activities	<u>(1,460,496)</u>	<u>( 965,693)</u>
Cash flows from noncapital financing activities – Republic of Palau appropriations	1,362,500	823,500
Cash flows from capital and related financing activities – Capital asset acquisitions	<u>( 2,954)</u>	<u>( 35,952)</u>
Net decrease in cash	<u>( 100,950)</u>	<u>( 178,145)</u>
Cash at beginning of year	<u>430,931</u>	<u>609,076</u>
Cash at end of year	<u>\$ 329,981</u>	<u>\$ 430,931</u>
Reconciliation of loss from operations to net cash used in operating activities:		
Loss from operations	\$(1,555,439)	\$(1,188,218)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation	29,903	30,940
Noncash pension costs	92,123	61,093
Nonoperating revenue, net	21,252	---
Decrease (increase) in assets:		
Employee and other receivables	<u>( 26,461)</u>	<u>( 18,159)</u>
Prepaid expenses	30,946	---
Increase (decrease) in liabilities:		
Accounts payable	<u>( 39,684)</u>	15,429
Accrued expenses	24,409	14,418
Due to fiduciary fund	<u>( 37,545)</u>	<u>118,804</u>
Net cash used in operating activities	<u>\$(1,460,496)</u>	<u>\$( 965,693)</u>

*See accompanying notes.*

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

Statements of Fiduciary Net Position

	September 30, <u>2023</u>	<u>2022</u>
<b>Assets</b>		
Due from primary government	\$ <u>---</u>	\$ <u>37,545</u>
	\$ <u>---</u>	\$ <u>37,545</u>
<b>Fiduciary Net Position</b>		
Net position – restricted for PREP	\$ <u>---</u>	\$ <u>37,545</u>
	\$ <u>---</u>	\$ <u>37,545</u>

*See accompanying notes.*

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

Statements of Changes in Fiduciary Net Position

	Year ended September 30,	
	<u>2023</u>	<u>2022</u>
Additions:		
PREP revenues	\$ ---	\$1,418,741
Deductions:		
PREP expenses	<u>37,345</u>	<u>1,381,196</u>
Change in fiduciary net position	(37,545)	37,545
Fiduciary net position at beginning of year	<u>37,545</u>	<u>---</u>
Fiduciary net position at end of year	<u>\$ ---</u>	<u>\$ 37,545</u>

*See accompanying notes.*

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

Notes to Financial Statements

Years ended September 30, 2023 and 2022

**1. Organization**

The Palau Visitors Authority (PVA or the Authority), 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**

**Government-wide Financial Statements**

The government-wide financial statements consist of the statement of net position and statement of revenues, expenses and changes in net position. Fiduciary activities are not included in the government-wide financial statements.

**Fiduciary Fund Financial Statements**

Separate financial statements are provided for fiduciary funds, specifically custodial funds. Fiduciary financial statements include assets, liabilities and activities of the Pandemic Re-employment Program (the "PREP"), for which PVA has been legally designated to control but PVA itself is not a beneficiary.

In May 2020, PVA was appointed by the National Government to be part of the Temporary Workforce Coordinating Committee (TWCC) along with the Ministry of Community and Cultural Affairs and the Social Security Administration in pursuant with the implementation of RPPL 10-56, the Coronavirus One-Stop-Shop Act ("CROSS Act"). The purpose of TWCC is to collaborate on logistical matters, coordinate and prioritize projects, avoid duplication of work, and maximize the benefits generated for the Republic and its priorities. PVA's roles were as follows: disbursement and receiving of applications, updating database, receiving and verifying timesheets, check disbursements for all active participants, finding job opportunities for active participants in the private sector, networking with private companies, seeking vacancies, providing services of search and selection of participants matching CV's with vacancies, constantly updating resume for active participants, and handling work-related issues with participants and agencies.

The TWCC organized the PREP in pursuant of the Temporary Job Program under the CROSS Act. Qualified employees will be employed temporarily in certain government agencies, semi-government agencies, non-profit organizations or non-governmental organizations and be provided a minimum wage of \$3.50 per hour.

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

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, continued**

**Fiduciary Fund Financial Statements, continued**

During the year ended September 30, 2022, PVA received \$1,500,000 of PREP funding from ROP, of which \$81,259 pertained to the year ended September 30, 2021 and \$1,381,196 pertained to disbursements for the year ended September 30, 2022. At September 30, 2022, the excess receipt of \$37,545 is reported as due to fiduciary fund and due from PVA in the accompanying primary government statement of net position and fiduciary net position, respectively. During the year ended September 30, 2023, PREP disbursements totaled \$16,293 with the remaining balance of \$21,252 retained by PVA as non-operating income. The PREP ended on January 15, 2023.

**Basis of Accounting**

The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States as applied to governmental units using the accrual basis of accounting. 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.

**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 cash flows, cash is defined as cash on hand and cash held in demand or savings accounts. As of September 30, 2023 and 2022, cash was \$329,981 and \$430,931, respectively, and the corresponding bank balance were \$338,400 and \$502,411, respectively. Of these amounts, bank balance of \$337,751 and \$500,912, respectively, are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance limits. PVA does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC coverage are uncollateralized.

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

Notes to Financial Statements, Continued

**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 against operating revenues 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.

**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, 2023 and 2022 was \$24,319 and \$18,477, respectively.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues and expenses include all direct and administrative revenues and expenses. Operating revenues include income or cost reimbursements from ROP Treasury, not-for-profit organizations or other foreign governmental or non-governmental entities relating to various ad-hoc programs. These programs may differ from year to year.

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

**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.

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

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, continued**

**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.

**Net Position**

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.

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

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, continued**

**Net Position, continued**

To conform to the requirements of GASB, equity is presented in the following net position categories:

- 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, 2023 and 2022, 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.

**Recently Adopted Accounting Pronouncements**

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

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The adoption of GASB Statement No. 94 during the year ended September 30, 2023 did not result in a material effect on the accompanying financial statements.

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

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, continued**

**Recently Adopted Accounting Pronouncements, continued**

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of GASB Statement No. 96 during the year ended September 30, 2023 did not result in a material effect on the accompanying financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of applicable provisions within GASB Statement No. 99 during the year ended September 30, 2023 did not result in a material effect on the accompanying financial statements.

**Upcoming Accounting Pronouncements**

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

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

Notes to Financial Statements, Continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements, continued**

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

PVA is currently evaluating the effects the above upcoming accounting pronouncements may have on its financial statements.

**3. Pension Plan**

**Plan Description**

The following brief description of the Republic of Palau Civil Service Pension Plan and Trust (the Plan) is provided for general information purposes only.

**General**

The Plan is a defined benefit, cost sharing multiple employer plan, providing retirement, security and other benefits to employees, their spouses and dependents, of the Republic of Palau (ROP), ROP State Governments and ROP agencies, funds and public corporations. The Plan was established pursuant to 33 Palau National Code Annotated (PNCA) section 2001 passed on April 3, 1987, and began operations on October 1, 1987.

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

**Membership**

The ROP National Government, ROP State Governments and ROP public corporations, quasi-governmental organizations and other public entities of the National and State Governments of ROP, participate in the Plan. Membership consisted of the following as of October 1, 2021 (the valuation date):

Inactive members or beneficiaries currently receiving benefits	1,730
Inactive members entitled to but not yet receiving benefits	404
Inactive nonvested members	1,105
Active members	<u>3,423</u>
Total members	<u>6,662</u>

**Summary of the Principal Provisions of the Plan**

Effective date:	October 1, 1987
Plan year:	October 1 through September 30

**Eligibility to Participate**

All persons becoming full-time employees of a participating agency before attaining the age of sixty shall become members as a condition of employment.

**Service**

Vesting Service: Includes membership service and prior service credit.

Membership Service: A year of membership service is earned for a year of service rendered at a participating employer. Years of membership service shall be rounded to the nearest one year. Membership service includes accumulated sick leave and vacation leave.

Prior Service Credit: Persons becoming members of the Plan on October 1, 1987 are entitled to Prior Service Credit for services rendered as an employee of participating agencies, the Trust Territory of the Pacific Islands (TTPI), and the United States Naval Government after World War II and before the establishment of the TTPI.

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

**Summary of the Principal Provisions of the Plan, continued**

**Pension Benefits**

Retirement benefits are paid to members who are required, with certain exceptions, to retire no later than their sixtieth birthday or after thirty years of service. A member may retire after his or her fifty-fifth birthday at a reduced pension amount if the member has completed at least twenty years of government employment. A married member of a former member receiving a distribution of benefits under the Pension Fund receives reduced benefit amounts to provide survivors' benefits to his or her spouse. An unmarried member or former member may elect to receive a reduced benefit amount during his or her lifetime with an annuity payable to his or her designated beneficiary. Disability benefits are paid to qualified members for the duration of the disability. Effective May 17, 1996, through RPPL 4-49, members, who have twenty-five years or more of total service, are eligible for retirement regardless of their age and, upon such retirement, are eligible to receive pension benefits at a level established by the Board. Effective July 1, 1999, pursuant to RPPL 4-49 and RPPL 5-30, retirement is mandatory for all members who have thirty years or more of total service and all employees who are sixty years of age or older with certain exceptions. Beginning October 1, 2003, pursuant to RPPL 6-37, mandatory retirement may be delayed for up to five years, by specific exemption by the Board. In December 2008, RPPL 7-56 eliminated early retirement and thirty-year mandatory service provisions. These provisions were restored through RPPL 8-10 in October 2009. On April 30, 2013, RPPL 9-2 eliminated the mandatory service retirement after thirty years of service. After December 31, 2013, no employee shall be entitled to pension benefits until reaching the age of sixty.

In accordance with the directives of RPPL 5-7, the Board adopted a resolution which provides that "no person who retires after October 1, 1997, may receive benefits under the Plan unless he or she has contributed to the Plan for at least five years or has made an actuarially equivalent lump sum contribution". In accordance with RPPL 9-2, members who retire after April 30, 2013 must not receive benefits greater than thirty thousand dollars per year. Further, the amount of benefits that a member receives should not be recalculated if the member is re-employed after the member begins receiving benefits under the Plan. Additionally, a member should not receive benefits during the time the member is re-employed subsequent to retirement.

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

**Summary of the Principal Provisions of the Plan, continued**

**Pension Benefits, 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:

<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:

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

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

**Summary of the Principal Provisions of the Plan, continued**

**Pension Benefits, 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.

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  
(A Component Unit of the Republic of Palau)

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

**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 years ended September 30, 2023 and 2022 were \$16,043 and \$14,017, respectively which were equal to the required contributions for the years then ended.

**Actuarial Assumptions and Other Inputs**

The total pension liability was determined by an actuarial valuation as of October 1, 2021 using the following actuarial assumptions and other inputs:

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
Long-term Expected Rate of Return:	6.74% per year, net of investment expenses, including price inflation
Municipal Bond Index Rate:	3.82%

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

**Actuarial Assumptions and Other Inputs, continued**

Year fiduciary net position is Projected to be depleted:	2027																		
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																		
Disability:	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>Disability</u></th> </tr> </thead> <tbody> <tr> <td>25</td> <td>0.21%</td> </tr> <tr> <td>30</td> <td>0.18%</td> </tr> <tr> <td>35</td> <td>0.25%</td> </tr> <tr> <td>40</td> <td>0.35%</td> </tr> <tr> <td>45</td> <td>0.50%</td> </tr> <tr> <td>50</td> <td>0.76%</td> </tr> <tr> <td>55</td> <td>1.43%</td> </tr> <tr> <td>60</td> <td>2.12%</td> </tr> </tbody> </table>	<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%
<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																		

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

**Actuarial Assumptions and Other Inputs, continued**

***Investment Rate of Return***

The long-term expected rate of return on Plan’s investments of 5.95% was determined using log-normal distribution analysis, creating a best-estimate range for each asset class.

As of July 2024, the twenty-year 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 Equities	46%	8.46%
Non-US Equities (Mature Markets)	10%	8.20%
Fixed Income (US Core)	40%	3.72%
Alternatives (Real Estate Investment Trusts)	<u>4%</u>	8.72%
	<u>100%</u>	

***Discount Rate***

The discount rate used to measure the total pension liability was 3.86% at the current measurement date and 2.23% at the prior measurement date. The discount rate was determined using the current assumed rate of return of 6.74% until the point where the plan fiduciary net position is negative. Using the current contribution rates, a negative position happens in 2026. For years on or after 2027, the Municipal Bond Index Rate of 3.82% was used. The Municipal Bond Index Rate from the prior measurement date was 2.17%.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of September 30, 2023, calculated using the discount rate of 3.86%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (2.86%) or 1.00% higher (4.86%) from the current rate.

<u>1% Decrease</u>	Current Single Discount Rate	<u>1% Increase</u>
<u>2.86%</u>	<u>Assumption 3.86%</u>	<u>4.86%</u>
\$1,341,194	\$1,168,847	\$1,025,692

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

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

*Pension Liability*

As of September 30, 2023 and 2022, PVA's proportionate share of the ROP net pension liability is \$1,168,847 and \$1,181,039, respectively. As of September 30, 2023 and 2022, PVA's proportion of the ROP overall liability is 0.44% and 0.39%, respectively.

*Pension Expense*

For the years ended September 30, 2023 and 2022, PVA recognized pension expense of \$107,824 and \$75,110, respectively.

*Deferred Outflows and Inflows of Resources*

As of September 30, 2023 and 2022, PVA reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>		<u>2022</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	\$ 31,599	\$179,755	\$ 29,037	\$191,749
Change of assumptions	187,489	291,567	226,121	58,776
Net difference between projected and actual earnings on pension plan investments	15,088	6,267	1,662	7,563
PVA 's contributions subsequent to measurement date	16,043	---	16,385	---
Changes in proportion and difference between PVA's contributions and proportionate share of contributions	<u>237,301</u>	<u>86,363</u>	<u>136,987</u>	<u>124,221</u>
	<u>\$487,520</u>	<u>\$563,952</u>	<u>\$410,192</u>	<u>\$382,309</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, 2023 will be recognized in pension expense as follows:

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

Notes to Financial Statements, Continued

**3. Pension Plan, continued**

***Deferred Outflows and Inflows of Resources, continued***

Year ending September 30,

2024	\$ 7,724
2025	14,071
2026	(17,789)
2027	(37,137)
2028	(50,293)
Thereafter	( 9,051)
	<u>\$(92,475)</u>

**Average Remaining Service Life**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that changes arising from differences between expected and actual experience and from changes in actual assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). These differences are considered on a pooled basis, rather than an individual basis, in order to reflect the expected remaining service life of the entire pool of employees, with the understanding that inactive employees have no remaining service period. As of September 30, 2022 and 2021, the average of the expected remaining service lives of all employees as calculated by the Plan's independent actuaries was 6.82 years, 7.03 years as of September 30, 2019 and 2018, 6.83 years as of September 30, 2017, 2016 and 2015, and 6.20 years as of September 30, 2014.

**4. Capital Assets**

Capital assets of PVA as of September 30, 2023 and 2022, are summarized below:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2023</u>
Building	20 years	\$143,122	\$ ---	\$ ---	\$143,122
Furniture, fixtures and equipment	1 - 10 years	225,299	1,987	---	227,286
Building improvements	15 years	51,840	967	---	52,807
Vehicles	3 - 5 years	<u>60,030</u>	<u>---</u>	<u>---</u>	<u>60,030</u>
		480,291	2,954	---	483,245
Less accumulated depreciation		(389,198)	(29,903)	<u>---</u>	(419,101)
		<u>\$ 91,093</u>	<u>\$(26,949)</u>	<u>\$ ---</u>	<u>\$ 64,144</u>

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

Notes to Financial Statements, Continued

**4. Capital Assets, continued**

	Estimated <u>Useful Lives</u>	Balance at October <u>1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September <u>30, 2022</u>
Building	20 years	\$143,122	\$ ---	\$ ---	\$143,122
Furniture, fixtures and equipment	1 - 10 years	203,962	21,337	---	225,299
Building improvements	15 years	48,970	2,870	---	51,840
Vehicles	3 - 5 years	<u>48,285</u>	<u>11,745</u>	<u>---</u>	<u>60,030</u>
		444,339	35,952	---	480,291
Less accumulated depreciation		<u>(358,258)</u>	<u>(30,940)</u>	<u>---</u>	<u>(389,198)</u>
		<u>\$ 86,081</u>	<u>\$ 5,012</u>	<u>\$ ---</u>	<u>\$ 91,093</u>

**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 years ended September 30, 2023 and 2022, PVA received appropriations of \$1,098,000 and \$1,088,000, respectively, from ROP for the purpose of funding its operations. At September 30, 2022, \$264,500 relating to funding for July to September 2022, was received in October 2022 and is included as due from ROP in the accompanying 2022 statement of net position.

For the year ended September 30, 2023, PVA recognized a net income of \$21,252 relating to the PREP.

## 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

	2022 <u>Valuation</u>	2021 <u>Valuation</u>	2020 <u>Valuation</u>	2019 <u>Valuation</u>	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	\$263,365,274	\$304,866,042	\$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	\$ 1,168,847	\$ 1,181,039	\$ 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	0.4438%	0.3874%	0.4015%	0.4118%	0.4430%	0.3075%	0.3399%	0.3644%	0.3790%	0.4443%
PVA's covered employee payroll	\$ 267,383	\$ 233,617	\$ 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	437.14%	505.54%	561.53%	516.19%	427.58%	447.02%	471.02%	444.45%	434.47%	435.84%
Plan Fiduciary net position as a percentage of the total pension liability	8.69%	10.47%	8.42%	8.26%	10.24%	10.18%	10.55%	11.54%	14.01%	15.84%

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

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

Required Supplemental Information  
Schedule of Pension Contributions

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>
Actuarially determined contribution	\$ 75,657	\$ 59,923	\$ 63,256	\$ 58,031	\$ 76,694	\$ 52,825	\$ 49,005	\$ 39,724	\$ 40,269	\$ 44,722
Contribution in relation to the actuarially determined contribution	\$ 16,043	\$ 14,017	\$ 14,775	\$ 14,767	\$ 15,594	\$ 10,690	\$ 10,654	\$ 10,535	\$ 10,493	\$ 11,179
Contribution deficiency	\$ 59,614	\$ 45,906	\$ 48,481	\$ 43,264	\$ 61,100	\$ 42,135	\$ 38,351	\$ 29,189	\$ 29,776	\$ 33,543
PVA's covered employee payroll	\$267,383	\$233,617	\$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%	6.00%	6.00%	5.92%	5.96%	5.89%	6.02%

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

## 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, 2023, 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 April 7, 2026.

### **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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **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.

The logo for Ernst + Young, featuring the company name in a stylized, handwritten-style script.

April 7, 2026