

# Government of the United States Virgin Islands

Management's Discussion & Analysis,  
Financial Statements (with Independent  
Auditor's Report Thereon) and  
Required Supplementary Information  
Year Ended September 30, 2024

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



## **Government of the United States Virgin Islands**

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Year Ended September 30, 2024

# Government of the United States Virgin Islands

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## Independent Auditor’s Report

To the Honorable Governor  
of the Government of the United States Virgin Islands

### Report on the Audit of the Financial Statements

#### *Adverse, Disclaimer, Qualified, and Unmodified Opinions*

We have audited or were engaged to audit the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Government’s basic financial statements as listed in the table of contents.

#### *Summary of Opinions*

Opinion Unit	Type of Opinion
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Matching Fund Special Purpose Securitization Corporation Debt Service Fund	Unmodified
Federal Grants Fund	Qualified
The West Indian Company Limited-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN, INC.-Enterprise Fund	Unmodified
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely Presented Component Units	Adverse

#### *Adverse Opinion on Aggregate Discretely Presented Component Units*

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units section of our report, the accompanying financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Government as of September 30, 2024, or the changes in financial position and, where applicable, cash flows and disclosures thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



***Disclaimer of Opinion on Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information***

We do not express an opinion on the accompanying financial statements of the Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information of the Government. Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of these opinion units.

***Qualified Opinion on the General Fund and Federal Grants Fund***

In our opinion, except for the effects of the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and Federal Grants Fund of the Government, as of September 30, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, other than the General Fund, Federal Grants Fund, and Unemployment Insurance-Enterprise Fund of the Government as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following funds and/or component units:

- The Virgin Islands Housing Authority (VIHA) and Virgin Islands Public Broadcasting System (VIPBS), discretely presented component units, which collectively represent 3.2%, (2.2%), and 7.6%, respectively, of the assets, net position (deficit), and revenues of the Aggregate Discretely Presented Component Units as of September 30, 2024.
- Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 57.4%, 65.4%, and 77.2%, respectively, of the assets, net position/fund balance, and revenues/additions of the Aggregate Remaining Fund Information as of September 30, 2024.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the activities, funds, and component units indicated above, are based solely on the reports of other auditors.



### ***Basis for Adverse, Qualified, and Unmodified Opinions***

We conducted our audit of the Aggregate Discretely Presented Component Units, General Fund, Debt Service Fund, Capital Projects Fund, Matching Fund Special Purpose Securitization Corporation Debt Service Fund, Federal Grants Fund, The West Indian Company Limited-Enterprise Fund, and viNGN, INC.-Enterprise Fund, 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. 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 Government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse, qualified, and unmodified audit opinions.

### ***Matters Giving Rise to Adverse Opinion on Aggregate Discretely Presented Component Units***

The Government's basic financial statements do not include the current fiscal year financial activity of the following discretely presented component units: Virgin Islands Housing Finance Authority (VIHFA), Schneider Regional Medical Center (a district of the Virgin Islands Government Hospital and Health Facilities Corporation), and the Virgin Islands Waste Management Authority (VIWMA). The following component units have not been audited and we were not engaged to audit the financial statements of the University of the Virgin Islands Research and Technology Park Corporation (RTPark), the University of the Virgin Islands (UVI), the Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Juan F. Luis Hospital and Medical Center), the Virgin Islands Water and Power Authority (VIWAPA), the Virgin Islands Economic Development Authority (VIEDA), the Magen's Bay Authority (MBA), the Virgin Islands Port Authority (VIPA), VIHFA and VIWMA, nor was the information available as part of our audit of the Government's basic financial statements. This represents approximately 96.8%, 100.0 % and 92.4% of the assets, net position, and revenues, respectively, of the Aggregate Discretely Presented Component Units.

Accounting principles generally accepted in the United States of America require that the financial activities of discretely presented component units be reported in the Government's basic financial statements. Accordingly, the aggregate discretely presented component units presented in the Government's basic financial statements are incomplete and not presented in accordance with accounting principles generally accepted in the United States of America.

The report of other auditors on the financial statements of the Virgin Islands Housing Authority (VIHA), a discretely presented component unit, included a qualified opinion because the auditors were unable to obtain sufficient appropriate audit evidence regarding the net pension liability, related deferred outflows of resources, deferred inflows of resources, and the related effects on net position associated with the VIHA pension plan. Accordingly, the other auditors were unable to determine whether adjustments were necessary.



### *Matters Giving Rise to Qualified Opinion on the General Fund and Federal Grants Fund*

The Government did not maintain the requisite documentation to support its determination regarding the sufficiency of the design and operation of key controls surrounding the environment in which Medicaid claims are processed. As such, we were unable to determine whether adjustments are required to the General Fund.

The Government reported \$67.3 million as other financing sources in the General Fund related to repayments of advances to component units. We were unable to obtain sufficient appropriate audit evidence regarding the nature of these transactions, including whether they meet the criteria for revenue recognition or should be reported as due to/from transfers, nor were we able to determine the accuracy and completeness of the amounts recorded. Accordingly, we were unable to determine whether adjustments are required to the General Fund.

The Government did not maintain the requisite documentation to support its due from federal government and federal grants and contributions revenues in the amount of \$75.3 million as of the year ended September 30, 2024. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the Federal Grants Fund.

### *Basis for Disclaimer of Opinion on Governmental Activities*

The Government did not maintain the requisite documentation to support its accrued retroactive union arbitration liability as of and for the year ended September 30, 2024. As such, we are unable to determine whether adjustments were required in the Governmental Activities.

The Government's notes to the basic financial statements do not include the necessary information under Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

The Government did not maintain the requisite documentation to support the opening balance for capital asset activities recording in the prior year. In addition, the Government did not maintain sufficient appropriate documentation to support construction in progress (CIP) project status balances of \$349.3 million or CIP transfers of \$64.7 million as of and for the year ended September 30, 2024. Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances of capital assets and accumulated depreciation as of October 1, 2023. Further, because these balances affect the determination of capital assets, accumulated depreciation, depreciation expense, and net position, we were unable to determine whether adjustments were required to the Governmental Activities as of and for the year ended September 30, 2024.

The Government did not obtain an audited schedule of other postemployment benefits (OPEB) by employer, including the related auditor's report, necessary to support the allocation of collective OPEB amounts for the year ended September 30, 2024. The Government reported a net OPEB liability of \$812.3 million, deferred outflows of resources of \$81.7 million, and deferred inflows of resources of \$186.9 million related to this matter. We were unable to obtain sufficient appropriate audit evidence regarding these amounts and the related disclosures. Accordingly, we were unable to determine whether adjustments may be necessary to the Governmental Activities.



The Government did not maintain the requisite documentation to support its determination regarding the sufficiency of the design and operation of key controls surrounding the environment in which Medicaid claims are processed. As such, we were unable to determine whether adjustments are required to the Governmental Activities.

We were unable to obtain sufficient appropriate audit evidence to support the due to and due from balances with component units because the balances could not be reconciled to the corresponding component unit amounts, which were also unaudited. Accordingly, we were unable to determine whether any adjustments are required to the Governmental Activities.

***Basis for Disclaimer of Opinion on Governmental Activities, Business-Type Activities, and Aggregate Remaining Fund Information***

The Government's basic financial statements do not include right-to-use assets, lease liabilities, lease expenses, and the related disclosure information required under the Governmental Accounting Standards Board Statement No. 87, *Leases*. As such, we were unable to determine whether adjustments are required to the Governmental Activities, Business-Type Activities, and Aggregate Remaining Fund Information.

The Government's basic financial statements do not include right to use subscription asset, subscription liability, outflows of resources, and the related disclosure information required under the Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* or intangible assets, amortization expense, and related disclosure information for subscription purchases under Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. As such, we were unable to determine whether adjustments are required to the Governmental Activities, Business-Type Activities, and Aggregate Remaining Fund Information.

***Basis for Disclaimer of Opinion on Business-Type Activities and Aggregate Remaining Fund Information***

The basic fund financial statements do not include a liability for medical malpractice claims in the reciprocal insurance fund (a non-major enterprise fund) and, accordingly, the Government has not recorded an expense for the current period change in that liability. The Government's records do not permit it, nor is it practical to extend our auditing procedures sufficiently to determine the extent by which the Business-Type Activities and Aggregate Remaining Fund Information as of and for the year ended September 30, 2024, may have been affected by this condition.

In addition, the Government did not obtain the requisite valuation for the Workers' compensation liability as required by generally accepted accounting standards to support the measurement of the workers' compensation liability and the related expense and disclosures for the year ended September 30, 2024. As such, we were unable to determine whether adjustments are required to the Business-Type Activities and Aggregate Remaining Fund Information.



The Virgin Islands Lottery, a nonmajor enterprise fund, has not been audited, and we were not engaged to audit the fund's financial statements, nor was the information available as part of our audit of the Government's basic financial statements. As such, the Government's records do not permit, nor is it practical to extend our auditing procedures sufficiently to determine the extent to which the Business-Type Activities and Aggregate Remaining Fund Information as of and for the year ended September 30, 2024, may have been affected by this condition.

***Basis for Disclaimer of Opinion on Unemployment Insurance-Enterprise Fund and Business-Type Activities***

The Government's records were either not available or contained incomplete information. As such, the records do not permit it, nor is it practical to extend, our auditing procedures sufficiently to determine the extent by which the Unemployment Insurance-Enterprise Fund and Business-Type Activities as of and for the year ended September 30, 2024, may have been affected by this condition.

***Emphasis of Matter***

The accompanying financial statements have been prepared assuming the Government will continue as a going concern. As discussed in Note 17 to the financial statements, the Government reported an unrestricted net deficit in Governmental Activities and in the General Fund that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 17. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

***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 from 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 Government'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 Responsibilities for the Audit of the Financial Statements***

#### ***Auditor's Responsibilities for the Audit of the Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information***

Our responsibility is to conduct an audit of the Government's financial statements in accordance with GAAS and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Governmental Activities, Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information.

We are required to be independent of the Government and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

#### ***Auditor's Responsibilities for the Audit of the General Fund, Debt Service Fund, Capital Projects Fund, Matching Fund Special Purpose Securitization Corporation Debt Service Fund, Federal Grants Fund, The West Indian Company Limited-Enterprise Fund, viNGN, INC.-Enterprise Fund, and the Aggregate Discretely Presented Component Units***

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 Government'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 Government'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 and the schedules of changes in total OPEB liability and related ratios, net pension liability, pension contributions and related notes, and revenue and expenditures - budget and actual budgetary basis - General Fund 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2026, on our consideration of the Government'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 Government'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 Government's internal control over financial reporting and compliance.

BDO USA, P.C.

June 30, 2026

## **Management's Discussion and Analysis**

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# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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### Introduction

The following management's discussion and analysis presents an overview of the financial position and activities of the Government of the United States Virgin Islands (the Government) as of and for the fiscal years ended September 30, 2024, and 2023.

### Government-wide Financial Statements

The government-wide financial statements are designed to present an overall picture of the financial position of the Government. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that the current year's revenues and expenses are included regardless of when cash is received or paid, producing a view of financial position and changes in financial position like that presented by most private-sector companies.

The statement of net position combines and consolidates the Government's current financial resources with capital assets and long-term obligations.

Both above-mentioned financial statements have separate sections for three different types of the Government's programs or activities. These three types of activities are as follows:

***Governmental Activities*** - The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants). Most services normally associated with the primary government fall into this category, including general government, public safety, health, public housing and welfare, education, transportation and communication, and culture and recreation.

***Business-Type Activities*** - These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the Government include the operations of the: (i) the West Indian Company (WICO); (ii) the unemployment insurance program; and (iii) viNGN, Inc. dba Virgin Islands Next Generation Network (viNGN). These programs operate with minimal assistance from the governmental activities of the Government.

***Discretely Presented Component Units*** - These are operations for which the Government has financial accountability even though they have certain independent qualities as well. For the most part, these entities operate like private sector businesses and the business-type activities described above. The Government's discretely presented component units are presented in two categories, major and nonmajor. This separation is determined by the relative size of the entities' assets, liabilities, revenue, and expenses in relation to the total of all component units.

### Fund Financial Statements

Fund financial statements focus on the most significant (or major) funds of the Government. A fund is a separate accounting entity with a self-balancing set of accounts. The Government uses funds to keep track of sources of funding and spending related to specific activities. The Government uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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A major fund is a fund whose revenues, expenditures or expenses, assets, or liabilities (excluding extraordinary items) are at least 10% of the corresponding totals for all governmental or enterprise funds and at least 5% of the aggregate amount for all governmental and enterprise funds for the same item. The general fund is always considered a major fund. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the Government believes is particularly important to the financial statements may be reported as a major fund.

The funds of the Government are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are accounted for using the modified accrual basis of accounting, which measures cash and other assets that can be readily converted to cash. The governmental funds' statements provide a detailed short-term view of the general governmental operations and the basic services provided. The reconciliation following the fund financial statements explains the differences between the governmental activities, reported in the government-wide financial statements and the governmental funds' financial statements. The General Fund, the PFA debt service fund, the PFA capital projects fund, the Matching Fund Special Purpose Securitization Corporation fund, and the Federal grants fund are reported as major governmental funds.

The General Fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

The PFA Debt Service Fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by the Virgin Islands Public Finance Authority (PFA) on behalf of the Government.

The PFA Capital Projects Fund accounts for bond proceeds of debt issued by the Virgin Islands Public Finance Authority on behalf of the Government. The bond proceeds have been designated for certain necessary public safety and capital development projects which are accounted for in this fund.

The Matching Fund Special Purpose Securitization Corporation (MFSPSC) fund accounts for the resources accumulated and payments made, for principal and interest on debt issued by the MFSPSC on behalf of the Government.

The Federal Grants Fund accounts for proceeds and federal payments that are legally restricted for expenditures for federally specified purposes.

The governmental fund activities are reported in a separate balance sheet and statement of revenues, expenditures, and changes in fund balances. Additionally, the Government presents a reconciliation of the statement of revenues, expenditures, and change in fund balances, to the statement of activities.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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### *Proprietary Funds*

Services provided to outside (nongovernmental) customers are reported in enterprise funds. Enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These are the same business-type activities reported in the government-wide financial statements.

The West Indian Company (WICO), the Unemployment Insurance Fund, and viNGN are major proprietary funds.

The WICO fund accounts for the activities of WICO, which owns a port facility including a cruise ship pier on the island of St. Thomas and manages certain parcels of land and warehouses.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance.

The viNGN fund accounts for the activities of viNGN, which designs, develops and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed internet connections to retail internet service providers.

The proprietary fund activities are reported in a separate statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

### *Fiduciary Funds*

The fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position.

### **Financial Analysis of the Government as a Whole**

The Government faces the challenge of maintaining fiscal sustainability and promoting economic growth while rebuilding from the two Category 5 hurricanes of September 2017. To promote fiscal sustainability, the Government retained an international firm to develop short and long-range cash management strategies, identify federal recovery grants, implement a recovery website, and assist with federal reporting of recovery grants. The Government has also retained the services of a national engineering firm to lead the reconstruction effort in the U.S. Virgin Islands and provide oversight of FEMA Hazard Mitigation and HUD Community Disaster grants.

Since the 2017 hurricanes, nearly \$24.0 billion has been invested in rebuilding the infrastructure of the U.S. Virgin Islands. In February 2024, the Biden administration reduced the cost share adjustment for federal projects to 2.0%. This has allowed the Office of Disaster Recovery to oversee the placement of \$8.0 billion in construction projects into the procurement process between 2024 and 2025.

The Government's Rebuild USVI initiative is laying the groundwork for \$14.0 billion in construction of 30 critical projects to begin in fiscal years 2026 and 2027. These projects include hospital construction projects, new power generation projects, homes for the aged, and school rebuilding projects.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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To continue the growth of tourism in the Territory, the Government's Economic Development Authority has entered into hotel development agreements, and the Virgin Islands Port Authority has entered into agreements to modernize the airports on St. Thomas and St. Croix.

### Financial Analysis of the Primary Government

As of September 30, 2024 and 2023, the total assets and deferred outflows of resources of the Government amounted to approximately \$3.3 billion and \$3.6 billion, respectively. Total liabilities and deferred inflows were approximately \$8.2 billion at September 30, 2024 and \$8.9 billion at September 30, 2023. Governmental liabilities exceed assets mainly due to unfunded pension and postemployment benefits (OPEB). OPEB benefits include health and life insurance paid for retired government employees. Pension and OPEB liabilities amounted to \$3.8 billion at September 30, 2024 and \$4.1 billion at September 30, 2023.

The Government's net deficit of \$4.9 billion at September 30, 2024 consisted of a \$1.0 billion net investment in capital assets; \$252.4 million restricted by statute or other legal requirements and not available to finance day-to-day operations; and an unrestricted net deficit of \$6.2 billion. The Government's net deficit at September 30, 2023 of \$5.3 billion consisted of a \$907.1 million net investment in capital assets; \$393.3 million restricted by statute or other legal requirements and not available to finance day-to-day operations; and an unrestricted net deficit of \$6.6 billion.

For the fiscal year ended September 30, 2024, the primary government earned program and general revenue amounting to \$2.3 billion and reported expenses of \$2.0 billion, resulting in a decrease in net deficit of approximately \$465.5 million. For the fiscal year ended September 30, 2023, the primary government earned program and general revenue amounting to \$2.3 billion and reported expenses of \$2.3 billion, for a decrease in net deficit of approximately \$122.3 million.

Overall revenue increased in fiscal 2024 by approximately \$40.8 million, when compared to fiscal 2023, mainly due to an increase in taxes of \$10.5 million, an increase in interest and other of \$69.3 million, and an increase in payment in lieu of taxes of \$5.5 million, offset by a decrease in charges for services of \$3.8 million, and a decrease of \$40.5 million in operating grants and contributions.

Overall expenses decreased in fiscal 2024 by \$274.1 million when compared to fiscal 2023, mainly due to a decrease in general government expense of \$164.6 million, a decrease in public safety expense of \$6.9 million, a decrease in public housing and welfare expense of \$32.3 million, a decrease in education expense of \$64.9 million, a decrease in transportation and communication expenses of \$2.5 million, a decrease in other business program expense of \$3.1 million, a decrease in culture and creation expense of \$0.3 million and a decrease in unemployment insurance expense of \$0.2 million. These decreases were offset by an increase in WICO expenses of \$0.3 million, increase in viNGN expenses of \$0.2 million and an increase in interest expense on long-term debt of \$0.2 million.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

A summary of net position and changes in net position for the primary government follows (expressed in thousands):

September 30,	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Assets and Deferred Outflows</b>						
Current assets	\$ 1,272,063	\$ 1,367,936	\$ 105,320	\$ 83,636	\$ 1,377,383	\$ 1,451,572
Internal balances	50,919	50,294	(50,919)	(50,294)	-	-
Capital assets	1,260,406	1,135,668	92,130	98,867	1,352,536	1,234,535
Leases receivable	-	-	7,425	7,458	7,425	7,458
Other assets	4,882	5,044	1,707	1,681	6,589	6,725
Deferred outflows of resources	580,806	878,458	-	-	580,806	878,458
<b>Total assets and deferred outflows</b>	<b>3,169,076</b>	<b>3,437,400</b>	<b>155,663</b>	<b>141,348</b>	<b>3,324,739</b>	<b>3,578,748</b>
<b>Liabilities and Deferred Inflows</b>						
Long-term liabilities	5,614,245	6,059,707	94,493	93,830	5,708,738	6,153,537
Other liabilities	1,100,502	1,229,221	103,694	113,886	1,204,196	1,343,107
Deferred inflows of resources	1,287,382	1,413,149	3,192	3,205	1,290,574	1,416,354
<b>Total liabilities and deferred inflows</b>	<b>8,002,129</b>	<b>8,702,077</b>	<b>201,379</b>	<b>210,921</b>	<b>8,203,508</b>	<b>8,912,998</b>
<b>Net Position</b>						
Net investment in capital assets	1,026,098	889,370	11,233	17,754	1,037,331	907,124
Restricted	210,202	368,700	42,175	24,608	252,377	393,308
Unrestricted deficit	(6,069,353)	(6,522,747)	(99,124)	(111,935)	(4,878,769)	(6,634,682)
<b>Total net deficit</b>	<b>\$ (4,833,053)</b>	<b>\$ (5,264,677)</b>	<b>\$ (45,716)</b>	<b>\$ (69,573)</b>	<b>\$(4,878,769)</b>	<b>\$ (5,334,250)</b>

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

September 30,	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 35,320	\$ 36,830	\$ 58,892	\$ 61,161	\$ 94,212	\$ 97,991
Operating grants and contributions	962,794	1,002,859	70	497	962,864	1,003,356
Capital grants and contributions	29,059	24,650	2,120	6,676	31,179	31,326
General revenue:						
Taxes	1,055,037	1,044,579	-	-	1,055,037	1,044,579
Interest and other	149,479	76,019	8,262	12,395	157,741	88,414
Payment in lieu of taxes	16,134	10,593	-	-	16,134	10,593
Tobacco settlement rights	1,013	1,090	-	-	1,013	1,090
<b>Total revenues</b>	<b>2,248,836</b>	<b>2,196,620</b>	<b>69,344</b>	<b>80,729</b>	<b>2,318,180</b>	<b>2,277,349</b>
<b>Expenses</b>						
General government	1,047,855	1,212,486	-	-	1,047,855	1,212,486
Public safety	86,950	93,845	-	-	86,950	93,845
Health	72,745	72,676	-	-	72,745	72,676
Public housing and welfare	308,424	340,707	-	-	308,424	340,707
Education	274,609	339,546	-	-	274,609	339,546
Transportation and communication	51,939	54,445	-	-	51,939	54,445
Culture and recreation	8,862	9,207	-	-	8,862	9,207
Interest on long-term debt	80,839	80,591	-	-	80,839	80,591
The West Indian Company	-	-	13,669	13,417	13,669	13,417
Unemployment insurance	-	-	5,190	5,346	5,190	5,346
viNGN	-	-	10,653	10,487	10,653	10,487
Other	-	-	16,875	19,997	16,875	19,997
<b>Total expenses</b>	<b>1,932,223</b>	<b>2,203,503</b>	<b>46,387</b>	<b>49,247</b>	<b>1,978,610</b>	<b>2,252,750</b>
Changes in net position (deficit) before transfers and special items	316,613	(6,883)	22,957	31,482	339,570	24,599
Transfers	(900)	(1,000)	900	1,000	-	-
Repayment of advances from line of credit	67,342	-	-	-	67,342	-
Special item - settlement proceeds	60,000	96,958	-	-	60,000	96,958
Special item - transfer of land	(1,403)	-	-	-	(1,403)	-
Special item - debt cancellation	-	-	-	717	-	717
Changes in net deficit	441,652	89,075	23,857	33,199	465,509	122,274
<b>Net deficit, beginning of year, as adjusted</b>	<b>(5,274,705)</b>	<b>(5,353,752)</b>	<b>(69,573)</b>	<b>(102,772)</b>	<b>(5,344,278)</b>	<b>(5,456,524)</b>
<b>Net deficit, end of year</b>	<b>\$(4,833,053)</b>	<b>\$(5,264,677)</b>	<b>\$(45,716)</b>	<b>\$(69,573)</b>	<b>\$(4,878,769)</b>	<b>\$(5,334,250)</b>

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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### Financial Analysis of the Government's Funds

#### Governmental Funds

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, the unassigned fund balance/deficit may serve as a useful measure of a government's net resources available, or not available, for discretionary use as they represent the portion of the fund balances which has not yet been limited to use for a particular purpose by either an external party of the primary Government.

On September 30, 2024, the Government's governmental funds reported a combined fund balance of \$192.4 million, a decrease of \$15.4 million when compared to the prior year combined fund balance of \$207.8 million. Approximately \$534.6 million of this amount consists of unassigned fund deficits representing expenditures in governmental funds that exceeded discretionary funds available. The remaining fund balances are either restricted, committed, or assigned to indicate that the fund balance is: i) restricted for particular purposes (\$314.1 million), ii) committed for particular purposes (\$94.7 million), or iii) assigned for particular purposes (\$318.3 million).

The General Fund is the chief operating fund of the primary Government. On September 30, 2024, the total fund deficit of the General Fund was \$391.9 million, a decrease of \$78.0 million from the prior year fund deficit of \$469.9 million. The decrease in fund deficit of \$78.0 million was mainly due to total expenditures of the General Fund of \$1.2 billion exceeding General Fund revenues of \$0.9 billion by \$198.8 million, offset by loans issued of \$22.9 million, settlements reported by the General Fund of \$33.6 million, and net transfers received of \$152.9 million.

The PFA Debt Service Fund accounts for the resources accumulated, and payments made for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government. On September 30, 2024, the restricted fund balance of the PFA Debt Service Fund was \$160.9 million, a decrease of \$113.3 million from the prior fiscal year fund balance of \$274.2 million. This decrease was mainly due to debt service payments of principal and interest of \$72.2 million, contributions to the Government Employees' Retirement System of the U.S. Virgin Islands (GERS) Funding Note of \$124.0 million, and transfers to other funds of \$142.3 million. These decreases were offset by tax revenues of \$210.7 million, federal grants of \$7.5 million, interest and other revenues of \$6.1 million, and transfers from other funds of \$0.8 million.

The PFA Capital Projects Fund accounts for bond proceeds issued by PFA that have been designated for certain necessary public safety and capital development projects. On September 30, 2024, the restricted fund balance of the PFA Capital Projects Fund was \$96.1 million, a decrease of \$11.5 million from the prior fiscal year fund balance of \$107.6 million. This decrease was mainly due to transfers to other funds of \$11.0 million, general government expenses of \$1.8 million, and capital outlays of \$727,000 exceeding interest and other income of \$2.0 million.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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The Matching Fund Special Purpose Securitization Corporation (MFSPSC) accounts for the resources accumulated, and payments made, for debt service requirements of bonds issued by MFSPSC. On September 30, 2024, the restricted fund balance of MFSPSC was \$43.5 million, a decrease of \$34.4 million from the prior fiscal year balance of \$77.9 million. The decrease is mainly due to bond interest payments of \$47.9 million exceeding tax revenues of \$10.3 million and interest and other revenue of \$3.2 million.

The Federal Grants Fund accounts for payments that are restricted to expenditures for specified purposes. On September 30, 2024, the Federal Grants Fund deficit of \$13.1 million decreased by \$58.5 million from the prior year fund deficit of \$71.6 million. The decrease in fund deficit was due to federal grant revenues exceeding federal grant expenditures.

### Proprietary Funds

The focus of *proprietary funds* is to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for The West Indian Company, Ltd (WICO), Unemployment Insurance, and the Virgin Islands Next Generation Network (viNGN) as these funds are considered to be major funds.

On September 30, 2024, the primary Government's proprietary funds reported a combined net deficit of \$45.7 million, a decrease in deficit of \$23.9 million when compared to the prior year combined net deficit of \$69.6 million. The fund deficit is the result of an unrestricted deficit in the proprietary funds of \$99.1 million, offset by net investment in capital assets of \$11.2 million and restricted net position of \$42.2 million.

WICO owns a port facility including a cruise ship pier and manages certain parcels of land and warehouses on the island of St. Thomas. On September 30, 2024, the net deficit of WICO was \$21.5 million, an increase in fund deficit of \$4.2 million from the prior fiscal year. This increase was mainly due to interest expense of \$3.4 million, payment in lieu of taxes of \$643,000, and an operating loss of \$922,000 offset by interest and other income of \$785,000.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance. On September 30, 2024, the net deficit of the fund was \$34.5 million, a decrease in deficit of \$24.8 million from the prior fiscal year. The decrease in deficit was mainly due to charges of services of \$29.1 million exceeding costs of services of \$5.2 million, grant revenue of \$67,000, and interest and other revenue of \$881,000.

viNGN designs, develops, and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed internet connections to retail internet service providers. On September 30, 2024, viNGN, reported net position of \$12.8 million, a decrease of \$3.8 million from the prior fiscal year. This decrease was mainly due to an operating loss of \$5.8 million offset by grant revenue of \$2.1 million.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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### General Fund Budgetary Highlights

The Virgin Islands Office of Management and Budget prepares an annual executive budget subject to approval by the Governor and the Legislature of the Virgin Islands. The executive budget is prepared on a budgetary basis that is like the cash basis of accounting. The executive budget includes only those funds that are subject to appropriation by law. More information regarding budgetary procedures is provided in the Required Supplementary Information accompanying the basic financial statements.

A summary of the budgetary report for the General Fund of the Government, for the fiscal year ended September 30, 2024, follows (expressed in thousands):

September 30, 2024	Original Budget	Amended Budget	Actual	Variance
Total revenues	\$ 991,432	\$ 991,432	\$ 1,055,974	\$ 64,542
Total expenditures	801,987	879,791	920,731	(40,940)
(Deficiency) excess of revenues over expenditures	189,445	111,641	135,243	23,602
Other financing sources (uses), net	(146,412)	(146,412)	(157,097)	(10,685)
Excess (deficiency) of revenues and net other financing sources over expenditures	\$ 43,033	\$ (34,771)	\$ (21,854)	\$ 12,917

For fiscal year 2024, the General Fund realized a favorable budgetary variance of \$12.9 million mainly due to a favorable revenue variance of \$64.5 million, an unfavorable expenditure variance of \$40.9 million, and an unfavorable other financing sources (uses) variance of \$10.7 million.

The General Fund realized a favorable revenue variance of \$64.5 million mainly due to interest & other revenues exceeding budgeted amounts by \$158.7 million, federal grant revenue received of \$5.6 million, payment in lieu of taxes revenue received of \$5.5 million, charges for services revenues being under budget by \$3.7 million and taxes revenues being under budget by \$101.5 million during the fiscal year. The General Fund realized an unfavorable expenditures variance of \$40.9 million due to spending exceeding budgeted amounts.

### Capital Assets

Capital assets additions during fiscal year 2024 amounted to \$192.5 million for governmental activities, net of adjustments, and \$1.9 million for business activities net of adjustments. Capital assets additions during fiscal year 2023 amounted to \$94.3 million for governmental activities net of adjustments, and \$61,000 for business-type activities, net of adjustments.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

The Government's capital assets include land, land improvements, buildings, building improvements, machinery and equipment, infrastructure, right-to-use building and improvements, construction in progress, and intangibles, as follows (expressed in thousands):

September 30,	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land and land improvements	\$ 253,168	\$ 237,373	\$ 7,345	\$ 7,083	\$ 260,513	\$ 244,456
Building and improvements	688,156	668,983	82,477	82,440	770,633	751,423
Machinery and equipment	327,241	311,971	87,984	84,250	415,225	396,221
Right-to-use assets	-	-	1,354	1,329	1,354	1,329
Infrastructure	404,367	365,687	-	-	404,367	365,687
Intangible assets	-	-	30,774	30,774	30,774	30,774
Construction in progress	349,380	248,347	8,537	11,071	357,917	259,418
<b>Total capital assets</b>	<b>2,022,312</b>	<b>1,832,361</b>	<b>218,471</b>	<b>216,947</b>	<b>2,240,783</b>	<b>2,049,308</b>
Less accumulated depreciation and amortization	(761,906)	(696,693)	(126,341)	(118,080)	(888,247)	(814,773)
<b>Total capital assets, net</b>	<b>\$1,260,406</b>	<b>\$ 1,135,668</b>	<b>\$ 92,130</b>	<b>\$ 98,867</b>	<b>\$1,352,536</b>	<b>\$ 1,234,535</b>

Note 9 provides detailed information regarding the capital assets of the primary government and the component units of the Government.

### Debt Administration (General Obligation and Revenue Bonds)

The Government issues both general obligation bonds and revenue bonds. The Revised Organic Act [48 U.S.C. Section 1574 (b)(ii)] restricts the principal amount of general obligation debt that the Government may issue to no greater than 10.0% of the aggregate assessed valuation of taxable real property in the U.S. Virgin Islands. Following is a summary of bonds outstanding as of September 30, 2024, (expressed in thousands):

Bond Issue	Maturity	Rates (%)	Balance
2022 Series A Securitization Bonds	2039	4.05 - 4.73	\$ 930,315
2022 Series B Securitization Bonds	2025	6.00	22,510
2019 Series A TIF Revenue and Refunding Bonds	2029	6.88	4,105
2015 Series Federal Highway Bonds	2016 - 2033	3.00 - 5.00	53,825
2014 Series D Revenue Bonds	2015 - 2033	6.03	3,830
2014 Series C Revenue and Refunding Bonds	2015 - 2044	4.50-5.00	194,760
2014 Series A Revenue Bonds	2015 - 2034	5.00	33,225
2012 Series C Revenue Bonds	2017 - 2042	3.00 - 5.00	18,830
2012 Series A & B Revenue & Refunding Bonds	2017 - 2032	2.25 - 5.25	121,420
2006 Series A Revenue Bonds	2007 - 2029	3.50 - 5.00	119,560
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 - 8.00	3,767
<b>Total bonds outstanding</b>			<b>1,506,147</b>
Plus (less):			
Bonds premium			36,547
Bonds discount			(168)
Bonds accretion			16,073
<b>Net bonds outstanding</b>			<b>\$ 1,558,599</b>

Note 10 provides detailed information regarding all bonds of the primary government.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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The Government made bond principal payments on outstanding general and special revenue bonds amounting to \$44.7 million during fiscal year 2024 and \$42.9 million during fiscal year 2023.

In April 2022, KBRA assigned a long-term rating of BBB for the Matching Fund Securitization Bonds Series 2022A and Matching Fund Securitization Bonds Taxable Series 2022. In April 2024, KBRA affirmed the rating of BBB and revised the outlook to negative from stable due to a trend of declining pledged matching fund receipts in each of the prior three years. In July 2025, Congress permanently enacted a per proof gallon cover-over rate of \$13.25, and KBRA revised the outlook for the bonds to stable.

In March 2023, Moody's Investor Services withdrew the Government of the U.S. Virgin Islands issuer rating. At the time of withdrawal, the Government's issuer rating was Caa3 and the outlook was stable. Moody's withdrew the rating as debt obligations for which it served as a reference rating no longer had outstanding ratings. Most recently, Moody's had served as a reference rating for the Virgin Islands Water and Power Authority (VIWAPA). The ratings for VIWAPA were withdrawn on March 1, 2023, because of insufficient information to support the maintenance of bond ratings.

### Other Liabilities of the Primary Government

Other liabilities of the Government include the following (expressed in thousands):

September 30,	2024	2023
Governmental activities:		
Accrued compensated absences	\$ 49,198	\$ 47,583
Retroactive union arbitration	144,110	146,518
Litigation	5,761	6,685
Landfill closure and post closure	169,350	165,244
Business-type activities:		
Workers compensation	40,827	41,961
Lease liability - viNGN	461	680
Lease liability - WICO	20	49
VIWAPA utilities - WICO	183	183
Compensated absences - WICO	1,352	1,372
Loan payable - viNGN	438	450
Revolving line of credit - viNGN	95	-
Loan payable - U.S. Treasury	79,693	87,406
Bonds payable - WICO	51,676	51,631
Total other liabilities	\$ 543,164	\$ 549,762

### Net Pension Liabilities

The Government has implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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Following is the net pension liability reported in fiscal years 2024 and 2023 (expressed in thousands):

September 30,	2024	2023
Net pension liability	\$ 2,964,893	\$ 3,125,580

### Net Other Postemployment Benefit (OPEB) Liabilities

The Government has implemented the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees of the Government and ten (10) of the Government's component units under a special funding arrangement.

Following is the net OPEB liability reported in fiscal years 2024 and 2023 (expressed in thousands):

September 30,	2024	2023
Net OPEB liability	\$ 812,312	\$ 784,556

### Significant Currently Known Facts

The Government promotes fiscal sustainability through economic development, compliance initiatives, and budgetary restraints on expenditures. The Government is also working with non-governmental organizations and Federal partners as part of its recovery efforts following the 2017 hurricanes and the COVID-19 pandemic.

#### *Revenue and Compliance Initiatives*

The Government has implemented several initiatives to create jobs, stimulate economic growth, and promote fiscal sustainability including promotion of airline travel tourism through national advertising, introducing legislation for the legal sale of cannabis for medical purposes, compliance initiatives to ensure voluntary tax filing requirements are met, and outreach to national and foreign investors. The Government continues to promote its high-tech broadband capabilities, educated workforce, and tax incentive programs available in the U.S. Virgin Islands to management, technology, and tourism-related industries.

The Territory continues to work with federal recovery partners including Federal Emergency Management Agency (FEMA), U.S. Department of Housing and Urban Development (HUD), Federal Highway Administration (FHWA), and other agencies to establish a multi-year, multi-billion recovery plan building resiliency in managing climate change and fiscal sustainability.

# Government of the United States Virgin Islands

## Management's Discussion and Analysis

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### ***Budgetary Control of Expenditures***

The Government has experienced an increase in carry-forward liabilities from prior fiscal years mainly due to landfill closure costs, postemployment benefits for retirees, and net pension liabilities in connection with the Government's defined benefit pension plan. The Government also has carry-forward liabilities due to unpaid retroactive salary increases that accumulated following Hurricanes Hugo, Marilyn, and Bertha in the years of 1990 through 1998. At September 30, 2024 and 2023, long-term liabilities for pension and other postemployment benefits to retired government employees amounted to \$3.8 billion and \$4.1 billion, respectively. The Government's defined benefit pension plan was 10.33% and 8.91% funded as of the measurement dates of September 30, 2024 and 2023, respectively.

Based on the most recent actuarial projection of November 2024, the Government's retirement system is expected to remain solvent in coming years. The retirement system increased the contribution rates of participating employers by: (i) 1.0% effective October 1, 2015, 2016 and 2017; (ii) by 3.0% effective January 2020; and (iii) by another 3.0% effective January 1, 2025. The January 1, 2025 increase was subsequently postponed to October 1, 2025. In September 2025, 36<sup>th</sup> Legislature of V.I. passed a measure that removed the GERS board's authority to increase the contribution rates and future changes requires legislative approval. This overturns the GERS board's decision to increase the employer contribution rate by 3.0% effective October 1, 2025.

In 2022, the Government restructured the existing matching fund bond debt to free up resources to provide annual funding for the retirement system through the issuance of the GERS Funding Note between the PFA and GERS. The GERS Funding Note establishes a funding plan for GERS using residual matching funds after debt service and other required payments under the bond indenture. Payments made to GERS in April 2022 and October 2022 through October 2025 amounted to \$89.2 million, \$158.0 million, \$124.0 million, \$102.0 million and \$56.4 million, respectively.

### **Contacting the Government's Financial Management**

This financial report is designed to provide the Government's citizens, taxpayers, customers, and creditors with a general overview of the Government's finances. If you have questions about this report, or need additional financial information, contact:

Government of the United States Virgin Islands  
Department of Finance  
No. 2314 Kronprindsens Gade  
St. Thomas, VI 00802

## **Basic Financial Statements**

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# Government of the United States Virgin Islands

## Statement of Net Position

(in thousands)

September 30, 2024	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 554,086	\$ 47,714	\$ 601,800	\$ 123,697
Investments, at fair value	372,957	1,680	374,637	22,804
Receivables, net	220,423	3,799	224,222	228,376
Internal balances	50,919	(50,919)	-	-
Due from federal government	75,285	1,113	76,398	48,250
Due from component units	41,233	-	41,233	-
Due from primary government	-	-	-	22,602
Inventories	-	-	-	17,424
Prepayments and other assets	-	-	-	42,065
Restricted:				
Cash and cash equivalents	-	51,014	51,014	121,045
Investments	-	-	-	87,325
Other	-	-	-	18,291
Capital assets, net	1,260,406	92,130	1,352,536	2,593,940
Leases receivable	-	7,425	7,425	383
Notes receivable	8,079	-	8,079	3,936
Other assets	4,882	1,707	6,589	153,873
<b>Total assets</b>	<b>2,588,270</b>	<b>155,663</b>	<b>2,743,933</b>	<b>3,484,011</b>
<b>Deferred Outflows of Resources</b>				
Deferred amounts related to pension	493,549	-	493,549	265,790
Deferred charges on bond refunding	5,592	-	5,592	7,335
Deferred amounts related to OPEB	81,665	-	81,665	40,745
<b>Total deferred outflows of resources</b>	<b>580,806</b>	<b>-</b>	<b>580,806</b>	<b>313,870</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,169,076</b>	<b>\$ 155,663</b>	<b>\$ 3,324,739</b>	<b>\$ 3,797,881</b>

See accompanying notes to financial statements.

# Government of the United States Virgin Islands

## Statement of Net Position

(in thousands)

September 30, 2024	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 468,659	\$ 8,125	\$ 476,784	\$ 787,608
Unemployment insurance benefits	-	3,257	3,257	-
Customer deposits	-	-	-	30,667
Due to primary government	-	-	-	63,239
Due to component units	26,568	-	26,568	-
Due to federal government	-	-	-	6,375
Refundable advance	111,531	9,187	120,718	-
Interest payable	37,031	1,669	38,700	8,283
Other current liabilities:				
Tax refunds payable	169,494	-	169,494	-
Line of credit	-	-	-	33,262
Loans and notes payable	18	79,710	79,728	4,831
Bonds payable	60,163	-	60,163	61,905
Unearned revenues	181,069	-	181,069	30,091
Other liabilities	45,969	1,746	47,715	15,551
Noncurrent liabilities:				
Line of credit	-	95	95	9,731
Loans and notes payable	16,154	421	16,575	12,375
Bonds payable	1,498,436	51,676	1,550,112	164,255
Net pension liability	2,964,893	-	2,964,893	1,080,349
Other postemployment benefits liability (OPEB)	812,312	-	812,312	132,936
Unearned revenues	-	1,204	1,204	57,963
Other liabilities	322,450	41,097	363,547	112,451
<b>Total liabilities</b>	<b>6,714,747</b>	<b>198,187</b>	<b>6,912,934</b>	<b>2,611,872</b>
<b>Deferred Inflows of Resources</b>				
Deferred amounts related to OPEB	186,938	-	186,938	23,456
Deferred amounts related to pension	1,100,444	-	1,100,444	233,269
Deferred amounts related to leases	-	3,192	3,192	3,172
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 8,002,129</b>	<b>\$ 201,379</b>	<b>\$ 8,203,508</b>	<b>\$ 2,871,769</b>
<b>Net Position (Deficit)</b>				
Net investment in capital assets	\$ 1,026,098	\$ 11,233	\$ 1,037,331	\$ 2,310,326
Restricted:				
Unemployment insurance	-	41,887	41,887	-
Debt service	204,415	288	204,703	-
Capital projects	5,787	-	5,787	-
Component units	-	-	-	236,501
Unrestricted deficit	(6,069,353)	(99,124)	(6,168,477)	(1,620,715)
<b>Total net deficit</b>	<b>\$ (4,833,053)</b>	<b>\$ (45,716)</b>	<b>\$ (4,878,769)</b>	<b>\$ 926,112</b>

See accompanying notes to financial statements.

# Government of the United States Virgin Islands

## Statement of Activities (in thousands)

Year Ended September 30, 2024	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Functions:								
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 1,047,855	\$ 33,635	\$ 557,934	\$ 10,690	\$ (445,596)	\$ -	\$ (445,596)	\$ -
Public safety	86,950	382	7,328	-	(79,240)	-	(79,240)	-
Health	72,745	173	29,146	-	(43,426)	-	(43,426)	-
Public housing and welfare	308,424	299	271,423	-	(36,702)	-	(36,702)	-
Education	274,609	42	82,888	-	(191,679)	-	(191,679)	-
Transportation and communication	51,939	618	14,021	18,369	(18,931)	-	(18,931)	-
Culture and recreation	8,862	171	54	-	(8,637)	-	(8,637)	-
Interest on long-term debt	80,839	-	-	-	(80,839)	-	(80,839)	-
<b>Total governmental activities</b>	<b>1,932,223</b>	<b>35,320</b>	<b>962,794</b>	<b>29,059</b>	<b>(905,050)</b>	<b>-</b>	<b>(905,050)</b>	<b>-</b>
<b>Business-type activities:</b>								
WICO	13,669	8,695	-	4	-	(4,970)	(4,970)	-
Unemployment insurance	5,190	29,055	67	-	-	23,932	23,932	-
viNGN	10,653	4,690	-	2,116	-	(3,847)	(3,847)	-
Other	16,875	16,452	3	-	-	(420)	(420)	-
<b>Total business-type activities</b>	<b>46,387</b>	<b>58,892</b>	<b>70</b>	<b>2,120</b>	<b>-</b>	<b>14,695</b>	<b>14,695</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 1,978,610</b>	<b>\$ 94,212</b>	<b>\$ 962,864</b>	<b>\$ 31,179</b>	<b>\$ (905,050)</b>	<b>\$ 14,695</b>	<b>\$ (890,355)</b>	<b>\$ -</b>
<b>Component units:</b>								
Virgin Islands Housing Authority	\$ 93,475	\$ 7,239	\$ 47,663	\$ 23,609	\$ -	\$ -	\$ -	\$ (14,964)
Virgin Islands Port Authority*	83,567	74,832	-	27,070	-	-	-	18,335
Virgin Islands Water and Power Authority:								
Electric System*	336,388	327,105	-	81,521	-	-	-	72,238
Water System*	35,909	37,740	-	6,759	-	-	-	8,590
Virgin Islands Government Hospital and Health Facilities Corporation:								
Roy L. Schneider Hospital*	118,040	76,202	28,437	8,111	-	-	-	(5,290)
Juan F. Luis Hospital*	109,021	42,376	30,249	16,849	-	-	-	(19,547)
University of the Virgin Islands*	110,271	12,928	76,364	3,808	-	-	-	(17,171)
Virgin Islands Housing Finance Authority*	80,115	5,385	64,384	-	-	-	-	(10,346)
Other component units**	84,503	12,210	81,058	3,975	-	-	-	12,740
<b>Total component units</b>	<b>\$ 1,051,289</b>	<b>\$ 596,017</b>	<b>\$ 328,155</b>	<b>\$ 171,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 44,585</b>
<b>Total primary government and component units</b>								<b>\$ 44,585</b>

\*Unaudited

See accompanying notes to financial statements.

\*\*University of the Virgin Islands Research and Technology Park Corporation, Virgin Islands Waste Management Authority, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)

# Government of the United States Virgin Islands

## Statement of Activities

(in thousands)

Year Ended September 30, 2024	Net Revenue (Expense) and Changes in Net Position			Component Units
	Primary Government			
	Governmental Activities	Business-type Activities	Total	
<b>General revenue:</b>				
Taxes	\$ 1,055,037	\$ -	\$ 1,055,037	\$ -
Payment in lieu of taxes	16,134	-	16,134	-
Interest and other	149,479	8,262	157,741	28,969
Tobacco settlement rights	1,013	-	1,013	-
Repayment of advances from line of credit	67,342	-	67,342	-
Special item - settlements proceeds	60,000	-	60,000	-
Special item - transfer of land	(1,403)	-	(1,403)	-
Special item - insurance recoveries on capital assets, net	-	-	-	50
Transfers - internal activities of primary government	(900)	900	-	-
<b>Total general revenue and other items</b>	<b>1,346,702</b>	<b>9,162</b>	<b>1,355,864</b>	<b>29,019</b>
Changes in net position (deficit)	441,652	23,857	465,509	73,604
Net position (deficit), beginning of year, as adjusted (Note 18)	(5,274,705)	(69,573)	(5,344,278)	852,508
<b>Net position (deficit), end of year</b>	<b>\$ (4,833,053)</b>	<b>\$ (45,716)</b>	<b>\$ (4,878,769)</b>	<b>\$ 926,112</b>

*See accompanying notes to financial statements.*

# Government of the United States Virgin Islands

## Balance Sheet - Governmental Funds

(in thousands)

September 30, 2024	General	PFA Debt Service	PFA Capital Projects	Matching Fund Special Purpose Securitization Corporation	Federal Grants	Other Governmental	Total Governmental
<b>Assets</b>							
Cash and cash equivalents	\$ -	\$ 15,796	\$ 25,083	\$ 181,262	\$ -	\$ 331,945	\$ 554,086
Investments, at fair value	164,118	129,352	34,180	43,356	-	1,951	372,957
Receivables:							-
Taxes, net	191,610	27,750	-	-	-	-	219,360
Other	200	-	-	-	-	863	1,063
Due from federal government	-	-	-	-	75,285	-	75,285
Due from:							
Other funds	235,351	-	37,129	-	-	36,381	308,861
Component units, net	33,858	-	-	-	-	7,375	41,233
<b>Total assets</b>	<b>625,137</b>	<b>172,898</b>	<b>96,392</b>	<b>224,618</b>	<b>75,285</b>	<b>378,515</b>	<b>1,572,845</b>
<b>Liabilities</b>							
Accounts payable and accrued liabilities	358,600	1,758	270	-	88,417	19,614	468,659
Tax refunds payable	169,494	-	-	-	-	-	169,494
Refundable advance	104,212	-	-	-	-	7,319	111,531
Unearned revenues	170,283	-	-	10,786	-	-	181,069
Due to:							
Other funds	34,262	-	-	170,282	-	53,398	257,942
Component units	26,072	-	45	-	-	450	26,567
<b>Total liabilities</b>	<b>862,923</b>	<b>1,758</b>	<b>315</b>	<b>181,068</b>	<b>88,417</b>	<b>80,781</b>	<b>1,215,262</b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenues	154,114	10,275	-	-	-	747	165,136
<b>Total liabilities and deferred inflows of resources</b>	<b>1,017,037</b>	<b>12,033</b>	<b>315</b>	<b>181,068</b>	<b>88,417</b>	<b>81,528</b>	<b>1,380,398</b>
<b>Fund balances (deficit)</b>							
Restricted	-	160,865	96,077	43,550	-	13,584	314,076
Committed	71,586	-	-	-	-	23,145	94,731
Assigned	2,982	-	-	-	-	315,271	318,253
Unassigned	(466,468)	-	-	-	(13,132)	(55,013)	(534,613)
<b>Total fund balances (deficit)</b>	<b>(391,900)</b>	<b>160,865</b>	<b>96,077</b>	<b>43,550</b>	<b>(13,132)</b>	<b>296,987</b>	<b>192,447</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficit)</b>	<b>\$ 625,137</b>	<b>\$ 172,898</b>	<b>\$ 96,392</b>	<b>\$ 224,618</b>	<b>\$ 75,285</b>	<b>\$ 378,515</b>	
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>							
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.							1,260,406
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.							4,882
Note receivable related to the sale of capital assets therefore, not reported in the funds.							8,079
Deferred costs of refunding bonds are not financial resources and are therefore, not reported in the funds.							5,592
Other long-term assets, primarily taxes receivable, will not be available to pay for current period expenditures and therefore, are deferred in the funds.							165,136
Deferred outflows and inflows of resources of pension and postemployment benefit liabilities are not current financial resources and therefore, are not included in the funds.							(712,168)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.							(37,031)
Long-term pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(2,964,893)
Long-term postemployment benefit liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(812,312)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.							(1,943,191)
<b>Net deficit of governmental activities</b>							<b>\$ (4,833,053)</b>

*See accompanying notes to financial statements.*

**Government of the United States Virgin Islands**  
**Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances – Governmental Funds**  
*(in thousands)*

<i>Year Ended September 30, 2024</i>	General	PFA Debt Service	PFA Capital Projects	Matching Fund Special Purpose Securitization Corporation	Federal Grants	Other Governmental	Total Governmental
<b>Revenues</b>							
Taxes	\$ 735,203	\$ 210,716	\$ -	\$ 10,280	\$ -	\$ 16,996	\$ 973,195
Payment in lieu of taxes	16,134	-	-	-	-	-	16,134
Federal grants and contributions	116,054	7,574	-	-	850,921	17,304	991,853
Charges for services	18,036	-	-	-	-	17,284	35,320
Tobacco settlement rights	-	-	-	-	-	1,061	1,061
Interest and other	81,610	6,073	1,996	3,220	14,912	43,260	151,071
<b>Total revenues</b>	<b>967,037</b>	<b>224,363</b>	<b>1,996</b>	<b>13,500</b>	<b>865,833</b>	<b>95,905</b>	<b>2,168,634</b>
<b>Expenditures</b>							
Current:							
General government	627,060	8	1,860	-	345,168	76,728	1,050,824
Public safety	81,505	-	-	-	4,118	450	86,073
Health	59,408	-	-	-	11,728	886	72,022
Public housing and welfare	70,766	-	-	-	237,495	1,382	309,643
Education	188,940	-	-	-	69,791	2,135	260,866
Transportation and communication	25,279	-	-	-	2,834	9,813	37,926
Culture and recreation	7,711	-	-	-	-	708	8,419
Capital outlays	35,439	-	727	-	136,185	20,152	192,503
Debt service:							
Principal	64,199	43,637	-	-	-	1,059	108,895
Interest	5,551	28,531	-	47,866	-	268	82,216
<b>Total expenditures</b>	<b>1,165,858</b>	<b>72,176</b>	<b>2,587</b>	<b>47,866</b>	<b>807,319</b>	<b>113,581</b>	<b>2,209,387</b>
Excess (deficiency) of revenue over expenditures	(198,821)	152,187	(591)	(34,366)	58,514	(17,676)	(40,753)
<b>Other financing sources (uses)</b>							
Loans issued	22,941	-	-	-	-	-	22,941
Cost of issuance of debt	-	-	-	-	-	-	-
Repayment of advances from line of credit	67,342	-	-	-	-	-	67,342
Settlement proceeds	33,600	-	-	-	-	26,400	60,000
GERS Funding Note payment	-	(123,997)	-	-	-	-	(123,997)
Transfers from other funds	174,214	807	-	-	-	18,284	193,305
Transfers to other funds	(21,284)	(142,331)	(10,956)	-	-	(19,634)	(194,205)
<b>Total other financing sources (uses), net</b>	<b>276,813</b>	<b>(265,521)</b>	<b>(10,956)</b>	<b>-</b>	<b>-</b>	<b>25,050</b>	<b>25,386</b>
<b>Net change in fund balances</b>	<b>77,992</b>	<b>(113,334)</b>	<b>(11,547)</b>	<b>(34,366)</b>	<b>58,514</b>	<b>7,374</b>	<b>(15,367)</b>
Fund balances (deficit), beginning of year	(469,892)	274,199	107,624	77,916	(71,646)	289,613	207,814
<b>Fund balances (deficit), end of year</b>	<b>\$ (391,900)</b>	<b>\$ 160,865</b>	<b>\$ 96,077</b>	<b>\$ 43,550</b>	<b>\$ (13,132)</b>	<b>\$ 296,987</b>	<b>\$ 192,447</b>

*See accompanying notes to financial statements.*

# Government of the United States Virgin Islands

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds (in thousands)

Year Ended September 30, 2024

Net change in fund balances - total governmental funds	\$ (15,367)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation, impairment loss, and disposals in the current year.	124,738
Interest income reported from note receivables not producing current resources.	(1,595)
Tax revenue in the statement of activities, which provide current financial resources, are reported as revenue in the funds.	35,818
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. This is the amount of debt repayments that exceed the amount of new debts issued in the current year.	85,955
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the increase in certain liabilities reported in the statement of net position of the previous year increased expenses reported in the statement of activities that do not require the use of current financial resources.	43,587
Some expenses reported as prepaid assets in the statement of net position in the current year are recognized as expenses in the following year in the statement of activities.	(158)
Bond premiums and discounts are reported as other financing sources and uses in the governmental funds when the bonds are issued, and are capitalized and amortized in the government-wide financial statements. This amount represents additional net interest expense reported in the statement of activities related to the amortization of premiums, discounts, deferred refunding, and accreted interest on capital appreciation bonds during the current year.	3,079
Certain interest reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the decrease in interest payable reported in the statement of net position.	1,377
Certain OPEB expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the increase in OPEB liabilities for the allocable share of OPEB expense reported in statement of net position.	9,087
Certain pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the decrease in pension liabilities for the allocable share of pension expense reported in statement of net position.	155,131
Change in net deficit of governmental activities	\$ 441,652

See accompanying notes to financial statements.

# Government of the United States Virgin Islands

## Statement of Net Position - Proprietary Funds

(in thousands)

September 30, 2024	Business-type Activities				Total
	WICO	Unemployment Insurance	viNGN	Other Enterprise	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,251	\$ 5,312	\$ 1,399	\$ 39,752	\$ 47,714
Investments, at fair value	-	-	-	1,680	1,680
Receivables, net:					
Grants receivable	152	-	961	-	1,113
Leases receivable	591	-	-	-	591
Premiums receivable	-	1,277	-	-	1,277
Other receivables	922	-	536	1,064	2,522
Due from other funds	-	-	-	300	300
Other assets	1,195	-	346	166	1,707
<b>Total current assets</b>	<b>4,111</b>	<b>6,589</b>	<b>3,242</b>	<b>42,962</b>	<b>56,904</b>
Noncurrent assets:					
Restricted cash and cash equivalents	8,877	41,887	250	-	51,014
Leases receivable	6,834	-	-	-	6,834
Capital assets	28,529	-	50,399	13,202	92,130
<b>Total noncurrent assets</b>	<b>44,240</b>	<b>41,887</b>	<b>50,649</b>	<b>13,202</b>	<b>149,978</b>
<b>Total assets</b>	<b>\$ 48,351</b>	<b>\$ 48,476</b>	<b>\$ 53,891</b>	<b>\$ 56,164</b>	<b>\$ 206,882</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 564	\$ -	\$ 885	\$ 6,676	\$ 8,125
Lease liability	20	-	179	-	199
Due to other funds	11,212	-	36,804	3,203	51,219
Unemployment insurance benefits	-	3,257	-	-	3,257
Workers compensation	-	-	-	1,496	1,496
Note payable	-	-	17	-	17
Loan payable to U.S. Treasury	-	79,693	-	-	79,693
Interest payable	1,669	-	-	-	1,669
Unearned revenue	-	-	1,232	7,955	9,187
Compensated absences payable	51	-	-	-	51
<b>Total current liabilities</b>	<b>13,516</b>	<b>82,950</b>	<b>39,117</b>	<b>19,330</b>	<b>154,913</b>
Noncurrent liabilities:					
Accounts payable and accrued liabilities	183	-	-	-	183
Workers compensation	-	-	-	39,331	39,331
Compensated absences payable	1,301	-	-	-	1,301
Lease liability	-	-	282	-	282
Unearned revenue	-	-	1,204	-	1,204
Note payable	-	-	421	-	421
Line of credit	-	-	95	-	95
Bonds payable	51,676	-	-	-	51,676
<b>Total noncurrent liabilities</b>	<b>53,160</b>	<b>-</b>	<b>2,002</b>	<b>39,331</b>	<b>94,493</b>
<b>Total liabilities</b>	<b>66,676</b>	<b>82,950</b>	<b>41,119</b>	<b>58,661</b>	<b>249,406</b>
<b>Deferred Inflows of Resources</b>					
Deferred amount related to leases	3,192	-	-	-	3,192
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 69,868</b>	<b>\$ 82,950</b>	<b>\$ 41,119</b>	<b>\$ 58,661</b>	<b>\$ 252,598</b>
<b>Net Position (Deficit)</b>					
Net investment in capital assets	\$ (14,664)	\$ -	\$ 12,695	\$ 13,202	\$ 11,233
Restricted:					
Unemployment insurance	-	41,887	-	-	41,887
Debt service	133	-	155	-	288
Unrestricted (deficit)	(6,986)	(76,361)	(78)	(15,699)	(99,124)
<b>Total net position (deficit)</b>	<b>\$ (21,517)</b>	<b>\$ (34,474)</b>	<b>\$ 12,772</b>	<b>\$ (2,497)</b>	<b>\$ (45,716)</b>

See accompanying notes to financial statements.

# Government of the United States Virgin Islands

## Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

(in thousands)

Year Ended September 30, 2024	Business-type Activities				Total
	WICO	Unemployment Insurance	viNGN	Other Enterprise	
<b>Operating revenues</b>					
Charges for services	\$ 8,695	\$ 29,055	\$ 4,690	\$ 16,452	\$ 58,892
<b>Operating expenses</b>					
Cost of services	6,692	5,190	5,923	15,949	33,754
Depreciation and amortization	2,925	-	4,518	926	8,369
<b>Total operating expenses</b>	<b>9,617</b>	<b>5,190</b>	<b>10,441</b>	<b>16,875</b>	<b>42,123</b>
<b>Operating (loss) income</b>	<b>(922)</b>	<b>23,865</b>	<b>(5,751)</b>	<b>(423)</b>	<b>16,769</b>
<b>Non-operating revenues (expenses)</b>					
Grants revenue	4	67	2,116	3	2,190
Interest and other income	785	881	8	6,588	8,262
Bond issuance cost	(4)	-	-	-	(4)
Payment in lieu of taxes	(643)	-	-	-	(643)
Interest and other expense	(3,405)	-	(212)	-	(3,617)
<b>Total non-operating (expenses) revenues, net</b>	<b>(3,263)</b>	<b>948</b>	<b>1,912</b>	<b>6,591</b>	<b>6,188</b>
<b>(Loss) income before operating transfers</b>	<b>(4,185)</b>	<b>24,813</b>	<b>(3,839)</b>	<b>6,168</b>	<b>22,957</b>
Transfers from other funds	-	-	-	3,000	3,000
Transfers to other funds	-	-	-	(2,100)	(2,100)
<b>Change in net position</b>	<b>(4,185)</b>	<b>24,813</b>	<b>(3,839)</b>	<b>7,068</b>	<b>23,857</b>
<b>Net position (deficit), beginning of year</b>	<b>(17,332)</b>	<b>(59,287)</b>	<b>16,611</b>	<b>(9,565)</b>	<b>(69,573)</b>
<b>Net position (deficit), end of year</b>	<b>\$ (21,517)</b>	<b>\$ (34,474)</b>	<b>\$ 12,772</b>	<b>\$ (2,497)</b>	<b>\$ (45,716)</b>

*See accompanying notes to financial statements.*

# Government of the United States Virgin Islands

## Statement of Cash Flows – Proprietary Funds

(in thousands)

Year Ended September 30, 2024	Business-type Activities				Total
	WICO	Unemployment Insurance	viNGN	Other Enterprise	
<b>Cash flows from operating activities</b>					
Cash received from customers and users	\$ 10,659	\$ 29,754	\$ 5,262	\$ 16,078	\$ 61,753
Cash paid to beneficiaries and suppliers	(4,232)	(5,889)	(3,005)	(18,226)	(31,352)
Cash paid to employees	(3,047)	-	(2,825)	-	(5,872)
Net cash provided by (used in) operating activities	3,380	23,865	(568)	(2,148)	24,529
<b>Cash flows from noncapital financing activities</b>					
Other income (expense)	22	-	(129)	6,588	6,481
Transfer from other funds	-	-	-	900	900
Federal grants	4	67	3,452	3	3,526
Contribution to the Government	(76)	-	-	-	(76)
Principal paid on debt issuances, including interest	-	(7,713)	-	-	(7,713)
Net cash provided by (used in) noncapital financing activities	(50)	(7,646)	3,323	7,491	3,118
<b>Cash flows from capital and related financing activities</b>					
Acquisition and construction of capital assets	(213)	-	(1,101)	(618)	(1,932)
Proceeds from sale of capital assets	19	-	-	-	19
Proceeds from issuance of line of credit	-	-	95	-	95
Costs of issuing bonds	(4)	-	-	-	(4)
Principal payments on lease liability	-	-	(220)	-	(220)
Principal payments on direct bank borrowing	-	-	(11)	-	(11)
Interest received (paid) from leases	380	-	(38)	-	342
Interest paid on long-term debt	(3,358)	-	(45)	-	(3,403)
Net cash used in capital and related financing activities	(3,176)	-	(1,320)	(618)	(5,114)
<b>Cash flows from investing activities</b>					
Interest income	360	881	8	-	1,249
Net cash provided by investing activities	360	881	8	-	1,249
Net increase in cash and cash equivalents	514	17,100	1,443	4,725	23,782
Cash and cash equivalents, beginning of year	9,614	30,099	206	35,027	74,946
Cash and cash equivalents, end of year	\$ 10,128	\$ 47,199	\$ 1,649	\$ 39,752	\$ 98,728
<b>Reconciliation of operating (loss) income to net cash provided by (used in) operating activities</b>					
Operating (loss) income	\$ (922)	\$ 23,865	\$ (5,751)	\$ (423)	\$ 16,769
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:					
Provision for doubtful accounts	(37)	-	-	-	(37)
Provision for obsolete inventories	-	-	288	-	288
Depreciation and amortization	2,925	-	4,518	926	8,369
<b>Change in operating assets and liabilities:</b>					
Receivables, net	1,947	-	31	(47)	1,931
Other assets	91	-	(130)	14	(25)
Accounts payable and other accrued liabilities	(605)	-	(66)	(1,157)	(1,828)
Compensated absences payable	(19)	-	-	-	(19)
Unearned revenue	-	-	542	(327)	215
Workers compensation	-	-	-	(1,134)	(1,134)
Net cash provided by (used in) operating activities	\$ 3,380	\$ 23,865	\$ (568)	\$ (2,148)	\$ 24,529

See accompanying notes to financial statements.

# Government of the United States Virgin Islands

## Statement of Cash Flows – Proprietary Funds

(in thousands)

Year Ended September 30, 2024	Business-type Activities				Total
	WICO	Unemployment Insurance	viNGN	Other Enterprise	
<b>Reconciliation of cash and cash equivalents to the statement of net position</b>					
Cash and cash equivalents - current	\$ 1,251	\$ 5,312	\$ 1,399	\$ 39,752	\$ 47,714
Cash and cash equivalents - restricted	8,877	41,887	250	-	51,014
<b>Total cash and cash equivalents, end of year</b>	<b>\$ 10,128</b>	<b>\$ 47,199</b>	<b>\$ 1,649</b>	<b>\$ 39,752</b>	<b>\$ 98,728</b>

*See accompanying notes to financial statements.*

# Government of the United States Virgin Islands

## Statement of Fiduciary Net Position

(in thousands)

<i>September 30, 2024</i>	Pension Trust
<b>Assets</b>	
Cash and cash equivalents:	
Unrestricted	\$ 19,503
Restricted	4
Investments, at fair value:	
Net investment in Havensight	7,566
Corporate obligations	1
Commingled and mutual funds	429,835
Limited partnerships	5,686
Real estate	46,500
Receivables, net:	
Loans and advances	21,914
Accrued interest	2
Due from other agencies of the Government	29,682
Capital assets, net	22,958
Other assets	2,029
<b>Total assets</b>	<b>\$ 585,680</b>
<b>Liabilities</b>	
Retirement benefits in process of payment	\$ 3,973
Other liabilities	24,348
<b>Total liabilities</b>	<b>28,321</b>
<b>Net position restricted for pension benefits</b>	<b>\$ 557,359</b>

*See accompanying notes to financial statements.*

# Government of the United States Virgin Islands

## Statement of Changes in Fiduciary Net Position

*(in thousands)*

<i>Year Ended September 30, 2024</i>	<b>Pension Trust</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 109,833
Plan members	56,182
Total contributions	166,015
Investment income:	
Net appreciation in fair value of investments	102,897
Interest, dividends, and other, net	7,079
GERS Funding Note	123,997
Rental income	382
Total investment income	234,355
Less investment management fees and custodian fees	174
Investment income, net	234,181
Other income	2,207
Total additions	402,403
<b>Deductions</b>	
Benefits paid directly to members	275,443
Refunds of member's contributions	9,033
Administrative and operational expenses	15,952
Total deductions	300,428
Change in net position	101,975
Net position restricted for pension benefits, beginning of year	455,384
Net position restricted for pension benefits, end of year	\$ 557,359

*See accompanying notes to financial statements.*

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### 1. Summary of Significant Accounting Policies

The Government of the United States Virgin Islands (the Government) is an unincorporated organized territory of the United States of America. The powers of the Government are derived from and set forth in the Revised Organic Act of 1954, as amended. The Government assumes responsibility for public safety, health, public housing and welfare, education, transportation and communication, and culture and recreation.

The accompanying basic financial statements of the Government have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying basic financial statements have been prepared primarily from accounts maintained by the Department of Finance of the Government. Additional data has been derived from reports prepared by other departments, agencies, and public corporations based on independent or subsidiary accounting systems maintained by them.

#### ***Financial Reporting Entity***

For financial reporting purposes, the Government is a primary government (PG). The PG includes all Government departments, agencies, boards, and organizations that are not legally separate. In addition to the PG, the financial reporting entity includes blended and discretely presented component units. Component units include all legally separate organizations for which the Government's elected officials are financially accountable and organizations for which the nature and significance of their relationship with the PG are such that exclusion would cause the reporting entity's financial statements to be misleading. The criteria used to define financial accountability include: (i) if an organization is fiscally dependent on, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the PG, (ii) a government board appointed by a higher level of government, or (iii) a jointly appointed board.

The financial statements of the following component units are included in the financial reporting entity either as blended or as discretely presented component units in accordance with GAAP:

#### **(a) Blended Component Units**

The following public benefit corporations, while legally separate from the Government, meet the criteria to be reported as part of the PG because they provide services entirely or almost entirely to the Government:

##### Virgin Islands Public Finance Authority (PFA)

PFA was created as a public corporation and autonomous governmental instrumentality by Act No. 5365, *the Government Capital Improvement Act of 1988*, with the purpose of aiding the Government in the performance of its fiscal duties and in effectively carrying out its governmental responsibility of raising capital for essential public projects. Under the enabling legislation, PFA has the power, among other matters, to borrow money and issue bonds and to lend the proceeds of its bonds to the Government or any governmental instrumentality.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The powers of PFA are exercised by a board of directors consisting of the Governor (Chairperson), the Commissioner of Finance, the Director of the Office of Management and Budget, and two representatives of the private sector appointed by the Governor with the advice and consent of the Legislature (the Legislature). PFA activities are blended within the PG and are reported as major funds, except for PFA Special Revenue Fund.

PFA's blended component units, The West Indian Company Limited (WICO) and viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN) are presented as major proprietary funds while King's Alley Management, Inc. and Lonesome Dove Petroleum Co. are included in other nonmajor proprietary funds in the Government's basic financial statements.

### Tobacco Settlement Financing Corporation (TSFC)

TSFC was created in September 2001 under Act No. 6428 as a separate and independent corporation of the Government to purchase the rights, title, and interest in tobacco settlement litigation awards and to issue revenue bonds supported by the tobacco settlement rights. The responsibility for the operations of TSFC is vested in a board of directors composed of three members: the Governor and two independent members - one appointed by the Governor, and one appointed by the president of the Legislature. The activities of TSFC are limited to activities conducted on behalf of the Government. The TSFC is reported in the other governmental funds.

### Matching Fund Special Purpose Securitization Corporation (MFSPSC)

MFSPSC was created in January 2022 under Act 8540 as a separate and independent corporation of the Government to purchase the rights, title, and interest in Matching Fund Receipts (MFRs) and to issue revenue bonds supported by the MFRs. The responsibility for the operations of MFSPSC is vested in a board of directors composed of five members: the Governor and four private citizens appointed by the Governor. The activities of the MFSPSC are limited to activities conducted on behalf of the Government. MFSPSC activities are blended within the PG, with debt service activities reported as a major governmental fund, and activities conducted on behalf of the Government, such as the transfer of residual matching fund receipts, reported as general fund activities.

Complete audited financial statements of PFA, TSFC and MFSPSC's blended component units can be obtained directly by contacting their respective administrative offices:

### Administrative Offices of Blended Component Units

Virgin Islands Public Finance Authority  
5033 Kongens Gade, Government Hill  
St. Thomas, VI 00802

Tobacco Settlement Financing Corporation  
5033 Kongens Gade, Government Hill  
St. Thomas, VI 00802

Matching Fund Special Purpose Securitization Corporation  
P.O. Box 430  
St. Thomas, VI 00804

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### (b) Discretely Presented Component Units

The following component units, as required by GAAP are discretely presented in the basic financial statements because of the nature of the services they provide and the Government's ability to impose its will.

The component units are reported in a separate column to emphasize that they are legally separate from the PG and governed by separate boards.

#### *Major Component Units*

##### Virgin Islands Housing Authority (VIHA)

VIHA was created as a public corporation and autonomous governmental instrumentality by Act No. 903 on June 18, 1962, with the purpose of providing housing for low and moderate-income families residing in the U.S. Virgin Islands. The majority of VIHA funding is through two contractual agreements with U.S. Department of Housing and Urban Development (HUD). VIHA is required to make payments in lieu of taxes to the PG when residual receipts are available, and whereby the PG agrees to provide municipal services and continue the tax-exempt status of VIHA projects. VIHA is governed by a board of commissioners. The governing board is autonomous and responsible to HUD. An executive director is appointed by VIHA's Board to manage the day-to-day operations. VIHA has two blended component units: the Virgin Islands Housing Revitalization Corporation (VIHRC) and the Virgin Islands Housing Opportunities Corporation (VIHOC). VIHRC and VIHOC were established as nonprofit organizations to foster low-income housing and the acquisition of property for the development and operation of multi-income housing projects in the U.S. Virgin Islands.

##### Virgin Islands Port Authority (VIPA)

VIPA was created as a public corporation and autonomous government instrumentality by Act No. 2375 on December 23, 1968, with the purposes of owning, operating, and managing air and marine terminals of the U.S. Virgin Islands. The powers of VIPA are exercised by a board of governors consisting of the Commissioner of Economic Development and Agriculture (Chairperson), the Attorney General, the Commissioner of Public Works, the Director of the Small Business Development Agency, and five other persons appointed by the Governor with the advice and consent of the Legislature.

##### Virgin Islands Water and Power Authority (VIWAPA)

VIWAPA was created as a public corporation and autonomous governmental instrumentality by Act No. 1248 on August 13, 1964, with the purpose of operating the water production and electric generation plants in the U.S. Virgin Islands. The powers of VIWAPA are exercised by a governing board consisting of nine members, all appointed by the Governor with the advice and consent of the Legislature, from which three are heads of cabinet-level executive departments or agencies and six other persons, who are nominated by the Legislature. VIWAPA is required by its bond resolutions to maintain separate audited financial statements for each system (the Electric and Water Systems).

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### Virgin Islands Government Hospital and Health Facilities Corporation (VIGHHFC)

VIGHHFC was created by Act No. 6012 on August 23, 1994, and became active on May 1, 1999, with the purpose of providing healthcare services and hospital facilities to the people of the U. S. Virgin Islands.

The powers of VIGHHFC are exercised by a board of directors consisting of 15 members as follows: the Director of the Virgin Islands Office of Management and Budget, the Commissioner of Finance, and 13 other members appointed by the Governor with the advice and consent of the Legislature. The VIGHHFC is composed of the Schneider Regional Medical Center located in St. Thomas, the Governor Juan F. Luis Hospital and Medical Center located in St. Croix, and the Schneider Regional Medical Center Foundation (the Foundation). The hospitals issue separately audited financial statements.

The Schneider Regional Medical Center's financial statements include its component units: the Myra Keating Smith Community Health Center (Health Center) of St. John and the Charlotte Kimelman Cancer Institute (Cancer Institute) on St. Thomas. The Cancer Institute has remained closed following the 2017 hurricanes. The Health Center and Cancer Institute are legally separate organizations for which the Roy L. Schneider Hospital is financially accountable.

The Foundation is a legally separate nonprofit corporation for which the Schneider Regional Medical Center is financially accountable. The Juan F. Luis Hospital and Medical Center's financial statements include its component unit: Virgin Islands Cardiac Center at the Governor Juan F. Luis Hospital and Medical Center, Inc. (VICC Foundation). VICC Foundation is a legally separate nonprofit corporation for which the Juan F. Luis Hospital and Medical Center is financially accountable.

### University of the Virgin Islands (the University or UVI)

The University was organized as an instrumentality of the Government under Act No. 852 on March 16, 1962, in accordance with Section 16(a) of the Revised Organic Act of 1954, as amended. The University is a higher education institution that offers four-year liberal arts degree and master's degree programs and associate degrees, and occupational programs. The powers of the University are exercised by a board of trustees consisting of 17 members as follows: Chairman of the Board of Education, Commissioner of Education, and the President of the University, all serving as members ex-officio, 9 other members appointed by the Governor with the advice and consent of the Legislature, two other members elected by the board of trustees, one representative of the student body, one alumnus of the University, and another representative of the teaching faculty. The University was not organized as a self-sustaining entity and therefore receives financial and other support from the Government.

The University's financial statements include a blended and discretely presented component unit, the Foundation for the University of the Virgin Islands. This organization operates as a nonprofit corporation whose purpose is to assist and support the University in accomplishing its charitable and educational mission. The Foundation for the Reichhold Center for the Arts is also a discretely presented component unit of the University that supports the arts and provides financial assistance in operating an entertainment complex on the St. Thomas campus of the University.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### Virgin Islands Housing Finance Authority (VIHFA)

VIHFA was created as a public corporation and autonomous governmental instrumentality by Act No. 4636 on October 20, 1981, with the purpose of stimulating low and moderate-income housing construction and home ownership through the issuance of revenue bonds to provide low-interest mortgage loans to qualified purchasers of low and moderate-income housing.

On October 31, 2008, VIHFA established the Virgin Islands Housing Management, Inc. (VIHM), a wholly owned nonprofit subsidiary that manages VIHFA's rental properties. The financial statements of VIHM are separately issued, and not blended into the PG. The powers of VIHFA are exercised by a board of directors consisting of the Commissioner of the Department of Housing, Parks, and Recreation (the Chairman), the Director of the Office of Management and Budget, and three persons not employed by the Government appointed by the Governor with advice and consent of the Legislature.

### ***Other Component Units (Nonmajor)***

### Virgin Islands Economic Development Authority (VIEDA)

VIEDA was created by Act No. 6390 on December 21, 2000, as a public corporation and semiautonomous instrumentality of the Government. VIEDA was created as an umbrella authority of the Economic Development Commission, the Small Business Development Agency, the Government Development Bank, the Hotel Development Program, and the Virgin Islands Industrial Development Park Corporation. The powers of VIEDA are exercised by a board of directors consisting of the members of the Virgin Islands Economic Development Commission, the Director of the Virgin Islands' Bureau of Internal Revenue, and five members not employed by the Government, but appointed by the Governor with the advice and consent of the Legislature.

### Magens Bay Authority (MBA)

MBA was created as a corporate instrumentality by Act No. 2085 on December 20, 1967, with the purpose of acquiring, improving, and operating parks and beaches. The powers of MBA are exercised by a board of directors consisting of the Governor and six members initially appointed by the Governor. The board of directors is responsible for the appointment and reappointment of subsequent board members except that the Governor, with the advice and consent of the Legislature may, by appointment, fill any vacancy on the board of directors remaining unfilled for sixty days.

### Virgin Islands Public Broadcasting System (VIPBS)

VIPBS was created as a public corporation and autonomous instrumentality by Act No. 2364 on November 15, 1968, with the purpose of advancing the general welfare, education, cultural development, and awareness of public affairs of the population of the U.S. Virgin Islands as well as to provide an effective supplement to the in-school education of children.

The powers of VIPBS are exercised by a board of directors consisting of the Commissioner of Education, the Chairman of the Board of Education, three members appointed by the President of the Legislature, and four members, not more than two of whom should be employed by the Government and appointed by the Governor with the advice and consent of the Legislature.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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In addition, the Director of the Office of Management and Budget, the President of the University of the Virgin Islands, and the General Manager of VIPBS are ex-officio members of the board who are not entitled to vote.

### Virgin Islands Waste Management Authority (VIWMA)

VIWMA was established as an autonomous instrumentality of the Government by Act No. 6638 and approved by the Governor of the Virgin Islands on January 23, 2004. VIWMA provides environmentally sound management for the collection and disposal of solid waste in the Territory, including operation and closure of landfills and wastewater collection, treatment, and disposal. VIWMA is governed by a Board of Directors consisting of seven members.

### University of the Virgin Islands Research and Technology Park Corporation (RTPark)

RTPark was established as an autonomous instrumentality of the Government by Act 6502 on February 21, 2002, as amended by Act 6725, the Protected Cell Amendments Act of 2005. RTPark was organized for internet commerce and technology, providing an enabling environment for research, development, business incubation and technology-driven businesses.

RTPark is governed by a Board of Directors consisting of seven members, including the Chairman of the Board of Trustees of the University, the President of the University, two trustees selected from among the Board of Trustees of the University, and three members selected by the Governor.

Complete audited financial statements of the discretely presented component units can be obtained directly by contacting their administrative offices:

### Administrative Offices

Virgin Islands Housing Authority  
9900 Estate Thomas  
St. Thomas, VI 00802

Virgin Islands Port Authority  
P.O. Box 301707  
St. Thomas, VI 00803-1707

Virgin Islands Water and Power Authority  
P.O. Box 1450  
St. Thomas, VI 00804-1450

Virgin Islands Government Hospital and Health Facilities Corporation  
9048 Sugar Estate  
St. Thomas, VI 00802

University of the Virgin Islands  
#2 John Brewer's Bay  
St. Thomas, VI 00802-9990

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Virgin Islands Housing Finance Authority  
3202 Demarara  
Frenchtown Plaza, Suite 200  
St. Thomas, VI 00802

Virgin Islands Economic Development Authority  
8000 Nisky Shopping Center, Suite 620  
St. Thomas, VI 00802

Magens Bay Authority  
P.O. Box 10583  
St. Thomas, VI 00801

Virgin Islands Public Broadcasting System  
P.O. Box 7879  
St. Thomas, VI 00801

Virgin Islands Waste Management Authority  
1 A&B Demarara  
St. Thomas, VI, 00802

University of the Virgin Islands Research and Technology Park Corporation  
64 West Palm Drive  
Kingshill, St. Croix, VI 00850-9781

All discretely presented component unit financial statements have a fiscal year end of September 30, except for VIWAPA and VIHA which have a fiscal year-end of June 30, and December 31, respectively.

### **(c) Fiduciary Component Unit**

The following public benefit corporation is legally separate from the Government, meets the definition of a fiduciary component unit and is presented in the fund financial statements as a fiduciary fund of the Government. Fiduciary funds are not reported in government-wide financial statements.

#### Government Employees' Retirement System of the U.S. Virgin Islands (GERS)

GERS was created as an independent and separate agency of the Government with the purpose of administering the Government's and the component units' cost-sharing, multi-employer defined benefit pension plan. GERS was established on October 1, 1959. The responsibility for the operation of GERS is vested in a board of trustees composed of seven members appointed by the Governor with the advice and consent of the Legislature.

Employee and employer contributions to GERS are recognized as additions to net position held in trust for employees' pension benefits in the period in which employee services are performed, except for contributions pursuant to the Early Retirement Act of 1994, which are recorded as the cash is received.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Benefits and refunds are recognized when due and payable in accordance with the terms of the plan, except for benefits pursuant to sections 8(a) and 8(b) of the Early Retirement Act of 1994, which are recorded when the subsidy provided by the Government is receivable and payable.

Complete audited financial statements of this component unit can be obtained directly by contacting its administrative office:

Government Employees' Retirement System of the Virgin Islands  
3438 Kronprindsens Gade  
St. Thomas, VI 00802

### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (that is, the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the PG and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the PG is reported separately from certain legally separate component units for which the PG is financially accountable. The statement of net position presents the reporting entities' non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include (i) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items are not included among program revenues and are appropriately reported instead, as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

#### **(a) Government-wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue when eligibility requirements have been met.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### (b) Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are deemed available when they become susceptible to accrual and are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Government considers most revenue to be available if collected within 90 days of the end of the current fiscal year-end. Specifically, gross receipts taxes, real property taxes, and income taxes are deemed available if collected within 30, 60, and 90 days, respectively, after the end of the current fiscal year-end.

Grant revenue is deemed available if collected within the 12 months after the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences, debt service, other postemployment benefits and pension expenditures are recorded only when payment is due.

Income taxes, gross receipts taxes, real property taxes, and grant funding are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period to the extent they are considered available. All other revenue items are deemed measurable and available only when cash is received by the Government.

### (c) Proprietary Funds, Fiduciary Fund, and Discretely Presented Component Units Financial Statements

The financial statements of the proprietary funds, fiduciary fund, and discretely presented component units are reported using the economic resources measurement focus and the accrual basis of accounting also used in the government-wide financial statements described above.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### *Fund Accounting*

The Government reports its financial position and results of operations in funds, which are considered separate accounting entities. The operations of each fund are accounted for within a set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with legal, financial, and contractual provisions. Generally accepted governmental accounting principles establish criteria (percentage of the assets, liabilities, revenue, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Indirect costs are automatically allocated and reported in the program expense for each fund. Non-major funds are combined in a single column in the fund financial statements. The Government reports the following major funds:

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### (a) Governmental Funds

The Government reports the following major governmental funds:

- General Fund - The general fund is the Government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- PFA Debt Service Fund - PFA debt service fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government.
- MFSPSC Debt Service Fund - the MFSPSC debt service fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by MFSPSC on behalf of the Government.
- PFA Capital Projects Fund - PFA capital projects fund accounts for bond proceeds of debt issued by PFA on behalf of the Government. The bond proceeds have been designated for certain necessary public safety and capital development projects which are accounted for in this fund.
- Federal Grants Fund - The federal grants fund accounts for proceeds and payments that are restricted to expenditures for specified purposes.

### (b) Proprietary Funds

These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to the public. The Government reports the following major proprietary funds:

- The West Indian Company Limited - WICO, a blended component unit of PFA, accounts for the activities of a cruise ship pier and servicing cruise ships on the island of St. Thomas.
- Unemployment Insurance Fund - The unemployment insurance fund accounts for the collection of unemployment premiums from employers in the U.S. Virgin Islands, and the payment of unemployment benefits to eligible unemployed recipients.
- viNGN, INC. d/b/a as Virgin Islands Next Generation Network (viNGN) - viNGN, a blended component unit of PFA, accounts for the management of a middle mile wholesale fiber optic network providing reliable high-speed internet access to retail internet service to internet service providers and public infrastructure stewards.

### (c) Fiduciary Activities

The Government reports the following fiduciary fund:

- Pension Trust Fund - The pension trust fund accounts for the activities of GERS, an independent and separate agency of the Government, responsible for the proper operation of the Government's defined benefit pension plan.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Cash and Cash Equivalents*

The Government follows the practice of pooling cash. The balance in the pooled cash accounts is available to meet current operating requirements, and any excess is invested in various interest-bearing accounts and time deposits with eligible depository institutions.

Cash equivalents of the proprietary funds and discretely presented component units consist of demand accounts, money market accounts, certificates of deposit with maturities of not more than 90 days from the date of acquisition, money market funds, short-term U.S. government and its agencies' obligations, and repurchase agreements with a U.S. commercial bank maturing within three months. Cash and cash equivalents of the discretely presented component units are maintained in separate bank accounts from those of the PG, in their own names.

By law, banks, or trust companies designated as depositories of public funds of the Government are to maintain corporate surety bonds or pledge collateral satisfactory to the Commissioner of Finance to secure all governmental funds deposited. As of September 30, 2024, the Government had \$407.1 million in collateral with Banco Popular de Puerto Rico consisting of U.S. Treasury Notes, and \$449.7 million in collateral with First Bank consisting of FHLB municipal letters of credit, mortgage-backed securities with the Government National Mortgage Association (GNMA), and deposits insured by FDIC insurance.

For the purpose of the statement of cash flows, cash and cash equivalents are defined to be cash on hand, demand deposits, restricted cash and investments, and highly liquid investments with a maturity of three months or less from the date of purchase. For financial statement presentation purposes, cash and cash equivalents are shown as cash and investments and restricted cash and investments.

### *Investments*

The PG and its component units follow the provisions of GAAP which establishes and modifies the following disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

Investment policies of the PG, its blended component units, major funds, and major component units are as follows:

- *Primary Government Investment Policies* - Title 33, Chapter 117 of the Virgin Islands Code (V.I. Code) authorizes the Government to invest in U.S. Government and its agencies' obligations, mortgage-backed securities, repurchase agreements, commercial paper, local government obligations, and corporate debt and equity obligations.

As of September 30, 2024, the General Fund and the Virgin Islands Lottery had invested in certificates of deposit with two local banks. Investments are reported at fair value as of September 30, 2024.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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- *PFA Investment Policies* - Investments of PFA are reported at fair value. Various bond resolutions of PFA restrict investments to direct obligations of the U.S. Government, territories, possessions and states, specific bank obligations, investment agreements or similar funding agreements, shares, or other interests in mutual funds, trusts or investment companies, corporate commercial paper, and money market portfolios consisting of any of the foregoing. PFA has retained investment managers and investments are held in trust by a commercial bank on behalf of PFA. PFA handles investments for two major governmental funds of the Government: PFA Debt Service Fund and PFA Capital Projects Fund.
- *TSFC Policies* - Various bond resolutions of this blended component unit restrict investments to direct obligations of the U.S. Government, territories, possessions and states, specific bank obligations, investment agreements or similar funding agreements, shares or other interests in mutual funds, trusts or investment companies, corporate commercial paper, and money market portfolios consisting of any of the foregoing. TSFC has retained investment managers and investments are held in trust by a commercial bank on behalf of the TSFC. Investments are reported at fair value in the non-major governmental fund of the Government.
- *MFSPSC Investment Policies* - the bylaws of MFSPSC allow the investment of funds or other monies under the control of the Corporation in eligible investments pursuant to the terms of the Master Trust Indenture between the Corporation and its trustee, the Bank of New York Mellon Trust Company. Eligible investments include direct obligations of the United States, or obligations guaranteed as to principal and interest by the United States; general obligations or pre-funded obligations of any state, territory, possession or commonwealth of the United States with a rating at the time of purchase in one of the two highest rating categories as designated by any rating service; obligations issued, or the principal of and interest on which are unconditionally guaranteed by any agency or instrumentality of or a corporation wholly owned by the United States with a rating at the time of purchase of one of the two highest rating categories by any rating service: repurchase agreements with banks, savings and loan associations or trust companies organized under the laws of the Virgin Islands, the United States, or any state, territory or possession of the United States, provided the combined capital and surplus is at least equal to \$200.0 million and the obligations are secured by obligations that are not subject to claims and liens of third parties; investment agreements, guaranteed investment contracts or similar funding agreements provided the collateral for such agreements is at least equal to 102.0% of the amount invested; U.S. dollar denominated bankers acceptances with domestic commercial banks with the highest short-term rating category by a national rating agency; certificates of deposit with domestic commercial banks maturing no more than 360 days after the date of purchase, which have a rating in the two highest rating categories; investments in money market funds in the two highest rating categories; and commercial paper issued by U.S. corporations rated in the two highest rating categories which mature no more than 270 days after the date of purchase.
- *VIHA Investment Policies* - This major component unit is required by the U.S. Department of Housing and Urban Development (HUD) to invest excess funds in obligations of the United States, certificates of deposit, or any other federally insured investment. HUD requires that deposits be fully collateralized and may be held by an unaffiliated bank or trust company for the account of the VIHA.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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- *VIWAPA and VIPA Investment Policies* - These major component units are authorized under bond *resolutions* and the V.I. Code to invest in open accounts, time deposits, non-negotiable certificates of deposit, repurchase agreements, obligations of the U.S. government, and obligations of any state within the United States, mutual funds, and corporate commercial paper. Investments are reported at fair value.
- *VIGHHFC Investment Policies* - The board of trustees of this major component unit has not developed a formal investment policy.
- *University Investment Policies* - The board of trustees of this major component unit is responsible for the management of the University's investments and establishes an investment policy, which is carried out by the Vice President for Administration and Finance. The University and its component unit, the Foundation for the Reichhold Center of the Arts have a formal investment policy approved by their corresponding board of trustees, which contains a requisite section on addressing risks. The University's investments are included in the Foundation for the University of the Virgin Islands' investment portfolio for management and investment purposes.
- *Pension Trust Fund Investment Policies* - On January 31, 2022, Act. No. 8540, known as the GERS Rescue Act, was passed by the Legislature. Through this legislation, over the next 30 years (through 2052), GERS is expected to receive approximately \$3.8 billion from the primary Government. Due to updated projected cash flows expected, GERS approved a transition from the Dynamic Asset Allocation structure, implemented in 2015, to a more traditional asset allocation seeking a higher long-term target return. GERS has determined that the following asset allocation policy is currently appropriate: (i) 45.0% in U.S. equity, (ii) 14.0% in international developed market equity, (iii) 6.0% in emerging market equity, (iv) 10.0% in investment grade bonds, (v) 10.0% in U.S. Treasury inflation-protected securities (TIPS), (vi) 10.0% in high yield bonds, and (vii) 5.0% in cash.

The board of trustees of GERS has enacted policies that limit investments in certain investment categories and provide requirements for the institutions managing investments. Under those policies, GERS may invest in U.S. Government and agencies obligations, bonds or notes of any state, territory or possession of the United States, municipal bonds and obligations, foreign bonds, bonds of domestic railroad corporations, public utility bonds if the municipality has at least 30,000 inhabitants and has been in business for 10 years, industrial corporate bonds or trust certificates, common and preferred shares of foreign and domestic corporations, mutual funds, and mortgage and asset-backed securities. Investments in bonds are subject to rating restrictions of BBB and may not exceed 2.0% of the GERS investment portfolio. Investments in stock of a single corporation may not exceed 1.0% of the market value of the fund or exceed 1.0% of the outstanding stock of the corporation.

The aggregate investments in stock may not exceed 60.0% of the market value of total investments of GERS. Investment in foreign stock should be limited to 10.0% of the market value of the total investments of GERS. The aggregate amount to be invested in common and preferred stock should be limited to 20.0% of the book value of the total investments of GERS on the date the investment is made.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Investments in equity securities in the GERS pension trust fund are carried out at quoted market values. Shares of mutual funds are reported at the net asset value of shares held by GERS at year-end. Purchases and sales are recorded on a trade-date basis. Realized gains and losses on securities are determined by the average cost method.

GERS has invested in Havensight Mall, a shopping and pier complex on the island of St. Thomas with an independent appraised value of \$46.5 million as of September 30, 2024.

GERS invested in two funds-of-funds, Mesirow Financial Private Equity, LP, Fund IV and Fund V. The funds reported a fair market value of \$5.7 million as of September 30, 2024.

GERS owns system facilities, which is partially an investment of the GERS, on the islands of St. Thomas and St. Croix. GERS utilizes portions of the buildings in the operation of the System. Depreciation is provided for only those portions of the buildings that are utilized in the operation of the System. The remaining areas of the buildings leased to other government agencies and commercial tenants are recorded at fair value. System facilities along with other capital assets were reported at a depreciated value of \$23.0 million as of September 30, 2024.

### ***Receivables***

Taxes receivable represent amounts owed by taxpayers for individual and corporate income taxes, gross receipts taxes, excise taxes, hotel occupancy taxes, and real property taxes. Federal government receivables represent amounts owed to the Government for reimbursement of expenditures/expenses incurred pursuant to federally funded programs.

Accounts receivables are reported net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience and current economic conditions.

The accounts receivable from non-governmental customers of the discretely presented component units are net of estimated uncollectible amounts. These receivables arise primarily from service charges to users.

### ***Interfund and Intra-Entity Transactions***

The Government has the following types of transactions among funds:

- *Interfund Transfers* - Legally required transfers are reported as interfund transfers in (out) when incurred. Transfers between the PG and its blended component units are reported as interfund transfers, except for transfers within the same fund type.
- *Intra-entity Transactions* - These are transactions between the PG and its discretely presented component units, and among the component units.

Similarly, receivables and payables between the PG and its blended component units are reported as amounts due from (to) other funds. Transfers between the PG and discretely presented component units (and among those component units) are reported separately as revenue and expenses or expenditures.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Amounts owed to and from discretely presented component units by the PG are reported separately from interfund payables and receivables as due from (to) component units, net of allowance for estimated uncollectible amounts.

### ***Restricted Assets***

Restricted assets in the PG and discretely presented component units are set aside primarily for the payment of bonds, notes, construction funds, unemployment benefits, and other specific purposes.

### ***Capital Assets***

Capital assets, which include land, land improvements, buildings, building improvements, machinery and equipment, construction in progress, intangibles and infrastructure assets are reported in the applicable governmental, business-type activities, and component unit columns in the government-wide financial statements as well as in the applicable proprietary funds reported in the fund financial statements.

The PG defines capital assets as assets that have an initial, individual cost and useful lives of: (i) \$5,000 for personal property with a useful life of five years; (ii) \$50,000 for buildings and building improvements with estimated useful lives of 40 and 20 years, respectively; (iii) \$100,000 for land improvements with an estimated useful life of 20 years; (iv) \$200,000 for intangibles with estimated useful lives between 2 and 15 years; and (v) \$200,000 for infrastructure with an estimated useful life of 30 years. All costs of acquiring land are capitalized.

Capital assets purchased or acquired are carried at historical cost or normal cost. The normal costing method to estimate cost based on replacement cost indexed by a reciprocal factor of the price increase from the appraisal date to the actual or estimated acquisition date was used to estimate the historical cost of certain land, buildings, and building improvements because invoices and similar documentation was no longer available in certain instances. Donated capital assets are recorded at acquisition value at the time of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs are capitalized during the construction period only for business-type activities and proprietary component units. The costs of routine maintenance and repairs that do not add value to the assets or materially extend asset lives are expensed as incurred.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements. Capital assets of the PG, excluding land and construction in progress, are depreciated on the straight-line method over the assets' estimated useful lives.

The estimated useful lives of capital assets reported by the component units are (i) 4 to 50 years for buildings and building improvements; (ii) 20 to 40 years for airports and marine terminals; (iii) 40 to 100 years for water transmission and distribution mains; (iv) 2 to 75 years for intangible assets; and (v) 3 to 25 years for vehicles and equipment.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The PG and its component units review the carrying value of their capital assets to determine if circumstances exist indicating impairment. If facts or circumstances support the possibility of impairment, management follows the guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment is made to the carrying value of the capital assets.

The PG and its component units have entered certain leasing arrangements that are subject to the guidance found in GASB Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that the PG and its component units previously reported as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Several components have adopted GASB Statement No. 87, and the PG is in the process of implementing this Statement.

### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents consumption of the net position that applies to future period(s) and is not recognized as an outflow of resources (expense/expenditure) until the future date occurs.

The Government has three items for financial reporting in these categories, as follows:

- Deferred amounts related to pension represent the unamortized portion of the difference between expected and actual experience, changes in assumptions, changes in proportion and differences between contributions and proportional share of contributions, and contributions made after the measurement date.
- Deferred amounts related to other postemployment benefits consisting of net differences between expected and actual experience and changes in assumptions.
- Deferred charges on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports 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(s) and will not be recognized as an inflow of resources (revenue) until that time.

The Government has four items for financial reporting in this category, as follows:

- Deferred amounts related to pension consist of the unamortized portion of the difference between expected and actual experience, net difference between projected and actual earnings on pension plan investments, changes in assumptions, and changes in proportion and differences between contributions and proportional share of contributions.
- Deferred amounts related to other postemployment benefits consisting of the unamortized portion of the changes in assumptions and other inputs.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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- In accordance with GASB Statement No. 87, *Leases*, deferred inflows of resources are recognized for the right to receive lease payments over the lease term. These amounts are recognized as lease revenue on a straight-line basis over the term of the lease. This policy has been adopted as a result of WICO's implementation of GASB Statement No. 87.
- Modified accrual basis of accounting - Unavailable revenues qualify for reporting in this category. The item, *unavailable revenues*, is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, gross receipts taxes, and income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

### ***Tax Refunds Payable***

During the calendar year, the Government collects individual income taxes through withholdings and payments from taxpayers. As of September 30, the Government estimates the amount owed to taxpayers for overpayments made during the first nine months of the calendar year. These estimated amounts along with actual tax refunds claimed for the current and prior years but not paid at year-end, are recorded as tax refunds payable and as a reduction of tax revenue.

### ***Compensated Absences***

The vacation policy of the Government provides for the accumulation of four, six, or eight hours for each full biweekly pay period depending on the time of entry into government service. At the beginning of each calendar year, vacation leave is limited to 480 hours (60 days). However, the excess of 480 hours is considered by GERS for service credit towards the employees' retirement.

This vacation policy does not apply to professional educational personnel of the Virgin Islands Department of Education, who receive compensation during the school breaks. Upon retirement, an employee receives compensation for unused vacation leave at the employee's base pay rate.

Employees accumulate sick leave at a rate of four hours for each full biweekly pay period up to a maximum of 180 days. Separated employees do not receive payment for unused sick leave; therefore, a provision for accumulated sick leave is not required.

Compensated absences accumulation policies for the blended component units and discretely presented component units vary from entity to entity, depending upon negotiated bargaining agreements and other factors agreed upon between the management of these entities and its employees.

### ***Long-term Liabilities***

The liabilities reported in the government-wide financial statements include the Government's bonds, direct borrowings and placements, pension liabilities and other long-term liabilities including accrued compensated absences, retroactive union arbitration, litigation, landfill closure and post closure costs, postemployment benefits, and workers compensation claims.

Bond premiums, discounts, and amounts deferred on capital appreciation bonds are amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premiums and discounts. Issuance costs are reported as expenses in the year incurred.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### ***Net Position***

Net position is reported in three categories:

- *Net Investment in Capital Assets* - This consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets. Debt pertaining to significant unspent debt proceeds are not included in the calculation of invested in capital assets, net of related debt. The unspent portion of the debt is presented, net of the related debt, as restricted for capital projects.
- *Restricted Net Position* - Constraints placed on the use of assets are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* - These consist of assets which do not meet the definition of the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the Government's policy to use restricted resources first, then the unrestricted resources, as needed.

### ***Fund Balance***

GAAP provides a hierarchy of classifications based primarily on the extent to which the Government is bound to honor constraints on the specific purposes for which amounts in funds may be spent. Following are the fund classifications:

- *Restricted Fund Balance* - Fund balances constrained by externally imposed constraints such as constitutional provisions, laws and regulations, debt covenants, and grantors. The Government's policy is to consider restricted amounts to have been spent first when expenditures are incurred for which both restricted and unassigned fund balances are available.
- *Committed Fund Balance* - Fund balances subject to constraints imposed by the Government's highest level of decision-making authority including legislation enacted by the Legislature of the Virgin Islands and resolutions or ordinances enacted by Government elected regulatory boards and authorities. Committed fund balances may be modified or rescinded by enacted legislation, or amendment of resolutions or ordinances.
- *Assigned Fund Balance* - Fund balances subject to budgetary constraints of the Legislature, the Office of Management and Budget, or authorizing boards of the Government, which are not restricted or committed.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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- Budgetary authority of the Office of Management and Budget is provided by Title 2, Sections 22, 23, 26 and 27 VIC, and Executive Order No. 371-1997. The Government's policy is to expend assigned or committed amounts, before unassigned amounts, when an expenditure is incurred.
- *Unassigned Fund Balance* - Unassigned fund balance is the residual classification for the General Fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The residual deficit of the Federal Grants Fund and other governmental funds are also reported as unassigned fund balance.

### ***Risk Management***

With some exceptions, the Government does not carry general liability insurance coverage on its properties or the acts of its employees, relying instead on self-insurance and/or statutory liability limitations. The Government purchases commercial insurance for physical losses or damages to its property. The limit of liability for all risks, excluding earthquake, windstorm, and flood, is \$1.0 million for each occurrence except for windstorm and flood losses, which has a \$45.0 million limit. For physical losses arising from earthquake, the insurance policy has a limit of \$100.0 million for each occurrence and in the annual aggregate.

### ***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### ***Adoption of Accounting Pronouncements***

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Following are statements issued by GASB that are effective in the immediate future years:

GASB Statement No.		Adoption in Fiscal Year
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026
105	Subsequent Events	2027

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Earlier application of the standards is permitted to the extent specified in each pronouncement as originally issued. The Government is currently evaluating the impact of these statements.

## 2. Component Units

The basic financial statements include the financial statements of the following discretely presented component units:

### *Major Component Units*

- Virgin Islands Housing Authority
- Virgin Islands Port Authority (unaudited)
- Virgin Islands Water and Power Authority (unaudited)
- Virgin Islands Government Hospital and Health Facilities Corporation (unaudited)
- University of the Virgin Islands (unaudited)
- Virgin Islands Housing Finance Authority (unaudited)

### *Other Component Units (Nonmajor)*

- Virgin Islands Economic Development Authority (unaudited)
- Magens Bay Authority (unaudited)
- Virgin Islands Public Broadcasting System
- Virgin Islands Waste Management Authority (unaudited)
- University of the Virgin Islands Research and Technology Park Corporation (unaudited)

For the fiscal year ended September 30, 2024, the Virgin Islands Housing Authority provided financial information as of December 31, 2023, and the Virgin Islands Water and Power Authority provided information as of June 30, 2024. The Virgin Islands Housing Finance Authority and the Virgin Islands Government Hospital and Health Facilities Corporation - Schneider Regional Medical provided financial information for the fiscal year ended September 30, 2023. All other discretely presented component units provided financial information for the fiscal year ended September 30, 2024.

Condensed financial information of all discretely presented component units follows (expressed in thousands) is presented on the following page.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

<i>September 30, 2024</i>	Virgin Islands Housing Authority	Virgin Islands Port Authority*	Virgin Islands Water and Power Authority*		Hospital and Health Facilities Corporation*		University of the Virgin Islands*	Virgin Islands Housing Finance Authority*	Other Component Units**	Total Component Units
			Electric System	Water System	Schneider Regional Medical	Juan F. Luis Hospital				
<b>Assets and deferred outflows</b>										
Current assets	\$ 23,653	\$ 41,967	\$ 85,876	\$ 9,875	\$ 20,989	\$ 15,333	\$ 28,890	\$ 140,423	\$ 67,360	\$ 434,366
Due from primary government	-	-	18,693	602	45	114	-	-	3,148	22,602
Due from federal government	-	26,560	9,663	2,785	623	-	-	-	8,619	48,250
Restricted assets	3,334	35,182	58,972	1,449	210	-	24,498	71,423	31,593	226,661
Capital assets, net	55,587	366,242	1,609,876	92,362	32,664	147,409	108,024	47,430	134,346	2,593,940
Other noncurrent assets	1	-	119,300	-	-	-	-	38,614	277	158,192
Deferred outflows of resources	18,683	34,697	51,920	10,490	42,526	81,797	29,776	27,472	16,509	313,870
<b>Total assets and deferred outflows of resources</b>	<b>101,258</b>	<b>504,648</b>	<b>1,954,300</b>	<b>117,563</b>	<b>97,057</b>	<b>244,653</b>	<b>191,188</b>	<b>325,362</b>	<b>261,852</b>	<b>3,797,881</b>
<b>Liabilities and deferred inflows</b>										
Current liabilities	6,965	40,126	586,382	2,296	55,609	77,502	4,888	155,836	42,594	972,198
Due to primary government	13	-	20,322	-	3,284	26,925	57	6,386	6,252	63,239
Due to Federal government	-	-	4,142	-	-	2,233	-	-	-	6,375
Bonds payable - long-term	-	21,155	143,100	-	-	-	-	-	-	164,255
Notes payable - long-term	-	-	-	-	-	5,164	5,921	432	858	12,375
Line of credit - long-term	-	6,991	-	2,740	-	-	-	-	-	9,731
Pension liabilities	79,967	156,226	243,071	49,786	153,062	197,173	87,799	41,320	71,945	1,080,349
Other postemployment benefits	23,114	32,263	51,320	10,332	-	-	15,907	-	-	132,936
Other noncurrent liabilities	570	1,755	91,819	-	-	-	5,515	10,101	2,691	112,451
Unearned revenue - long-term	-	-	-	-	-	-	-	2,685	55,278	57,963
Deferred inflows of resources	23,931	35,629	72,050	14,757	33,114	16,868	20,066	16,595	26,887	259,897
<b>Total liabilities and deferred inflows of resources</b>	<b>134,560</b>	<b>294,145</b>	<b>1,212,206</b>	<b>79,911</b>	<b>245,069</b>	<b>325,865</b>	<b>140,153</b>	<b>233,355</b>	<b>206,505</b>	<b>2,871,769</b>
<b>Net assets (deficit):</b>										
Net investment in capital assets	55,587	323,020	1,498,356	119,602	32,664	142,245	(17,628)	22,884	133,596	2,310,326
Restricted	3,085	27,858	67,612	(177)	211	-	41,561	82,016	14,335	236,501
Unrestricted deficit	(91,974)	(140,375)	(823,874)	(81,773)	(180,887)	(223,457)	27,102	(12,893)	(92,584)	(1,620,715)
<b>Total net position (deficit)</b>	<b>\$ (33,302)</b>	<b>\$ 210,503</b>	<b>\$ 742,094</b>	<b>\$ 37,652</b>	<b>\$ (148,012)</b>	<b>\$ (81,212)</b>	<b>\$ 51,035</b>	<b>\$ 92,007</b>	<b>\$ 55,347</b>	<b>\$ 926,112</b>

\* Unaudited

\*\* University of the Virgin Islands Research and Technology Park Corporation, Virgin Islands Waste Management Authority, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Information on Statement of Activities	Expenses	Program revenue Year ended September 30, 2024			Total Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Virgin Islands Port Authority*	\$ 83,567	\$ 74,832	\$ -	\$ 27,070	\$ 18,335
Virgin Islands Housing Authority	93,475	7,239	47,663	23,609	(14,964)
Virgin Islands Water and Power Authority:					
Electric System*	336,388	327,105	-	81,521	72,238
Water System*	35,909	37,740	-	6,759	8,590
Virgin Islands Government	-	-	-	-	-
Hospital and Health Facilities Corporation:					
Roy L. Schneider Hospital*	118,040	76,202	28,437	8,111	(5,290)
Juan F. Luis Hospital*	109,021	42,376	30,249	16,849	(19,547)
University of the Virgin Islands*	110,271	12,928	76,364	3,808	(17,171)
Virgin Islands Housing Finance Authority*	80,115	5,385	64,384	-	(10,346)
Other component units**	84,503	12,210	81,058	3,975	12,740
<b>Total activities</b>	<b>\$ 1,051,289</b>	<b>\$ 596,017</b>	<b>\$ 328,155</b>	<b>\$ 171,702</b>	<b>44,585</b>
General revenue:					
Interest and other					28,969
Special item - insurance recoveries					50
Changes in net position					73,604
Net position, beginning of year, as restated					852,508
Net position, end of year					<b>\$ 926,112</b>

\* Unaudited

\*\* University of the Virgin Islands Research and Technology Park Corporation, Virgin Islands Waste Management Authority, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

The summary of due to/due from primary government and component units as of September 30, 2024, is as follows (expressed in thousands):

	Due from PG/ Component Units	Due to PG/ Component Units
Governmental funds:		
General fund	\$ 33,858	\$ 26,072
PFA capital projects	-	45
Other governmental funds	7,375	450
Discretely presented component units:		
VIWAPA - Electric System*	18,693	20,322
VIWAPA - Water System*	602	-
Hospital and Health Facilities Corporation*	159	30,209
Virgin Islands Housing Finance Authority*	-	6,386
Virgin Islands Housing Authority	-	13
Virgin Islands Waste Management Authority*	2,924	6,143
University of the Virgin Islands*	-	57
Other component units**	224	109
	\$ 63,835	\$ 89,806

\* Unaudited

\*\* University of the Virgin Islands Research and Technology Park Corporation, Virgin Islands Waste Management Authority, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)

The amounts reported as due to/due from the Government, and the discretely presented component units may not agree due to reporting on different fiscal year-ends.

### 3. Cash and Cash Equivalents

#### Primary Government

As of September 30, 2024, the PG reported \$601.8 million in unrestricted cash and cash equivalents and \$51.0 million in restricted cash and cash equivalents. All bank balances were fully collateralized, except for \$7.8 million held in various bank accounts for WICO that exceeded FDIC coverage or were not insured.

#### Pension Trust Fund

GERS considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. On September 30, 2024, GERS held \$19.5 million in cash and cash equivalents consisting of: \$750,000 in money market accounts and \$18.8 million in operational accounts.

#### Component Units

As of September 30, 2024, discretely presented component units reported \$123.7 million in unrestricted cash and cash equivalents and \$121.0 million in restricted cash and cash equivalents. Bank balances not insured or collateralized amounted to \$58.0 million, including unaudited information for the fiscal year ended September 30, 2024.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### 4. Investments

#### *Fair Value Measurements*

The Government categorizes the fair market measurements of its investments within the fair value hierarchy established by GAAP. GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value by establishing a three-level fair value hierarchy that describes inputs that are used to measure assets and liabilities as follows:

Level 1: Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs are other than quotes prices included within Level 1 that are observable for an asset or liability, which are either directly or indirectly observable.

Level 3: Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset is not observable, a government may evaluate fair market value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is based on the lowest level input that is significant to the entire measurement.

The following section describes the valuation technique methodologies the Government is using to measure assets at fair value:

Level 1: Investments classified within Level 1 are valued based on quotes obtained from active public exchanges or reported on the national market and are stated at the last reported sales price on the day of valuation. The fair value of exchange-traded contracts is based upon exchange settlement prices.

Level 2: Investments classified within Level 2 are valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. The U.S. government, agency and state obligations, U.S. Treasury notes, and debt securities are classified as Level 2 instruments as their fair value is based on quoted values stated by the bank's mark-to-market estimate using a stated fixed rate. The interest rate is observable at commonly quoted indexes for the full term of the instruments.

Level 3: Investments in limited partnerships and private debt/direct lending are classified within Level 3 of the fair value hierarchy. Given the absence of market quotations, fair value is estimated using the information provided by the investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for the fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Individual holdings within alternative investments may include instruments in both nonmarketable and market-traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities, and other investment vehicles. While these financial instruments contain varying degrees of risk, the Government's exposure with respect to each such investment is limited to carrying amount (fair value as described above).

Assets using net asset value per share as fair value are not required to be categorized using the fair value hierarchy levels.

As of September 30, 2024, the Government's investments included a non-negotiable certificate of deposit, commercial paper, money market investments, and advances for securities, which are not subject to the fair value hierarchy.

### **Primary Government**

Following are the investments of the PG categorized within the three-level fair value hierarchy:

	September 30, 2024	<i>(In thousands)</i>		
		Level 1	Level 2	Level 3
Investments with contractual maturities:				
Certificates of deposit	\$ 137,530	\$ -	\$ 137,530	\$ -
U.S. government, agency, and state obligations	64,445	-	64,445	-
Subtotal	201,975	\$ -	\$ 201,975	\$ -
Investments, at cost:				
Money market funds	112,149			
Commercial paper	50,012			
Non-negotiable certificate of deposit	10,479			
Other	22			
Total	\$ 374,637			

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Following is a summary of the investments of the PG categorized by investment type and weighted average maturity, as of September 30, 2024, (expressed in thousands):

	Fair Value	Maturity (in years)		
		Less Than 1 Year	1 to 5 Years	Over 5 Years
<b>Investments with contractual maturities</b>				
Certificates of deposit	\$ 137,530	\$ 137,530	\$ -	\$ -
U.S. government, agency, and state obligations	64,445	13,351	47,185	3,909
<b>Portfolio investments</b>				
Commercial paper	50,012	50,012	-	-
Other investments	22	22	-	-
Total investments with contractual maturities	252,009	\$ 200,915	\$ 47,185	\$ 3,909
<b>Investments without contractual maturities</b>				
Money market funds	112,149			
Non-negotiable certificate of deposit	10,479			
Total	\$ 374,637			

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The PG does not have a formal investment policy that limits investment maturities as a means of managing such exposure. As a means of keeping the interest rate risk low, investments held by the PG are virtually less than five years in nature.

**Credit Risk** - The authorizing legislation of the PG does not limit investments by credit rating categories. Authorizing legislation does limit the investment choices of the PG to direct obligations or obligations guaranteed by the United States, obligations of states, territories, possessions and commonwealths of the United States, obligations of international banking institutions, repurchase agreements, investment contracts, certificates of deposit, guaranteed investment contracts, shares in mutual funds, investment companies, corporate commercial paper, money market portfolio investments, and investment pools.

As of September 30, 2024, the PG's investments in money market funds were rated AAAM by Standard & Poor's, and Aaa-mf by Moody's Investors Service. The PG's investments in commercial paper were rated A to A+ by Standard & Poor's and A2 to A1 by Moody's Investor Services. The PG's investments in government, agency and state obligations were rated AA- to AAA by Standard & Poor's and Aa3 to Aaa by Moody's Investors Service. The Government's investments included a \$2.7 million issuance by the City of Chicago and a \$1.1 million issuance by New York City that were not rated. The PG's investments in certificates of deposit in the amount of \$148.3 million were not rated by Moody's Investor Services or by Standard & Poor's.

**Concentration of Credit Risk** - The PG places no limit on the amount that may be invested in one issuer. As of September 30, 2024, more than 5.00% of the PG's investments were invested in: Certificates of Deposit issued by First Bank (36.12%), Dreyfus Government Security CM Investor 610 (13.05%), Federated Government Obligation No. 5 (10.37%), and Goldman Financial Square No. 465 (5.96%).

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

**Custodial Credit Risk** - The PG does not have a custodial risk policy. The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the PG will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of September 30, 2024, \$226.6 million investments were held in the name of the Bank of New York Trust Company, N.A, as trustee for the Government, \$135.4 million of certificates of deposit were issued by First Bank, and \$12.8 million of certificates of deposit were issued by Banco Popular de Puerto Rico.

### **Pension Trust Fund**

Following are the investments of the Pension Trust Fund categorized within the three-level fair value hierarchy:

	September 30, 2024	(In thousands)		
		Level 1	Level 2	Level 3
Debt securities:				
Corporate bond	\$ 1	\$ -	\$ 1	\$ -
Limited partnerships-private fund of funds	5,686	-	-	5,686
Real estate/other real assets	46,500	-	-	46,500
Subtotal	52,187	\$ -	\$ 1	\$ 52,186
Investment, at cost:				
Net investment in Havensight	7,566			
Investments measured at net asset value (NAV):				
Commingled equity funds	296,007			
Commingled bond funds	133,828			
<b>Total</b>	<b>\$ 489,588</b>			

Pension trust funds investments which are measured at NAV per share, or equivalent are presented in the table below (expressed in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at net asset value (NAV):				
Commingled equity funds	\$ 296,007	\$ -	Daily	None
Commingled bond funds	133,828	-	Daily	None
<b>Total</b>	<b>\$ 429,835</b>	<b>\$ -</b>		

**Commingled equity and bond funds** - This type includes seven commingled funds that invest in publicly traded domestic and global stocks, and domestic and global fixed income securities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. The total commingled fund assets can be liquidated daily. All the underlying securities within the commingled funds carry a recurring fair value measurement Level of 2. There are no unfunded commitments to commingled funds as of September 30, 2024.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

*Securities lending collateral* - The custodian of GERS is the agent in lending GERS' securities for collateral and investments which are in a commingled fund.

Following is a summary of the investments of the pension trust fund, categorized by investment type and weighted average maturity, as of September 30, 2024, (expressed in thousands):

	Fair Value	Maturity (in years)				
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	No Stated Maturity
<b>Investments with contractual maturities</b>						
Commingled mutual funds	\$ 429,835	\$ -	\$ -	\$ -	\$ -	\$ 429,835
Corporate obligations	1	1	-	-	-	-
Limited partnerships	5,686	-	-	-	-	5,686
<b>Total investments with contractual maturities</b>						
	\$ 435,522	\$ 1	\$ -	\$ -	\$ -	\$ 435,521

*Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. GERS does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by GERS follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from GERS' board of trustees.

*Credit Risk* - GERS investment policy is designed to minimize credit risk by restricting authorized investments to only those investments permitted by statute, subject to certain additional limitations. These additional limitations consist of prohibitions against investments in derivative securities, options, futures, or short positions. GERS investment policy allows investments in mortgage pass-through securities.

The credit ratings of GERS' debt securities as of September 30, 2024, include (expressed in thousands):

	Standard & Poor's Credit Ratings		Moody's Investors Service Credit Ratings	
	Fair Value	Credit Ratings	Fair Value	Credit Ratings
Corporate obligations	\$ 1	Not Rated	\$ 1	Not Rated
U.S. equity commingled and mutual funds	204,530	Not Rated	204,530	Not Rated
International equity commingled and mutual funds	91,477	Not Rated	91,477	Not Rated
Domestic equity commingled and mutual funds	133,828	Not Rated	133,828	Not Rated
<b>Total</b>	<b>\$ 429,836</b>		<b>\$ 429,836</b>	

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of GERS' investments in a single issuer of securities. GERS' investment policy establishes limitations on portfolio composition by investment type to limit its exposure to concentration of credit risk.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

**Custodial Credit Risk** - The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, GERS will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of September 30, 2024, all cash and cash equivalents were covered by federal deposit insurance, corporate surety bonds, or by collateral held by GERS. Other than underlying securities on loans secured by noncash collateral, the System's entire investment portfolio was held with a single third-party custodian in the System's name as of September 30, 2024.

**Foreign Currency Risk** - Foreign currency risk is the risk of holding investments in foreign currencies and the risk that those foreign currencies may devalue. GERS has no general investment policy with respect to foreign currency risk. Risks associated with foreign exchange contracts include the movement in the value of foreign currency relative to the U.S. dollar and the ability of the counterparty to perform in accordance with the terms of the contract. Changes in the market value of open and closed forward contracts are recorded with interest, dividends and other income or losses reported at fair value. During the fiscal year ended September 30, 2024, GERS did not engage in any foreign currency exchange contracts.

### Component Units

Following are the investments of the discretely presented component units categorized within the fair value hierarchy, which includes prior year data as provided by certain unaudited component units:

	September 30, 2024	(In thousands)		
		Level 1	Level 2	Level 3
Investments, at fair value:				
U.S. Government agencies and notes	\$ 41,387	\$ 41,387	\$ -	\$ -
Mutual funds	15	15	-	-
Subtotal	41,402	\$ 41,402	\$ -	\$ -
Investments, at cost:				
Certificate of deposits	45,053			
Investments measured at net asset value (NAV):				
Alternative investments	23,674			
<b>Total*</b>	<b>\$ 110,129</b>			

\* Includes balances of unaudited component units - see Note 2

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Following is a summary of the investments of the discretely presented component units, categorized by investment type, and weighted average maturity, as of September 30, 2024, (expressed in thousands), which includes prior year data as provided by certain unaudited component units:

	Fair Value	Maturity (in years)			
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
<b>Investments with contractual maturities</b>					
Certificates of deposit	\$ 45,053	\$ 26,849	\$ 18,204	\$ -	\$ -
U.S. Government agencies and notes	41,387	41,387	-	-	-
Total investments with contractual maturities	86,440	\$ 68,236	\$ 18,204	\$ -	\$ -
<b>Investments without contractual maturities</b>					
Mutual funds	15				
Other investments	23,674				
<b>Total*</b>	<b>\$ 110,129</b>				

\* Includes balances of unaudited component units - see Note 2

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The component units of the Government have not established formal policies which limit investment maturities as a means of managing such exposure and have some exposure to interest rate risk.

**Credit Risk and Concentration of Credit Risk** - The authorizing legislation of the component units does not limit investments by credit rating categories. Authorizing legislation limits the investments choices of the component units, as described in Note 1.

**Custodial Credit Risk** - The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the component units will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. The component units of the Government do not have custodial credit risk policies.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### 5. Receivables

#### *Primary Government*

Receivables for governmental funds on September 30, 2024, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	\$ 306,788	\$ -	\$ -	\$ 306,788
Real property taxes	130,674	-	-	130,674
Hotel occupancy taxes	6,471	-	-	6,471
Gross receipts taxes	-	280,884	-	280,884
Subtotal taxes receivables	443,933	280,884	-	724,817
Less allowance for doubtful accounts	(252,323)	(253,134)	-	(505,457)
<b>Taxes receivables, net</b>	<b>191,610</b>	<b>27,750</b>	<b>-</b>	<b>219,360</b>
Tobacco settlement rights	-	-	747	747
Other	200	-	116	316
<b>Total</b>			<b>\$</b>	<b>220,423</b>

#### (a) Tax Receivables

The Naval Appropriations Act created a separate tax structure for the U.S. Virgin Islands that mirrors the Internal Revenue Code (IRC) of 1986, as amended. Income taxes are due from every corporation, partnership, individual, association, estate, or trust that meets the filing requirements of the U.S. Internal Revenue Code. A U.S. taxpayer who is a permanent resident of the U.S. Virgin Islands satisfies his/her Virgin Islands income tax obligations by filing his/her return with and paying income taxes to the Government.

Bona fide residents of the Virgin Islands are taxed by the Virgin Islands on their world-wide income. A nonresident of the U.S. Virgin Islands pays income taxes on his/her U.S. Virgin Islands source income to the Government.

The revenue is recognized in the general fund in the fiscal period for which the income tax return was filed. The revenue from income tax withholding and estimated payments are recognized in the general fund as collected, net of estimated tax refunds. Subchapter S and C corporate income tax returns are due by the 15th day of the fourth month following the close of the calendar year and become delinquent if not paid on or before the due date. Partnership income taxes are due by April 15 of the following year and trust income taxes are due by April 15 of the following year for which the income tax was levied. Trust income taxes must be paid by the tax filing date.

Property taxes are assessed each calendar year on all taxable real property located in the U.S. Virgin Islands. The receivable is recognized, net of estimated uncollectable amounts, in the general fund in the fiscal period for which the tax is assessed.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The revenue is recognized in the general fund in the fiscal period for which the property tax is levied, provided the tax is collected within 60 days after fiscal year-end, unless the facts justify a period greater than 60 days. Receivables collected after that period, are recorded as unavailable property tax revenue.

The Office of the Tax Assessor is responsible for the assessment of all taxable real property. Noncommercial real property subject to taxation is reassessed once every five years and commercial real property subject to taxation is reassessed biannually. The Tax Assessor prepares an annual assessment roll and schedule of collections for each parcel of real property that is used by The Office of the Tax Collector, as the basis for issuing tax bills to all taxpayers in the U.S. Virgin Islands.

Property taxes are to be levied by May 15 of each year in the name of the record owner on January 15 of the same year. The taxes are due on June 30 and become delinquent if not paid by August 31st in fiscal year 2024.

For businesses with gross receipts of \$225,000 per annum or less, gross receipts taxes are levied on an annual basis based on the amount by which gross receipts exceed \$9,000 per month. Businesses with annual gross receipts of more than \$225,000 are levied monthly with no \$9,000 per month exemption. The gross receipts tax rate is 5.0% of sales and service revenue.

Monthly gross receipts tax filings are due within 30 calendar days following the last day of the calendar month collected. Annual gross receipts tax filings are due within 30 calendar days following the last day of the calendar year.

### (b) Other Receivables

In addition to tax receivables, the PG receives tobacco settlement right payments in connection with a Master Settlement Agreement with certain participating cigarette manufacturers. Under the terms of the agreement, the U.S. Virgin Islands receives .0173593% of annual payments made under the agreement. As of September 30, 2024, the PG reported a receivable of \$747,000 for tobacco settlement right payments as included in the accompanying statement of net position.

### Component Units

Receivables for the discretely presented component units on September 30, 2024, consist of the following (expressed in thousands):

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Utility service charges	\$	41,463
Patients		15,864
Students		14,847
Port fees		6,736
Other		149,466
<hr/>		
Total*	\$	228,376

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\* Includes balances of unaudited component units - see Note 2

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### ***Pension Trust Fund***

Loans and advances to members of GERS as of September 30, 2024, consist of the following (expressed in thousands):

Personal loans	\$	2,737
Mortgage loans		19,177
<hr/>		
Total	\$	21,914

### **(c) Notes Receivable**

On July 30, 2018, the Government under an amended Terminal agreement entered a 10-year nontransferable promissory note receivable with Limetree Bay Terminals, LLC (Limetree) for \$10.0 million secured by a purchase money lien on land, buildings, and other properties at the terminal in St. Croix. The note maturity is November 30, 2028, with an interest rate of 10.0% due on June 30 and December 31 of each year, beginning June 30, 2019. Prior to the restart of the refinery, the interest is to be added to the principal amount due. At September 30, 2024, principal, and interest amounted to \$8.1 million.

### ***Component Units***

Notes receivables for the discretely presented component units on September 30, 2024, consist of the following (expressed in thousands):

Land and mortgage notes	\$	1,489
Moderate income housing		2,447
<hr/>		
Total	\$	3,936

\* Includes balances of unaudited component units - see Note 2

## **6. Unavailable Revenues**

The components of unavailable revenues as of September 30, 2024, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Property taxes	\$ 23,474	\$ -	\$ -	\$ 23,474
Income taxes	130,640	-	-	130,640
Gross receipts taxes	-	10,275	-	10,275
Tobacco settlement rights	-	-	747	747
<hr/>				
Total	\$ 154,114	\$ 10,275	\$ 747	\$ 165,136

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### 7. Interfund Transfers

Interfund transfers for the year ended September 30, 2024, consist of the following (expressed in thousands):

Transfer from/to	General	PFA Debt Service	PFA Capital Projects	Other Governmental	Other Enterprise	Total
General	\$ -	\$ 142,331	\$ 10,149	\$ 19,634	\$ 2,100	\$ 174,214
PFA Debt Service	-	-	807	-	-	807
Other Governmental	18,284	-	-	-	-	18,284
Other Enterprise	3,000	-	-	-	-	3,000
<b>Total</b>	<b>\$ 21,284</b>	<b>\$ 142,331</b>	<b>\$ 10,956</b>	<b>\$ 19,634</b>	<b>\$ 2,100</b>	<b>\$ 196,305</b>

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The most significant transfer to the general fund from other governmental funds included a \$142.3 million transfer from PFA debt service fund (a major governmental fund) representing gross receipt tax revenues available after bond debt service requirements and \$18.4 million from the budget stabilization fund (a non-major governmental fund) representing certain payments related to the energy state of emergency.

Significant transfers made from the general fund include a transfer of \$9.5 million to PFA Operating Fund (a non-major governmental fund); a transfer of \$5.0 million to School Construction Maintenance Fund (a non-major governmental fund); a transfer of \$2.5 million to the PFA Office of Disaster Recovery (a non-major governmental fund); a transfer of \$2.0 million to the Agriculture Revolving Fund (other enterprise fund); and a transfer of \$1.0 million to the Bureau of Motor Vehicles (other enterprise fund). The PFA capital projects fund (a major governmental fund) made a transfer of \$10.1 million to the General Fund. The Other Governmental fund (a non-major governmental fund) made transfer from Communities Facilities Trust of \$1.2 million to the General Fund.

### Due From/To Other Funds

Due from/to other funds	General	PFA Capital Projects	Other Governmental	Other Enterprise	Total
General	\$ -	\$ -	\$ 33,962	\$ 300	\$ 34,262
MFSPSC	170,282	-	-	-	170,282
Other Governmental	53,398	-	-	-	53,398
<b>Total Governmental</b>	<b>223,680</b>	<b>-</b>	<b>33,962</b>	<b>300</b>	<b>257,942</b>
WICO	11,212	-	-	-	11,212
viNGN	-	36,804	-	-	36,804
Other Enterprise	459	325	2,419	-	3,203
<b>Total Proprietary</b>	<b>11,671</b>	<b>37,129</b>	<b>2,419</b>	<b>-</b>	<b>51,219</b>
<b>Total</b>	<b>\$ 235,351</b>	<b>\$ 37,129</b>	<b>\$ 36,381</b>	<b>\$ 300</b>	<b>\$ 309,161</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The due from/to other funds includes the following amounts the general fund owes to other funds: \$16.0 million to St. Croix Capital Improvement Fund for capital improvement projects; \$9.3 million due to PFA operating fund (a non-major governmental fund) for unpaid transfers from gross receipts collections and payments made on behalf of VIWAPA; \$4.9 million due to the Emergency Molasses Fund (a non-major governmental fund) for unpaid appropriations, \$2.3 million due to the Elected Governor Retirement Fund, and \$740,900 due to the Crisis Intervention Fund (a non-major governmental fund).

The amount due from other governmental funds by the general fund is mainly composed of \$42.2 million due from the District Street Lighting Fund (a non-major governmental fund); \$6.8 million from Office of Disaster Recovery (a non-major governmental fund); and \$2.7 million from the Bond Proceeds Fund (a non-major governmental fund). The amount of \$170.3 million due from the MFSPSC to the general fund consists of residual matching funds in connection with the GERS Funding Note and certain payments due to rum manufacturers. The due to PFA Capital Projects funds includes \$36.8 million due from the Virgin Islands Next Generation Network (viNGN), a major business-type fund in connection with start-up costs of the broadband project. The amount due to other governmental funds by the other enterprise includes \$1.0 million due from the Virgin Islands Lottery to the Pharmaceutical Assistance to the Aged Fund; and \$1.1 million due from the Virgin Islands Lottery to the Virgin Islands Educational Initiative Fund consisting primarily of 15.0% of revenue derived from lottery games under contract between the Virgin Islands Lottery and private contractors be transferred to these funds.

### 8. Restricted Assets

#### *Primary Government*

Restricted assets of proprietary funds and business-type activities as of September 30, 2024, include cash and cash equivalents as follows (expressed in thousands):

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Unemployment insurance funds	\$	41,887
WICO		8,877
viNGN		250
<hr/>		
Total	\$	51,014

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These funds were restricted for the repayment of loans payable to the U.S. Treasury, for WICO debt service accounts as required by loan covenants, and for viNGN as collateral securing a line of credit.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Component Units*

Restricted assets of discretely presented component units as of September 30, 2024, include cash and cash equivalents, investments, and receivables as follows (expressed in thousands), which includes prior year data as provided by certain unaudited component units:

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Cash and cash equivalents:		
Debt service and sinking fund requirements	\$	25,409
Endowment funds		814
HUD project funds		3,334
Revolving loan funds		64,438
Other		27,050
<hr/>		
Total restricted cash and cash equivalents		121,045
<hr/>		
Investments:		
Debt service and sinking fund requirements		51,675
Endowment funds		23,674
Revolving loan funds		11,976
<hr/>		
Total restricted investments:		87,325
<hr/>		
Other:		
Pledged funds		18,291
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Total*	\$	226,661

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\* Includes balances of unaudited component units - See Note 2

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### 9. Capital Assets

#### *Primary Government*

Capital assets activity for governmental activities for the year ended September 30, 2024, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Impairment/D isposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 216,024	\$ 6,664	\$ 6,046	\$ (1,403)	\$ 227,331
Construction in progress	248,347	166,763	(64,726)	(1,004)	349,380
<b>Total capital assets not being depreciated</b>	<b>464,371</b>	<b>173,427</b>	<b>(58,680)</b>	<b>(2,407)</b>	<b>576,711</b>
Capital assets being depreciated and amortized:					
Land improvements	21,349	-	4,488	-	25,837
Infrastructure	365,687	-	38,680	-	404,367
Buildings and improvements	668,983	6,949	12,312	(88)	688,156
Machinery and equipment	311,971	12,127	3,200	(57)	327,241
<b>Total capital assets being depreciated and amortized</b>	<b>1,367,990</b>	<b>19,076</b>	<b>58,680</b>	<b>(145)</b>	<b>1,445,601</b>
Less accumulated depreciation and amortization for:					
Land improvements	(7,883)	(927)	-	-	(8,810)
Infrastructure	(81,618)	(13,253)	-	-	(94,871)
Buildings and improvements	(351,891)	(29,886)	-	88	(381,689)
Machinery and equipment	(255,301)	(21,292)	-	57	(276,536)
<b>Total accumulated depreciation and amortization</b>	<b>(696,693)</b>	<b>(65,358)</b>	<b>-</b>	<b>145</b>	<b>(761,906)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>671,297</b>	<b>(46,282)</b>	<b>58,680</b>	<b>-</b>	<b>683,695</b>
<b>Total governmental activities capital assets, net</b>	<b>\$1,135,668</b>	<b>\$ 127,145</b>	<b>\$ -</b>	<b>\$ (2,407)</b>	<b>\$1,260,406</b>

Depreciation and amortization expense are charged to functions of the PG for the year ended September 30, 2024, as follows (expressed in thousands):

#### **Governmental Activities:**

General government	\$ 18,449
Public safety	4,693
Health	2,327
Education	22,956
Public housing and welfare	1,297
Culture and recreation	806
Transportation and communication	14,830
<b>Total</b>	<b>\$ 65,358</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Capital assets activity for business-type activities for the year ended September 30, 2024, is summarized as follows (expressed in thousands):

	Restated Beginning Balance	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 6,378	\$ -	\$ -	\$ -	\$ 6,378
Construction in progress	11,071	1,297	(3,543)	(288)	8,537
<b>Total capital assets not being depreciated</b>	<b>17,449</b>	<b>1,297</b>	<b>(3,543)</b>	<b>(288)</b>	<b>14,915</b>
Capital assets being depreciated and amortized:					
Land improvements	705	-	262	-	967
Buildings and improvements	82,440	23	21	(7)	82,477
Machinery and equipment	84,250	586	3,260	(112)	87,984
Right-to-use building and improvements	1,329	25	-	-	1,354
Intangible assets	30,774	-	-	-	30,774
<b>Total capital assets being depreciated and amortized</b>	<b>199,498</b>	<b>634</b>	<b>3,543</b>	<b>(119)</b>	<b>203,556</b>
Less accumulated depreciation and amortization for:					
Land improvements	(476)	(39)	-	-	(515)
Buildings and improvements	(56,784)	(2,902)	-	4	(59,682)
Machinery and equipment	(47,960)	(4,140)	-	104	(51,996)
Right-to-use building and improvements	(681)	(277)	-	-	(958)
Intangible assets	(12,179)	(1,011)	-	-	(13,190)
<b>Total accumulated depreciation and amortization</b>	<b>(118,080)</b>	<b>(8,369)</b>	<b>-</b>	<b>108</b>	<b>(126,341)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>81,418</b>	<b>(7,735)</b>	<b>3,543</b>	<b>(11)</b>	<b>77,215</b>
<b>Total Business-type activities capital assets, net</b>	<b>\$ 98,867</b>	<b>\$ (6,438)</b>	<b>\$ -</b>	<b>\$ (299)</b>	<b>\$ 92,130</b>

Depreciation and amortization expense are charged for the year ended September 30, 2024, as follows (expressed in thousands):

**Business-type Activities:**

WICO	\$ 2,925
viNGN	4,518
Other enterprise funds	926
<b>Total</b>	<b>\$ 8,369</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### Component Units

Capital assets activity for discretely presented component units for the year ended September 30, 2024, is summarized as follows (expressed in thousands):

	Adjusted Beginning Balance	Additions	Transfers	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 133,659	\$ 645	\$ -	\$ -	\$ 134,304
Construction in progress	684,214	185,610	-	(1,755)	868,069
<b>Total capital assets not being depreciated</b>	<b>817,873</b>	<b>186,255</b>	<b>-</b>	<b>(1,755)</b>	<b>1,002,373</b>
Capital assets being depreciated and amortized:					
Buildings and improvements	2,648,220	22,568	-	(1,151)	2,669,637
Airport and marine terminal facilities	194,427	-	-	-	194,427
Personal property and equipment	178,162	3,565	-	(1,513)	180,214
Right to use lease assets	3,273	65	-	-	3,338
Intangible assets	2,919	-	-	-	2,919
<b>Total capital assets being depreciated and amortized</b>	<b>3,027,001</b>	<b>26,198</b>	<b>-</b>	<b>(2,664)</b>	<b>3,050,535</b>
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,108,330)	(45,786)	-	-	(1,154,116)
Airport and marine terminal facilities	(173,558)	(4,550)	-	-	(178,108)
Personal property and equipment	(119,190)	(4,259)	-	1,427	(122,022)
Right to use lease assets	(918)	(885)	-	-	(1,803)
Intangible assets	(2,919)	-	-	-	(2,919)
<b>Total accumulated depreciation and amortization</b>	<b>(1,404,915)</b>	<b>(55,480)</b>	<b>-</b>	<b>1,427</b>	<b>(1,458,968)</b>
<b>Total capital assets being depreciated and amortized, net</b>	<b>1,622,086</b>	<b>(29,282)</b>	<b>-</b>	<b>(1,237)</b>	<b>1,591,567</b>
<b>Total component units' capital assets, net*</b>	<b>\$ 2,439,959</b>	<b>\$ 156,973</b>	<b>\$ -</b>	<b>\$ (2,992)</b>	<b>\$ 2,593,940</b>

\* Includes balances of unaudited component units - See Note 2

Depreciation and amortization expense charged by each component unit for the year ended September 30, 2024, is as follows (expressed in thousands):

Virgin Islands Housing Authority	\$ 6,737
Virgin Islands Port Authority*	17,593
Virgin Islands Water and Power Authority:	
Electric System*	14,568
Water System*	4,298
Hospital and Health Facilities Corporation:	
Roy L. Schneider Hospital*	3,980
Juan F. Luis Hospital*	1,178
University of the Virgin Islands*	2,815
Virgin Islands Housing Finance Authority*	2,108
Other component units*	2,203
<b>Total</b>	<b>\$ 55,480</b>

\* Includes balances of unaudited component units - See Note 2

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### 10. Long-Term Liabilities

#### *Primary Government*

The change in long-term bonds and loans for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
<b>Gross Receipts Revenue Bonds</b>						
Series 2014 D Revenue Bonds	\$ 4,100	\$ -	\$ 270	\$ 3,830	\$ 290	\$ 3,540
Series 2014 C Revenue and Refunding Bonds	201,805	-	7,045	194,760	7,385	187,375
Series 2014 A Revenue Bonds	35,435	-	2,210	33,225	2,325	30,900
Series 2012 A and B Revenue and Refunding Bonds	130,615	-	9,195	121,420	9,940	111,480
Series 2012 C Revenue Bonds	19,260	-	430	18,830	455	18,375
Series 2006 A Revenue Bonds	137,075	-	17,515	119,560	18,165	101,395
<b>Total</b>	<b>528,290</b>	<b>-</b>	<b>36,665</b>	<b>491,625</b>	<b>38,560</b>	<b>453,065</b>
<b>Tobacco Settlement Bonds</b>						
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	4,827	-	1,060	3,767	-	3,767
<b>Matching Fund Special Purpose Securitization Corporation</b>						
Series 2022 A Securitization Bonds	930,315	-	-	930,315	-	930,315
Series 2022 B Securitization Bonds	22,510	-	-	22,510	-	22,510
<b>Total</b>	<b>952,825</b>	<b>-</b>	<b>-</b>	<b>952,825</b>	<b>-</b>	<b>952,825</b>
<b>Federal-Aid Highway Bonds</b>						
Series 2015 Bonds	58,475	-	4,650	53,825	4,880	48,945
<b>Other Direct Placement Bonds</b>						
Series 2019 A TIF Revenue and Refunding Bonds	6,411	-	2,306	4,105	650	3,455
<b>Total bonds payable</b>	<b>1,550,828</b>	<b>-</b>	<b>44,681</b>	<b>1,506,147</b>	<b>44,090</b>	<b>1,462,057</b>
<b>Plus (less):</b>						
Bond premium	42,057	-	5,510	36,547	-	36,547
Bond discount	(189)	-	(21)	(168)	-	(168)
Bond accretion	14,750	1,323	-	16,073	16,073	-
<b>Total bonds payable, net</b>	<b>\$1,607,446</b>	<b>\$ 1,323</b>	<b>\$ 50,170</b>	<b>\$1,558,599</b>	<b>\$ 60,163</b>	<b>\$1,498,436</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Loans, Lines of Credit, and Notes Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
2019 A TIF Project Developer Note	\$ 1,537	\$ -	\$ 16	\$ 1,521	\$ 18	\$ 1,503
Series 2023 Note	55,909	22,941	64,199	14,651	-	14,651
<b>Total</b>	<b>57,446</b>	<b>22,941</b>	<b>64,215</b>	<b>16,172</b>	<b>18</b>	<b>16,154</b>
Total governmental activities bonds and direct borrowings and placements	\$1,664,892	\$ 24,264	\$ 114,385	\$1,574,771	\$ 60,181	\$1,514,590

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	\$ 47,583	\$ 1,615	\$ -	\$ 49,198	\$ 22,463	\$ 26,735
Retroactive union arbitration	146,518	-	2,408	144,110	22,031	122,079
Litigation	6,685	740	1,664	5,761	1,475	4,286
Landfill closure and post closure	165,244	4,106	-	169,350	-	169,350
<b>Total</b>	<b>\$ 366,030</b>	<b>\$ 6,461</b>	<b>\$ 4,072</b>	<b>\$ 368,419</b>	<b>\$ 45,969</b>	<b>\$ 322,450</b>

Accrued compensated absences, retroactive union arbitration, litigation, and landfill closure and post-closure costs, are generally expected to be liquidated with resources derived from the general fund.

As of September 30, 2024, the PG reported other post-employment benefits (OPEB) to retirees such as health insurance liability of \$812.3 million. The OPEB liability is valued by an actuarial valuation as of October 1, 2023.

The change in OPEB liabilities for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Adjusted Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Total OPEB liability	\$ 784,556	\$ 64,019	\$ 36,263	\$ 812,312	\$ -	\$ 812,312

As of September 30, 2024, the PG reported a net pension liability of \$3.0 billion for its proportionate share of the net defined benefit pension liability administered by GERS. The net pension liability is valued as of September 30, 2023, determined by an actuarial valuation as of that date.

The change in pension liabilities for governmental activities is as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	\$3,125,580	\$ -	\$ 160,687	\$2,964,893	\$ -	\$2,964,893

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

The changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2024, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
VIWAPA utilities - WICO	\$ 183	\$ -	\$ -	\$ 183	\$ -	\$ 183
Workers' compensation claims	41,961	1,496	2,630	40,827	1,496	39,331
Lease liability - viNGN	680		219	461	179	282
Note payable - viNGN	450	-	12	438	17	421
Revolving line of credit - viNGN	-	95	-	95	-	95
Compensated absences - WICO	1,372	349	369	1,352	51	1,301
Port Facilities Revenue Bonds - WICO	51,631	45	-	51,676	-	51,676
<b>Total</b>	<b>\$ 96,277</b>	<b>\$ 1,985</b>	<b>\$ 3,230</b>	<b>\$ 95,032</b>	<b>\$ 1,743</b>	<b>\$ 93,289</b>

### ***Debt Margin***

Pursuant to 48 U.S.C. Section 1574(b)(i) of the Revised Organic Act, the Government may issue revenue bonds for public improvements or undertakings authorized by an act of the Legislature of the Virgin Islands, without limitation as to principal amount. Such revenue bonds are payable solely from the revenue directly derived from and attributable to such public improvements or undertakings. Pursuant to 48 U.S.C. Section 1574(b)(ii), the Government is authorized to issue general obligation bonds for any public purpose provided that no such indebtedness is more than 10.0% of the aggregate assessed valuation of the taxable real property in the U.S. Virgin Islands.

In addition, pursuant to 48 U.S.C. Section 1574(a) (Public Law 94-932), the U.S. Virgin Islands is authorized to issue bonds or other obligations in anticipation of the matching funds to be received from the federal government pursuant to 26 U.S.C. Section 7652(b)(3). There is no legal limit on the value of bonds that the Government may issue pursuant to 48 U.S.C. Section 1574(a). The Legislature of the U.S. Virgin Islands must authorize all bond issuances. PFA is authorized to issue bonds for financing any project or for the purpose authorized by the Legislature of the Virgin Islands. Given that PFA's powers to issue bonds are derived from 48 U.S.C. Section 1574(b), the bonds issued by PFA are subject to the limitations of said 48 U.S.C. Section 1574(b).

On August 23, 1999, the Legislature of the Virgin Islands amended the V.I. Code to add a Mandatory Balanced Budget Provision. Such provisions, specifically Title 2 of the V.I. Code Section 256, provides that the amount of debt of the Government existing on October 1, 2000, shall be the debt limit of the Government, exclusive of bond principal and interest that may become due.

The debt limit specified under Title 2 of the V.I. Code Section 256 does not include bonds authorized by law for which a specific source of revenue is identified and committed to retiring those bonds. As used in Title 2 of the V.I. Code Section 256, the term "debt" means the total accumulated unpaid obligations that are due and payable, including unpaid income tax refunds, amounts owed to vendors, and current year unpaid debt service obligations, if any. As used in the statute, the term "debt" does not include that portion of principal or interest on bonds that is not yet due and payable.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### (a) Bonds Payable

Bonds payable outstanding on September 30, 2024, are comprised of the following (expressed in thousands):

	Maturity	Interest Rate (%)		Balance
<b>Gross Receipts Revenue Bonds</b>				
Series 2014 D Revenue Bonds	2015 - 2033	6.03	\$	3,830
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50 - 5.00		194,760
Series 2014 A Revenue Bonds	2015 - 2034	5.00		33,225
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 - 5.25		121,420
Series 2012 C Revenue Bonds	2017 - 2042	3.00 - 5.00		18,830
Series 2006 A Revenue Bonds	2007 - 2029	3.50 - 5.00		119,560
<b>Total</b>				<b>491,625</b>
<b>Tobacco Settlement Bonds</b>				
Series 2006 A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 - 8.00		3,767
<b>Matching Fund Special Purpose Securitization Bonds</b>				
Series 2022 A Securitization Bonds	2039	4.05 - 4.73		930,315
Series 2022 B Securitization Bonds	2025	6.00		22,510
<b>Total</b>				<b>952,825</b>
<b>Federal-Aid Highway Bonds</b>				
Series 2015 Bonds	2016 - 2033	3.00 - 5.00		53,825
<b>Other Direct Placement Bonds or Borrowings</b>				
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88		4,105
<b>Total bonds payable</b>				<b>1,506,147</b>
<b>Plus (Less):</b>				
Bonds premium				36,547
Bonds discount				(168)
Bonds accretion				16,073
<b>Total bonds payable, net</b>			<b>\$</b>	<b>1,558,599</b>

### ***Gross Receipts Revenue Bonds***

#### ***2014 Series D Revenue Bonds***

On December 3, 2014, PFA issued the Series 2014 D Revenue Bonds, the proceeds of which amounted to \$5,765,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The Series 2014 D Revenue Bonds were issued to (i) finance certain costs associated with the broadband expansion program, (ii) fund the debt service reserve of the Series 2014 D Bonds in an amount necessary to meet debt service requirements, and (iii) pay the costs of issuance related to the Series 2014 D Bonds accounts. The Series 2014 D Bonds mature in 2033 at an interest rate of 6.03%.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Interest on the Series 2014 D Revenue Bonds is payable semi-annually on April 1 and October 1, and the principal is payable in total on October 1, 2033. The Government is responsible for all principal and interest payments on the Series 2014 D Revenue Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2014 D Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<b>Series 2014 D Revenue Bonds</b>	<b>Price</b>
Any time prior to maturity	100% Make-Whole Redemption Price

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### *Series 2014 C Revenue and Refunding Bonds*

On November 14, 2014, PFA issued the Series 2014 C Revenue and Refunding Bonds, the proceeds of which amounted to \$247,050,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The Series 2014 C Revenue and Refunding Bonds were issued to (i) refund the outstanding Series 2003 A Bonds, (ii) finance all or a portion of the costs of certain capital projects, and (iii) pay the costs of issuance related to the Series 2014 C Bonds. The Series 2014 C Bonds mature from 2015 to 2044 at an interest rate of 4.5% to 5.0%.

The proceeds of the Series 2014 C Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2016 to 2034 maturities of the Series 2003 A Bonds. Approximately \$235,249,196 of bond proceeds were deposited into the Escrow Fund accounts. On December 1, 2014, the Series 2003 A bonds were defeased through the exercise of call redemptions.

Interest on the Series 2014 C Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2014 C Revenue and Refunding Bonds.

The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2014 C Revenue and Refunding Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<b>Series 2014 C Revenue and Refunding Bonds</b>	<b>Price</b>
October 1, 2024 and thereafter	100%

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# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Series 2014 A Revenue Bonds*

On September 5, 2014, PFA issued the Series 2014 A Revenue Bonds, the proceeds of which amounted to \$49,640,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The bonds were issued to (i) finance all or a portion of the costs of certain capital projects, as authorized by the Virgin Islands Legislature in 2013 V.I. Act 7499, as amended by 2014 V.I. Act 7631 as further amended by 2014 V.I. Act 7637 and approved by PFA by resolution, (ii) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve Requirement, and (iii) pay the costs and expenses of issuing and delivering the Series 2014 A Bonds. The Series 2014 A Revenue Bonds mature from 2015 to 2034 at an interest rate of 5.0%.

Interest on the Series 2014 A Revenue Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2014 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2014 A Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<u>Series 2014 A Revenue Bonds</u>	<u>Price</u>
October 1, 2024 and thereafter	100%

### *Series 2012 A and B Revenue and Refunding Bonds*

On November 20, 2012, PFA issued the Series 2012 A and B Revenue and Refunding Bonds, the proceeds of which amounted to \$228,805,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges.

The Series 2012 A Revenue and Refunding Bonds were issued to (i) refund the outstanding Series 1999 A Bonds, (ii) refund the outstanding 2010 A1 and A2 Notes, (iii) pay the costs and expenses of issuing and delivering the Series 2012 A Revenue and Refunding Bonds, and (iv) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve requirement related to the Series 2012 A Revenue and Refunding Bonds. The Series 2012 A Bonds mature from 2017 to 2032 at an interest rate of 2.3% to 5.0%.

The Series 2012 B Revenue and Refunding Bonds were issued to (i) refinance the outstanding 2011 A Notes, which initially financed the Broadband Project, (ii) pay the costs and expenses of issuing and delivering the Series 2012 B Revenue and Refunding Bonds, and (iii) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve requirement related to the Series 2012 B Revenue and Refunding Bonds. The Series 2012 B Revenue and Refunding Bonds mature in 2027 at an interest rate of 5.3%.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The refunding of the Series 1999 A Bonds, on November 20, 2012, was made to obtain lower interest rates. The economic gain obtained by this current refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a debt service saving of approximately \$11.9 million and an economic gain of approximately \$7.7 million.

Interest on the Series 2012 A and B Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2012 A and B Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The 2012 Series A and B Revenue and Refunding Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<b>Series 2012 A and B Revenue and Refunding Bonds</b>	<b>Price</b>
October 1, 2032 (Series 2012 A)	100%
October 1, 2027 (Series 2012 B)	Make-Whole Redemption Price

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### *Series 2012 C Revenue Bonds*

On December 19, 2012, PFA issued the Series 2012 C Revenue Bonds, the proceeds of which amounted to \$35,115,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The bonds were issued to (i) provide a loan to the Government to be used to finance certain operating expenses and other obligations of the Government, (ii) fund capitalized interest on a portion of the Series 2012 C Bonds, and (iii) pay the costs and expenses of issuing and delivering the Series 2012 C Bonds. The Series 2012 C Revenue Bonds mature from 2017 to 2042 at an interest rate of 3.0% to 5.0%.

Interest on the Series 2012 C Revenue Bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2012 C Revenue Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

The Series 2012 C Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<b>Series 2012 C Revenue Bonds</b>	<b>Price</b>
October 1, 2030 and thereafter	100%

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# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Series 2006 A Revenue Bonds*

On September 28, 2006, PFA issued the Series 2006 A Revenue Bonds, the proceeds of which amounted to \$219,490,000. These bonds are secured by a pledge of the Trust estate, which includes certain funds established under the original Indenture, the Seventh Supplemental Indenture and the 2006 Gross Receipts Taxes Loan Note, Series issued by the Government. The proceeds were loaned to the Government under the same terms as the Bonds. The bonds are limited special obligations of PFA. The bonds bear interest at 3.5% to 5.0% and mature from 2007 to 2029. The proceeds of the bonds were issued to: (i) refund a portion of PFA's Revenue Bonds, Series 1999 A, (ii) pay the cost of a termination fee in connection with an outstanding swap option agreement, (iii) fund certain capital projects, (iv) fund the Debt Service Reserve Account, (v) pay certain costs of issuing the Series 2006 A Revenue Bonds and (vi) fund a net payment reserve account for a new swap agreement. The Series 2006 A Revenue Bonds maturing on or before October 1, 2016, are not subject to optional redemption. The advance refunding of the 2024 and 2029 maturities of the Series 1999 A Bonds was made to obtain lower interest rates.

The economic gain obtained by this advance refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a debt service saving of approximately \$40.8 million and an economic gain of approximately \$25.6 million.

The proceeds of the Series 2006 A Revenue Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2024 to 2029 maturities of the Series 1999 A Bonds. Approximately \$175,125,168 of funds was deposited into the Escrow Fund accounts. The Series 1999A Revenue Bonds are fully defeased.

Interest on the Series 2006 A Revenue Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2006 A Revenue Bonds. The principal and interest payments on October 1 are funded by Gross Receipts taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts taxes.

The Series 2006 A Revenue Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<u>Series 2006 A Revenue Bonds</u>	<u>Price</u>
October 1, 2016 and thereafter	100%

### *Pledged Funds, Covenants and Collateral*

The Government has pledged Gross Receipts Taxes subject to the annual moderate income housing fund deposit, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2019A TIF Revenue and Refunding Bonds, Series 2019A TIF Project Developer Loan Note, Series 2014 A Revenue Bonds, Series 2012 C Revenue Bonds, Series 2012 A and B Revenue and Refunding Bonds, and the Series 2006 A Revenue Bonds.

The Government's auditor provides quarterly verification of gross receipts deposits made to the collecting agent, in accordance with bond covenants.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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In fiscal year 2024, pledged gross receipts tax revenues represented 29.91% of total gross receipt tax revenues. Payment of Gross Receipts Revenue Bonds and Notes principal and interest from pledged gross receipts taxes amounted to \$62.0 million for bonds and \$2.6 million for notes, respectively.

### ***Tobacco Settlement Bonds***

#### *2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds*

On March 15, 2006, TSFC issued the 2006 Tobacco Settlement Financing Corporation Asset-Backed Bonds, Subordinated Series 2006 (Turbo Capital Appreciation Bonds) amounting to \$48,145,000, with an issue value of \$7,290,009 net of accretion of \$40,854,991. The bonds are secured and payable from collections including all Tobacco Settlement Revenues to be received by TSFC, reserves, amounts held in other accounts established by the indenture and TSFC's rights under the purchase agreement. The proceeds have been used for the purpose of (i) to finance several capital, hospital, and health development projects for the benefit of the Virgin Islands and its residents, (ii) to pay certain costs of issuing the Series 2006 Bonds, and (iii) to fund operating costs associated with the Series 2006 Bonds.

Interest on the Series 2006 Bonds is not paid currently but accretes from the date of delivery, compounded every May 15 and November 15, commencing May 15, 2006, and is paid at maturity or upon prior redemption.

### ***Matching Fund Special Purpose Securitization Bonds***

#### *2022 Series A & B Securitization Bonds*

On April 6, 2022, MFSPSC issued the Series 2022 A Securitization Bonds and the Series 2022 B Taxable Securitization Bonds (Series 2022 A and Series 2022 B Bonds), the proceeds of which amounted to \$952,825,000. The bonds are secured by a pledge of matching fund receipts. Matching fund receipts (MFRs) are received from the Department of Interior as an advance of distilled spirits excise tax on rum products shipped by Virgin Islands rum producers to the United States.

The Series 2022A and B Bonds were issued to: (i) purchase from the Government all of its right, title and interest in and to the MFRs, (ii) pay capitalized interest on the Series 2022 Bonds, (iii) pay the costs of issuance of the bonds, and (iv) transfer to the GERS Funding Note Trustee an amount sufficient to fund the annual GERS Funding Note payment obligations. The Series 2022A Bonds were issued with an original issue premium of \$28,061,333.

Interest on the Series 2022 A and Series 2022 B bonds is payable semi-annually on April 1 and October 1, beginning October 1, 2022, with principal payments due October 1, beginning October 1, 2025. Capitalized interest was funded as part of the issuance of the bonds in the amount of \$112.2 million. Capitalized interest is applied to semi-annual interest payments with an initial payment of \$18.3 million on October 1, 2022, and subsequent semi-annual payments of \$18.8 million through April 1, 2025.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The Series 2022 A bonds maturing after the dates below are redeemable at the option of MFSPSC, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<b>Series 2022 A Securitization Bonds</b>	<b>Price</b>
October 1, 2032 and thereafter	100%

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The Series 2022 B bonds are subject to redemption prior to maturity, at the election of MFSPSC, on any date at a redemption price equal to the greater of (i) the principal amount of the bonds to be redeemed, or (ii) the “make whole option redemption” amount. The make whole optional redemption is the sum of the present values of the remaining scheduled payments of principal, interest, not including any portion of interest accrued and unpaid as of the date redeemed, discounted to the date of redemption at the U.S. Treasury rate plus 50 basis points. The make whole optional redemption amount is to be calculated by an independent accounting firm or advisor retained by MFSPSC.

### ***Federal-Aid Highway Bonds***

On December 15, 2015, PFA issued the Series 2015 Federal-Aid Highway Bonds (the Series 2015 Bonds), the proceeds of which amounted to \$89,880,000. These bonds are secured by a lien on a security interest in, the Trust Estate, which includes, all rights and interests in (i) the Federal Highway Grant Revenues, (ii) subject to the limitations set forth in the Indenture, the Transportation Trust Fund, and the Pledged Transportation Trust Fund Revenues, (iii) the amounts on deposit in certain funds and accounts created under the Indenture, including Debt Service Reserve Fund and (iv) the Loan Agreement and the Loan Note. The bonds are limited special obligations of PFA.

The Series 2015 Bonds were issued to (i) finance costs of certain highway capital projects, (ii) establish debt service reserves, and (iii) pay the costs of issuance related to the Series 2015 Bonds. The Series 2015 Bonds mature from 2016 to 2033 at an interest rate of 3.0% to 5.0%.

Interest on the Series 2015 Bonds is payable semi-annually on March 1 and September 1, and principal is payable annually on September 1. The Government is responsible for all principal and interest payments on the Series 2015 Bonds. The principal and interest payments on September 1 are funded by the Federal Highway Grant Revenues, and the required investment to meet the March 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Federal Highway Grant Revenues.

The Series 2015 Bonds maturing after the dates below are redeemable at the option of PFA, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<b>Series 2015 Bonds</b>	<b>Price</b>
September 1, 2025, and thereafter	100%

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# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Pledged Funds, Covenants and Collateral*

The Government has pledged the Federal Highway Grant Revenues, as described below, to the timely payment of principal and interest on the Series 2015 Bonds. The Federal Highway Administration's Puerto Rico Division and the Government's Department of Public Works and PFA, have entered into a Memorandum of Understanding, dated December 9, 2015, documenting the procedures, roles, and responsibilities for (i) programming and authorizing the Approved Projects, (ii) supervising the construction of the Approved Projects, (iii) paying debt service on the Bonds and other Bond Related Charges, and (iv) establishing the funding, transfer, and disbursement process for the proceeds of the Bonds.

### *Other Direct Placement Bonds*

#### *Series 2019 A TIF Revenue and Refunding Bonds*

On November 14, 2019, PFA issued the Series 2019 A TIF Revenue and Refunding bonds with a local bank in the amount of \$12.0 million. The proceeds of the bonds were used to: (i) defease the Series 2012 A TIF Notes with outstanding principal of approximately \$11.0 million and accrued interest of \$104,000, (ii) make a settlement payment to the developer of the Island Crossings Shopping Center, (iii) fund certain debt service reserves and (iv) pay the costs of the issuance. The Series 2019 A Bonds bear an interest rate of 6.9% over a term of 10 years.

Interest on the Series 2019 A TIF Revenue and Refunding Bonds is payable monthly, and the principal is payable commencing December 1, 2019. The Government is responsible for all principal and interest payments on the Series 2019 A Bonds. The monthly principal and interest payments are funded by pledged Gross Receipts Taxes. In the year ended September 30, 2024, the Government made an additional principal redemption of \$1.2 million.

The Series 2019 A TIF Revenue and Refunding Bonds maturing after the dates below are redeemable at the option of the PFA, at prescribed redemption prices expressed as a percentage of the principal amount as follows:

<u>Series 2019 A TIF Revenue and Refunding Bonds</u>	<u>Price</u>
December 1, 2019 and thereafter	100%

### *Pledged Funds, Covenants and Collateral*

The Government has pledged the Gross Receipts Taxes of the TIF Developer Project subject to the annual moderate income housing fund deposit, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2019 A TIF Revenue and Refunding Bonds. The Government has contracted with its auditor to provide quarterly verification of gross receipts deposits made to the collecting agent, in accordance with bond covenants.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The Tax Increment Revenue Loan Agreement entered into with the Government and Trustee in connection with the issuance of the Series 2019 A TIF Revenue and Refunding Bonds requires a Debt Service Coverage Ratio (DSCR) of 1.25 determined on an annual basis (before October 31<sup>st</sup> of each fiscal year). The ratio is the Islands Crossings Incremental Revenues together with any ground lease payments divided by the total amount of annual principal and interest payments on the Series 2019 A TIF Revenue and Refunding Bonds. PFA is required to maintain a Loan to Value Ratio (LTV) of no more than 65.0%. In any fiscal year in which the LTV shall exceed 65.0%, the DSCR shall be 1.35, and, upon certification thereof by the TIF Calculation Agent, any amounts then available in the Surplus Account may be made first to interest and then to principal due on the 2019A TIF Project Developer Note. No payments may be made on the 2019 A TIF Project Developer Note until the DSCR and LTV requirements have been met. For the year ended September 30, 2024, the DSCR amounted to 2.26%, meeting the requirements of the Tax Increment Revenue Loan Agreement.

To provide additional security for the payment of the principal and interest due on the Series 2019 A Bonds, the TIF Project Developer has entered into the Purchaser Collateral Documents for the benefit of the lender, to secure the payment of the Bonds. During the time that the Series 2019 A Bonds are outstanding, the Economic Development Authority shall obtain an independent report on the financial statements of the Islands Crossings Project, determining if the incremental pledged funds are equal to estimates, and if the Island Crossings Project is economically viable for the repayment of the Series 2019 A TIF Revenue and Refunding Bonds.

The bonds contain a provision that in an event of default, the lender may at any time declare the entire balance of the Series 2019 A Bond and any indebtedness of PFA to the lender to be due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest, or notice.

### ***WICO Port Facilities Revenue Bonds***

In June 2022, WICO issued the Port Facilities Revenue Bonds, Series 2022A and Series 2022B (the Series 2022 Bonds). The Series 2022 Bonds were issued at a nominal value of \$52.6 million and a discounted value of \$51.6 million. The Series 2022A and 2022B Bonds are privately placed and were offered exclusively to qualified institutional buyers and were not registered under the Securities Act, or any state securities laws. The bonds are limited obligations of the Company and are not the debts of PFA or the Government.

The Series 2022 Bonds were issued to: (i) prepay the WICO's loan (ii) fund a capitalized interest fund in an amount equal to interest accrued through December 31, 2022, (iii) fund the debt service reserve fund, (iv) finance certain capital improvements to docks, wharves, and ancillary facilities, (v) acquire a twenty-foot skiff for port operations, and (vi) pay certain costs of issuing the bonds. The Series 2022 Bonds are due from October 1, 2033, to October 1, 2052, with interest rates from 6.125% to 6.375%. Interest is payable annually on October 1st.

The Series 2022A and Series 2022B Bonds maturing after the dates below are redeemable at the option of WICO, at the prescribed redemption prices expressed as a percentage of the principal amount, as follows:

<b>Series 2022 Bonds</b>	<b>Price</b>
October 29, 2029 to September 30, 2032	104% - 102%
October 1, 2033 and thereafter	100%

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Pledged Funds, Covenants, and Collateral*

WICO has pledged port revenues, including debt issuances and insurance proceeds, for the payment of the bonds. The bonds are secured by a first priority mortgage on the property of WICO (excluding the Estate Catherineberg property), a security collateral agreement, assignment of leases and rents, and the pledge of all funds and accounts established through an Indenture of Trust Agreement with UMB Bank, N.A.

WICO entered into a continuing disclosure agreement with the Trustee requiring audited financial statements to be provided within 120 days of the fiscal year-end and unaudited financial information, and operating data, to be provided within 45 days of the close of each fiscal quarter. If audited financial statements are not available by the set deadline, they may be submitted separately at a later date.

The bonds' indenture specifies certain debt service coverage requirements: to annually establish, impose, and collect rates, fees and charges related to docking, berthing, passenger census, insurance proceeds, and other operating revenues to achieve a debt service coverage ratio (DSCR) of no less than 1.25x for each fiscal year. The DSCR for any period is the ratio of (i) net operating revenues generated in such period and available to pay debt service on the outstanding bonds to (ii) debt service due on such bonds during the period.

Due to a decrease in operating revenues resulting from lower than projected cruise ship load factors, WICO did not comply with the DSCR requirement. WICO requested a waiver that was granted by the bondholders for the year ended September 30, 2024.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Future debt service requirements for bonds for which gross receipts taxes have been pledged are as follows (expressed in thousands):

### Governmental Activities - Gross Receipts Revenue Bonds

	2006 Series A Revenue Bonds		2012 Series A Revenue Bonds		2012 Series B Revenue Bonds		2012 Series C Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:								
2025	\$ 18,165	\$ 5,361	\$ 7,395	\$ 5,335	\$ 2,545	\$ 512	\$ 455	\$ 930
2026	18,840	4,435	8,040	4,949	2,680	375	475	907
2027	19,530	3,476	8,735	4,529	2,825	231	500	883
2028	20,250	2,482	9,470	4,074	2,980	78	525	857
2029	21,000	1,450	13,390	3,503	-	-	555	830
2030-2034	21,775	463	63,360	6,575	-	-	4,170	3,624
2035-2039	-	-	-	-	-	-	6,070	2,309
2040-2044	-	-	-	-	-	-	6,080	627
2045-2048	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 119,560</b>	<b>\$ 17,667</b>	<b>\$ 110,390</b>	<b>\$ 28,965</b>	<b>\$ 11,030</b>	<b>\$ 1,196</b>	<b>\$ 18,830</b>	<b>\$ 10,967</b>

### Governmental Activities - Gross Receipts Revenue Bonds

	2014 Series A Revenue Bonds		2014 Series C Revenue Bonds		2014 Series D Revenue Bonds		Total Gross Receipts Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:								
2025	\$ 2,325	\$ 1,603	\$ 7,385	\$ 9,494	\$ 290	\$ 222	\$ 38,560	\$ 23,457
2026	2,440	1,484	6,595	9,145	305	204	39,375	21,499
2027	2,565	1,359	6,920	8,807	325	185	41,400	19,470
2028	2,700	1,227	7,270	8,452	345	165	43,540	17,335
2029	2,840	1,089	7,630	8,080	365	144	45,780	15,096
2030-2034	16,525	3,105	140,630	24,784	2,200	347	248,660	38,898
2035-2039	3,830	96	5,095	3,794	-	-	14,995	6,199
2040-2044	-	-	9,630	2,085	-	-	15,710	2,712
2045-2048	-	-	3,605	81	-	-	3,605	81
<b>Total</b>	<b>\$ 33,225</b>	<b>\$ 9,963</b>	<b>\$ 194,760</b>	<b>\$ 74,722</b>	<b>\$ 3,830</b>	<b>\$ 1,267</b>	<b>\$ 491,625</b>	<b>\$ 144,747</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Future debt service requirements for bonds for which tobacco settlement revenues have been pledged are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2025	\$ 945	\$ -
2026	-	-
2027	-	-
2028	-	-
2029	-	-
2030-2034	-	-
2035-2039	43,677	-
Plus Accretion:	(24,782)	-
<b>Total</b>	<b>\$ 19,840</b>	<b>\$ -</b>

Future debt service requirements for bonds for which matching fund receipts have been pledged are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2025	\$ -	\$ 47,866
2026	39,985	46,754
2027	54,710	44,274
2028	57,515	41,469
2029	60,460	38,519
2030-2034	352,100	142,785
2035-2039	384,930	45,058
2040	3,125	78
<b>Total</b>	<b>\$ 952,825</b>	<b>\$ 406,803</b>

Future debt service requirements for bonds for which federal-aid highway grant revenues have been pledged are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2025	\$ 4,880	\$ 2,691
2026	5,125	2,447
2027	5,380	2,191
2028	5,650	1,922
2029	5,935	1,640
2030-2033	26,855	3,439
<b>Total</b>	<b>\$ 53,825</b>	<b>\$ 14,330</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Future debt service requirements for the 2019A TIF Bonds are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2025	\$ 650	\$ 262
2026	697	216
2027	746	166
2028	799	113
2029	858	57
2030-2033	355	4
<b>Total</b>	<b>\$ 4,105</b>	<b>\$ 818</b>

Future debt service requirements for the WICO Port Facilities Bonds are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2025	\$ -	\$ 3,338
2026	185	3,338
2027	360	3,327
2028	380	3,306
2029	405	3,283
2030-2034	4,140	15,839
2035-2039	5,555	14,417
2040-2044	7,510	12,463
2045-2049	10,225	9,746
2050-2053	23,865	4,634
<b>Total</b>	<b>52,625</b>	<b>\$ 73,691</b>
Less: bond discount	(949)	
<b>Total bonds payable, net</b>	<b>\$ 51,676</b>	

### (b) Loans and Notes Payable

#### Series 2023 Note

On June 15, 2023, PFA and the Government entered into the Revenue Anticipation Note Purchase Agreement (Series 2023 Note) with FirstBank Puerto Rico authorized by Act 8701 issued by the Legislature in April 2023. Under the terms of the Series 2023 Note the Government may take draws on the loan of up to \$100.0 million. The Series 2023 Note is secured by a certificate of deposit in the amount of \$134.0 million deposited with FirstBank Puerto Rico. Additional payment sources for the Series 2023 Note include: (i) the General Fund of the Government, (ii) federal stimulus appropriations that are legally available to be used for debt servicing purposes, and (iii) interest earned on the Certificate of Deposit. Interest expense on the Series 2023 Note is computed as 200 basis points above the certificate of deposit rate, provided that the interest rate shall not be less than 2.0% or exceed 9.0% per annum.

At the date of the Revenue Anticipation Note Purchase Agreement the certificate of deposit rate was 4.500% and the interest on the loan is 6.500%. Interest will be computed by applying a daily periodic interest rate divided by actual days divided by 365.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Interest earned on the certificate of deposit will be deposited into a debt service reserve account. Interest accrues and is paid quarterly on or before the fifteenth day of the next succeeding month, with a final payment due at the maturity of the note.

On October 10, 2023, the Legislature amended Act 8701 to authorize an increase in the amount of the Series 2023 Note to \$150.0 million, to provide \$50.0 million for the payment of vendors, retroactive wage payments, and address other critical needs of the Territory. The maturity date of the Series 2023 Note is the earlier of forty-two (42) months from the date of the Note Purchase Agreement, or September 30, 2026, whichever is the first to occur. Advances on the Series 2023 Note during the year ended September 30, 2024 amounted to \$22.9 million.

Future debt service requirements for the Series 2023 Note are as follows (expressed in thousands):

Maturity Year		Principal
2025	\$	-
2026		14,651
Total	\$	14,651

### ***2022 GERS Funding Note, Taxable***

On April 6, 2022, PFA issued the GERS Funding Notes Taxable, (GERS Funding Note) to the GERS in the amount of \$3.8 billion. The GERS Funding Note was issued to provide additional financial resources for the stability and liquidity of the Government's retirement system. The issuance of the GERS Funding Note was authorized by Act 8540 enacted by the Legislature in February 2022. This Act also authorized the formation of the MFSPSC. The Indenture of Trust pledges the residual matching fund receipts deposited into the Residual Fund Escrow by the MFSPSC for the payment of the note.

The non-interest-bearing GERS Funding Note was issued for a thirty-year term with annual principal payments ranging from \$73.6 million to \$158.0 million, due on October 1<sup>st</sup> of each year. An initial payment of principal of \$89.2 million was made to GERS on April 7, 2022, from proceeds of the issuance of the Series 2022 A and Series 2022 B Securitization Bonds, a second payment was made on October 1, 2022 in the amount of \$158.0 million, and a third payment was made on October 1, 2023 in the amount of \$124.0 million. The GERS Funding Note may not be sold or transferred without registration under the Securities Act of 1933, or an exemption obtained therefrom.

The GERS Funding Note does not constitute a general obligation of the PFA or of the Government and may not be called for redemption by the PFA. Principal payments made under the GERS Funding Note are deemed in-kind contributions by the Government to the retirement system.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Future debt service requirements for the 2022 GERS Funding Note are as follows (expressed in thousands):

Maturity Year	Principal
2025	\$ 157,997
2026	81,537
2027	73,616
2028	82,424
2029	82,426
2030-2034	412,143
2035-2039	456,421
2040-2044	789,567
2045-2049	789,983
2050-2052	473,990
<b>Total</b>	<b>\$ 3,400,104</b>

### **2019 A TIF Project Developer Note**

On November 14, 2019, PFA issued the Series 2019 A TIF Project Developer Note. As part of the Tax Increment Financing Agreement entered into in 2009, the TIF Project Developer was entitled to a fee in the amount of \$3.4 million to be paid through a non-transferable special limited obligation of PFA secured by a subordinate pledge of the Island Crossings incremental revenues collected under a special escrow agreement. The TIF Project Developer Note was issued in the amount of \$1.6 million, with a maturity date of November 1, 2049, to pay the remaining balance of the Project Developer fee. Interest on the Project Developer bonds is 8.5% with payments made annually on October 1 over a thirty (30) year term. The first payment was made on October 1, 2020.

The 2019A TIF Project Developer Note was issued under the Tax Increment Revenue Loan Agreement dated November 1, 2019, between the Government, PFA, and Trustee. Under the Tax Increment Revenue Loan Agreement, the Note may not be transferred to secure payment of the Series 2019 A TIF Revenue and Refunding Bonds (Series 2019 A Bonds). In the event the Series 2019 A Bonds are prepaid, the 2019 A TIF Project Developer Note shall be prepaid in the same proportion as the Series 2019 A Bonds.

Future debt service requirements for the 2019A TIF Project Developer Loan Note are as follows (expressed in thousands):

Maturity Year	Principal	Interest
2025	\$ 18	\$ 129
2026	19	128
2027	21	126
2028	23	124
2029	24	122
2030-2034	157	577
2035-2039	236	498
2040-2044	355	380
2045-2049	533	201
2050-2054	135	12
<b>Total</b>	<b>\$ 1,521</b>	<b>\$ 2,297</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### (c) Loan Payable - U.S. Treasury

In August 2009, the Territory reserve balance of the Unemployment Trust Fund (UTF) became inadequate to cover expenditures for unemployment compensation (UC) benefits. UC benefits are an entitlement program administered through the U.S. Treasury and the PG is legally liable to pay benefits even if the UTF becomes insolvent. As of September 30, 2024, the PG owed \$79.7 million to the U.S. Treasury.

States and territories with outstanding loans from the UTF must repay them fully by the November 10 following the second consecutive January 1 on which the state or territory has an outstanding loan. If a state or territory does not repay a UTF loan by November 10 of the second year, it becomes subject to a reduction in the amount of state unemployment tax credit applied against the federal unemployment tax beginning with the preceding January 1 until the state or territory repays the loan fully. For 2024, the credit reduction rate increased from 3.9% to 4.2%.

During the year ended September 30, 2024, the PG paid \$2.0 million in interest on the loan. The interest rate charged on the loan was 1.68% from October 1, 2023 to December 31, 2023, and 2.61% from January 1, 2024 to September 30, 2024.

### (d) Note Payable - Virgin Islands Next Generation Network (viNGN)

In September 2023, viNGN entered into a term loan agreement with a local bank in the amount of \$450,000 to purchase an office building in the town of Christiansted, St. Croix. The term loan is payable in sixty (60) monthly payments based on a five-year amortization schedule commencing November 5, 2024. The final installment is due on October 5, 2028 for the outstanding principal balance. The note is subject to an interest rate of 1.25% above the Prime Rate listed in the Wall Street Journal. The promissory note may be prepaid at any time without premium or penalty. The bank has a first priority lien over the property purchased.

Future debt service requirements for the term loan follow (expressed in thousands):

Maturity Year	Principal
2025	\$ 17
2026	19
2027	21
2028	23
2029	358
Total	\$ 438

### (e) Line of Credit - Virgin Islands Next Generation Network (viNGN)

In September 2024, viNGN entered into a revolving line of credit agreement with a local bank for \$250,000. The facility carries a fixed interest rate of 3.55% and has a maturity date of October 1, 2025, that was extended to October 1, 2026 with an interest rate decrease to 3.30%. The line of credit was established to assist the Company with operational needs. As of September 30, 2024, the outstanding amount of the line of credit was \$95,000.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### **(f) Guaranty of VIWAPA Indebtedness**

In August 2024, PFA entered into a guaranty of indebtedness of VIWAPA to First Bank Puerto Rico in the amount of \$30.8 million and to Banco Popular de Puerto Rico in the amount of \$21.3 million for a total guaranty of \$52.1 million. The guaranty was issued pursuant to the PFA's enabling legislation, which authorizes such financial support to component units, and is not subject to any statutory or contractual limits.

PFA agreed to unconditionally guarantee the payment of indebtedness, including principal, interest, fees and charges, in order to facilitate the extension of the maturity dates of VIWAPA's credit facilities to July 31, 2025, and August 31, 2025 respectively.

Subsequently, in July 2025, PFA further extended the maturity dates of the guarantees to January 31, 2026. As of the date of this report, there has been no default by VIWAPA on the guaranteed obligations.

In addition to the guaranty, PFA acknowledged and continued the pledge of debt service reserve funds of \$3.75 million deposited with First Bank Puerto Rico and \$2.25 million deposited with Banco Popular de Puerto Rico. The debt service reserve funds are interest bearing and provide additional security for VIWAPA's credit facilities.

### **(g) Insurance Guaranty Fund Minimum Balance Requirement**

Under Title 22, Chapter 10 of the Virgin Islands Code (VIC), the Virgin Islands Insurance Guaranty Fund is required to maintain a minimum balance of \$50.0 million for claimant payments in the event of a failure of an insurance carrier. On February 10, 2012, legislation was enacted authorizing a reduction in the minimum balance to be held by the Virgin Islands Insurance Guaranty Fund from \$50.0 million to \$10.0 million. In October 2019, the Legislature increased the minimum balance to \$20.0 million through September 30, 2020, and was subsequently increased to \$40.0 million. On September 22, 2022, Act 8642 increased the minimum balance to \$50.0 million effective September 30, 2022.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### Component Units

Bonds payable of discretely presented component units are those liabilities that are paid out of resources pledged by such entities. Bonds payable, outstanding on September 30, 2024, (expressed in thousands):

	Maturity	Interest Rate (%)		Balance
<b>Bonds Payable</b>				
Virgin Islands Water and Power Authority (Electric System)*				
Series 2022 B Bond Anticipation Note	2024	10.00	\$	6,495
Series 2022 A Bond Anticipation Note	2024	7.75		33,255
Series 2021 A Bond Anticipation Note	2026	6.75		33,265
Series 2015 A Rural Utilities Service Bond	2035	1.62		8,339
Series 2012 C Revenue Bonds	2025	5.40 - 5.62		12,380
Series 2010 C Revenue Bonds	2035	6.65 - 6.85		34,915
Series 2007 A Revenue Bonds	2031	5.00		51,230
Series 2003 A Revenue Bonds	2028	4.00 - 5.00		21,960
Virgin Islands Port Authority:*				
Series 2014 A Revenue Bonds	2033	4.00 - 5.00		12,680
Series 2014 B Revenue Bonds	2044	3.00 - 5.00		9,675
Series 2014 C Revenue Bonds	2025	2.00 - 5.00		900
Subtotal				225,094
Plus, unamortized premium				1,066
Bonds payable, net				226,160
Less amount due within one year				(61,905)
Bonds payable, due in more than one year				\$ 164,255

\* Unaudited

The changes in bonds payable for discretely presented component units are as follows for the year ended September 30, 2024 (expressed in thousands):

Component unit	Adjusted Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Virgin Islands Water and Power Authority:						
Electric System*	\$ 235,910	\$ -	\$ 33,005	\$ 202,905	\$ 59,805	\$ 143,100
Virgin Islands Port Authority*	25,625	-	2,370	23,255	2,100	21,155
<b>Total</b>	<b>\$ 261,535</b>	<b>\$ -</b>	<b>\$ 35,375</b>	<b>\$ 226,160</b>	<b>\$ 61,905</b>	<b>\$ 164,255</b>

\* Unaudited

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

The changes in notes payable, line of credit payable, and other long-term liabilities for discretely presented component units are as follows (expressed in thousands):

September 30, 2024	Adjusted Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
<b>Notes payable</b>						
Virgin Islands Port Authority*	\$ 2,609	\$ 4,745	\$ 2,609	\$ 4,745	\$ 4,745	\$ -
University of the Virgin Islands*	2,295	3,626	-	5,921	-	5,921
Virgin Islands Housing Finance Authority*	610	-	92	518	86	432
Juan F. Luis Hospital*	-	8,000	2,836	5,164	-	5,164
Other component units**	3,986	-	3,128	858	-	858
<b>Total notes payable:</b>	<b>\$ 9,500</b>	<b>\$ 16,371</b>	<b>\$ 8,665</b>	<b>\$ 17,206</b>	<b>\$ 4,831</b>	<b>\$ 12,375</b>
<b>Line of credit payable</b>						
Virgin Islands Water and Power Authority:						
Electric System*	\$ 33,262	\$ -	\$ -	\$ 33,262	\$ 33,262	\$ -
Water System*	2,740	-	-	2,740	-	2,740
Virgin Islands Port Authority*	6,000	991	-	6,991	-	6,991
<b>Total line of credit payable</b>	<b>\$ 42,002</b>	<b>\$ 991</b>	<b>\$ -</b>	<b>\$ 42,993</b>	<b>\$ 33,262</b>	<b>\$ 9,731</b>
<b>Other long-term liabilities:</b>						
Virgin Islands Housing Authority	\$ 5,020	\$ 1,261	\$ 560	\$ 5,721	\$ 5,151	\$ 570
Virgin Islands Port Authority*	2,538	1,031	-	3,569	1,814	1,755
Virgin Islands Water and Power Authority:						
Electric System*	109,200	-	17,381	91,819	-	91,819
Hospital and Health Facilities Corporation:						
Schneider Regional Medical*	4,653	673	-	5,326	5,326	-
University of the Virgin Islands*	5,701	-	186	5,515	-	5,515
Virgin Islands Housing Finance Authority*	10,353	978	101	11,230	1,129	10,101
Other component units**	4,714	462	354	4,822	2,131	2,691
<b>Total</b>	<b>\$ 142,179</b>	<b>\$ 4,405</b>	<b>\$ 18,582</b>	<b>\$ 128,002</b>	<b>\$ 15,551</b>	<b>\$ 112,451</b>

\* Unaudited

\*\* University of the Virgin Islands Research and Technology Park Corporation, Virgin Islands Waste Management Authority, Magens Bay Authority, and Virgin Islands Economic Development Authority (unaudited)

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### (a) Component Units - Bonds Payable

#### *Virgin Islands Water and Power Authority - Electric System Bond Anticipation Notes Series 2022 A (unaudited)*

In July 2022, the Electric System's Board refinanced and retired the Series 2020 Anticipation Notes with the issuance of the Series 2022 Bond Anticipation Notes (the 2022 BANs) in two Series: the federally tax-exempt Series 2022 A in the amount of \$33,255,000 with a rate of 7.750%, and the federally taxable Series 2022 B in the amount of \$6,495,000 with a rate of 10.000%.

The 2022 BANs matured August 1, 2024, and were defeased by the Bond Anticipation Notes Series 2024A in the amount of \$33,255,000 and the Series 2024B in the amount of \$6,495,000 (Series 2024 BANs) issued on September 4, 2024. The Series 2024 A had a rate of 8.00% and the Series 2024 B had a rate of 10.25%. The Series 2024 BANs are subject to a mandatory prepayment on January 1, 2026.

#### *Virgin Islands Water and Power Authority - Electric System Bond Anticipation Note Series 2021 A and 2021 B (unaudited)*

In December 2021, the Electric System's Board authorized the issuance of the federally tax-exempt Series 2021 A Bonds in the amount of \$34,500,000, and the federally taxable Series 2021 B BAN in the amount of \$500,000 in order to retire the Series 2018 BANs in the same amounts. The Series 2021 BANs were issued with a rate of 6.75% and 8.50% respectively and mature on July 1, 2026.

#### *Virgin Islands Water and Power Authority - Electric System Rural Utilities Service (RUS) 2015 A Bonds (unaudited)*

In November 2015, the Electric System obtained a term loan with the RUS in the principal amount of \$13.0 million. The proceeds of the loan were used to finance the acquisition and installation of an automated metering system and other costs related thereto.

Under the terms of the Bond Resolution relating to the Electric System Revenue and Refunding Bonds, payment of the principal and interest is secured by an irrevocable lien on VIWAPA's net revenues (exclusive of any funds which may be established pursuant to the Bond Resolution for certain other specified purposes), including the investments and income, if any, thereof. Under the General Resolution, VIWAPA is required to maintain a Debt Service coverage ratio of at least equal to 1.25 times the principal interest on all Outstanding Senior Bonds for the current and each future fiscal year (the Senior Coverage).

Under the Electric System Subordinated Revenue Resolution, adopted by VIWAPA on May 17, 2007, as amended and supplemented (the Subordinated Bond Resolution), VIWAPA must satisfy the Debt Service coverage ratio of the General Resolution for the Senior Bonds, must maintain a Subordinated Debt Service coverage ratio at least equal to 1.15 times the principal of and interest on all Outstanding Bonds (the Senior and Subordinate Coverage) and all Outstanding Subordinated Bonds for the current and each future fiscal year, and must maintain at least 1.00 times the Maximum Aggregate Debt Service for each such fiscal year (total debt coverage).

The Electric System Revenue Bonds are subject to mandatory redemption if (i) any significant part of the Electric System shall be damaged, destroyed, taken, or condemned or (ii) any for-profit, nongovernmental investor shall acquire an ownership interest in some or all the assets of the Electric System.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Virgin Islands Water and Power Authority - Electric System Revenue Bonds Series 2012 C (unaudited)*

In May 2012, the Electric System issued the Series 2012C Electric System Subordinated Revenue Bonds in the amount of \$32,065,000. The federally taxable term bonds were issued at rates of 5.40% to 5.62%. The Series 2012 C Bonds were issued to (i) refinance all or a portion of the Electric System Working Capital Lines of Credit and Overdraft Credit Facility, (ii) make a deposit into the Series 2012 C Subordinated Debt Service Reserve Fund sufficient to satisfy the Subordinated Debt Service Reserve Fund Requirement, and (iii) pay certain costs of issuance of the Series 2012 C Bonds. The bonds mature on July 1, 2025.

### *Virgin Islands Water and Power Authority - Electric System Revenue Bonds Series 2010 C (unaudited)*

In March 2010, the Electric System issued the Series 2010 C Electric System Revenue Bonds in the amount of \$37,330,000. The bonds were issued at rates of 6.65% to 6.85% and mature from July 1, 2028 to July 1, 2035. The proceeds of the Series 2010 C Bonds were used to fund a portion of the costs of certain capital improvements to the Electric System and to make certain deposits into the Debt Service Revenue Fund sufficient to satisfy the Debt Service Revenue Fund Requirement.

### *Virgin Islands Water and Power Authority - Electric System Revenue Bonds Series 2007 A (unaudited)*

In June 2007, the Electric System issued the Series 2007 A Subordinated Revenue bonds in the amount of \$57,585,000 and a rate of 5.0%. The proceeds of the Series 2007 A Bonds were used to (i) finance costs of certain capital improvements, (ii) refinance certain costs of capital improvements funded through draws on a Line of Credit and reinstallation of \$10.0 million to the line of credit allocable to the Electric System, (iii) make certain required deposits to the subordinated Debt Service Reserve Fund, and (iv) pay certain costs of issuance of the Series 2007 A Bonds. The bonds mature on or before July 1, 2031.

### *Virgin Islands Water and Power Authority - Electric System Revenue Bonds Series 2003 A (unaudited)*

In June 2003, the Electric System issued the Series 2003A Revenue Bonds in the amount of \$69,960,000 at rates of 4.20% to 5.0%. The proceeds from the bonds were used to finance capital improvements, repay \$18.0 million of then outstanding lines of credit, cover underwriters' costs, and establish a debt service fund. The bond mature through July 1, 2028. The Series 2003 Bonds maturing on or after July 1, 2013, were subject to redemption prior to their stated maturity date, at the option of the Electric System, on or after July 1, 2013, as a whole or in part at any time, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

### *Virgin Islands Port Authority - Series 2014 A, B, and C Revenue Bonds (unaudited)*

In October 2014, VIPA issued the 2014 Series Revenue Bonds A, B & C amounting to \$48,585,000 million, with average interest rates of 4.00% to 5.00% for the Series A Bonds amounting to \$28,765,000, rates of 3.00% to 5.00% for the Series B Bonds amounting to \$14,900,000, and a rate of 2.00% for the Series C Bonds amounting to \$4,920,000. A portion of the proceeds was used to refund the outstanding bond series 2003 A and C amounting to \$24.5 million, which included accrued interest as of the redemption date for October 27, 2014.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The proceeds from the issuance of the 2014 Series used in the refunding were deposited in an escrow account, held by the Trustee on behalf of the holders of the refunded bonds, and applied to such redemption contemporaneously with the issuance of the Series 2014 Bonds. As a result, the 2003 A & C Bonds were paid off. The 2003 Series B Marine Revenue Bonds were also paid off. VIPA reduced its total debt service requirement by \$1.7 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2.4 million. In addition, VIPA recognized a deferred charge on debt refunding amounting to \$0.4 million.

The proceeds of the 2014 Bonds, together with certain other available funds of VIPA, were used for: (i) refunding \$24.5 million in 2003 Series A Marine Revenue bonds and pay off the 2003 Series bonds; (ii) for the financing of various capital projects; (iii) to fund a deposit to the debt service fund; (iv) to fund a deposit to the operation, maintenance, renewal, and replacement reserve account; and (v) to pay the cost of issuance of the 2014 Bonds. The 2014 bonds issued by VIPA contain certain bond indentures. The bonds' indentures contain certain account restrictions and funding covenants to cover interest, debt service, maintenance and other costs specified in the corresponding indentures. The bonds' indentures also specify certain debt service coverage requirements determined from Net Available Revenues (as defined) of the Marine Division.

Future debt service requirements for discretely presented component units' bonds payable are as follows on September 30, 2024 (expressed in thousands):

<b>Maturity Year:</b>		<b>Principal</b>		<b>Interest</b>
2025	\$	61,905	\$	13,428
2026		21,256		8,976
2027		40,319		7,804
2028		13,506		5,311
2029		13,916		4,618
2030-2034		57,722		12,346
2035-2039		14,220		2,191
2040-2044		2,250		275
Total		225,094	\$	54,949
Plus: unamortized premium		1,066		
Bonds payable, net	\$	226,160		

### (b) Component Units - Notes Payable

#### *Virgin Islands Port Authority (unaudited)*

In April 2024, VIPA obtained a short-term note for \$4.7 million to finance VIPA's insurance premiums. The outstanding balance of the note was \$4.7 million as of September 30, 2024.

#### *University of the Virgin Islands (unaudited)*

In 1994, the University was advanced a mortgage note payable by the U.S. Department of Education with a maximum principal of \$2.2 million. The note is payable in semi-annual installments of \$75,000, including interest, over a term of 30 years and bears interest at an annual rate of 5.5%. The note is secured by a general obligation of the Government of the U.S. Virgin Islands.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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During fiscal year 2024, the University increased its outstanding notes payable in the amount of \$3.6 million for an outstanding balance of \$5.9 million as of September 30, 2024.

### *Juan F. Luis Hospital & Medical Center (unaudited)*

In April 2024, Juan F. Luis Hospital and Medical Center secured an \$8.0 million loan from a commercial lender to manage operational costs and capital improvements. This funding, which includes \$6.0 million for operations and \$2.0 million for improvements, will offset operating shortfalls. As of September 30, 2024, the outstanding amount of the loan was \$5.2 million.

### **(c) Component Unit - Line of Credit Payable**

#### *Virgin Islands Water and Power Authority - Electric System (unaudited)*

In June 2008, Banco Popular de Puerto Rico provided the Electric System with a working capital line of credit of up to \$10.0 million. As the result of extensions, the current maturity of the line of credit is August 31, 2024 with an outstanding balance of \$10.2 million. The line of credit was subsequently extended to August 31, 2025.

In November 2008, Banco Popular de Puerto Rico provided the Electric System a line of credit for capital projects in the amount of \$8.1 million. As the result of extensions, the current maturity of the line of credit is August 31, 2024 with an outstanding balance of \$8.2 million. The line of credit was subsequently extended to August 31, 2025.

In June 2013, the Electric System entered into a loan agreement with First Bank Puerto Rico for a line of credit in the amount of \$10.0 million as a working capital facility and \$4.9 million as a working capital facility. Due to subsequent extensions of the maturity dates of the facilities, the amounts are due July 31, 2024, and were subsequently extended to July 31, 2025.

In May 2015, First Bank Puerto Rico established an overdraft credit facility for the Electric System in a maximum aggregate amount of \$15.0 million evidenced by a promissory note and a current due date of July 31, 2024. As of June 30, 2024, the outstanding balance of the overdraft was \$14.4 million, and the debt was renewed with a new maturity date of July 31, 2025.

#### *Virgin Islands Port Authority (unaudited)*

In August 2020, VIPA finalized a secured line of credit amounting to \$7.0 million with Banco Popular de Puerto Rico, intended to support operations due to a shortfall of marine revenues. The terms of the line of credit were extended at the end of the term of the original line of credit in August 2023. The line of credit is secured by a \$7.0 million certificate of deposit held by the bank. As of September 30, 2024, the balance on the line of credit was \$7.0 million.

## **11. Refundable Advance**

The PG received allotments from the U.S. Department of Treasury as part of “The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020,” the “Consolidated Appropriations Act of 2021,” and “The American Rescue Plan Act (ARPA) of 2021.” During fiscal year 2024, the PG incurred expenditures of \$96.2 million for eligible program activities, including subawards and payroll disbursements, and has reflected the unspent balance of \$111.5 million as a refundable advance.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### 12. General Tax Revenue

For the year ended September 30, 2024, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	Matching Fund Special Purpose Securitization Corporation	Other Governmental	Total
Income taxes	\$ 351,378	\$ -	\$ -	\$ -	\$ 351,378
Real property taxes	48,089	-	-	5,856	53,945
Gross receipts taxes	5,000	210,716	-	250	215,966
Excise taxes	237,917	-	10,280	2,148	250,345
Other taxes	92,819	-	-	8,742	101,561
	<u>\$ 735,203</u>	<u>\$ 210,716</u>	<u>\$ 10,280</u>	<u>\$ 16,996</u>	<u>973,195</u>
Tax revenue recognized on the full accrual basis					81,842
Total tax revenue - government-wide					<u>\$ 1,055,037</u>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### 13. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet - Governmental Funds as of September 30, 2024, (expressed in thousands):

	General	PFA Debt Service	PFA Capital Project	MFSPSC	Federal Funds	Other Governmental	Total
<b>Restricted for:</b>							
Debt service	\$ -	\$ 160,865	\$ -	\$ 43,550	\$ -	\$ -	\$ 204,415
Capital projects	-	-	96,077	-	-	-	96,077
General government	-	-	-	-	-	-	-
Health	-	-	-	-	-	3,482	3,482
Public housing and welfare	-	-	-	-	-	5,804	5,804
Transportation and communication	-	-	-	-	-	4,290	4,290
Culture and recreation	-	-	-	-	-	8	8
<b>Total</b>	<b>\$ -</b>	<b>\$ 160,865</b>	<b>\$ 96,077</b>	<b>\$ 43,550</b>	<b>\$ -</b>	<b>\$ 13,584</b>	<b>\$ 314,076</b>
<b>Committed to:</b>							
General government	\$ 71,586	\$ -	\$ -	\$ -	\$ -	\$ 13,602	\$ 85,188
Public safety	-	-	-	-	-	17	17
Public housing and welfare	-	-	-	-	-	180	180
Transportation and communication	-	-	-	-	-	9,019	9,019
Culture and recreation	-	-	-	-	-	327	327
<b>Total</b>	<b>\$ 71,586</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,145</b>	<b>\$ 94,731</b>
<b>Assigned to:</b>							
General government	\$ 2,982	\$ -	\$ -	\$ -	\$ -	\$ 277,635	\$ 280,617
Public safety	-	-	-	-	-	789	789
Health	-	-	-	-	-	4,998	4,998
Public housing and welfare	-	-	-	-	-	13,373	13,373
Education	-	-	-	-	-	1,964	1,964
Transportation and communication	-	-	-	-	-	14,227	14,227
Culture and recreation	-	-	-	-	-	2,285	2,285
<b>Total</b>	<b>\$ 2,982</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 315,271</b>	<b>\$ 318,253</b>
<b>Unassigned</b>	<b>\$ (466,468)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (13,132)</b>	<b>\$ (55,013)</b>	<b>\$ (534,613)</b>
<b>Total Fund Balances</b>	<b>\$ (391,900)</b>	<b>\$ 160,865</b>	<b>\$ 96,077</b>	<b>\$ 43,550</b>	<b>\$ (13,132)</b>	<b>\$ 296,987</b>	<b>\$ 192,447</b>

The committed and assigned fund balances include approximately \$413.0 million in unexpended encumbrances. Encumbrances are utilized to determine commitments related to unperformed (executor) contracts for goods and services and to prevent the over-spending of an appropriation.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### 14. Commitments and Contingencies

#### *Primary Government*

##### (a) Collective Bargaining Agreements

Currently, the Government has union contracts with thirteen (13) distinct labor organizations representing government employees in various bargaining units. Collectively, these bargaining units have approximately thirty-six (36) collective bargaining agreements in existence. Nine (9) bargaining units have not negotiated a collective bargaining agreement with the Government.

Employees in the various bargaining units are not under a single pay plan. Consequently, it is common to have employees performing the same classification of work in different departments and agencies. Of the approximately 6,500 government workers, approximately 4,600 are union members. U.S. Virgin Islands statutes governing bargaining with unions requires arbitration in the event an impasse is reached in negotiations. Under this process, each side chooses an arbitrator, and a third impartial arbitrator is selected by the chosen arbitrators. The arbitration panel investigates and reviews the issues in dispute and renders a final and binding decision.

Under Title 24, Section 374(h) of the V.I. Code, the PG may not make any payments of retroactive salaries until there is an appropriation of funds by the Legislature. As of September 30, 2024, contractual liability for retroactive union arbitration salary payments amounted to \$144.1 million, accruing from fiscal years 1993 through 2010, as established by the Virgin Islands Retroactive Wage Commission.

##### (b) Federal Assistance Programs

The Government receives financial assistance from the federal government in the form of loans, grants, and entitlements. Monetary and non-monetary federal financial assistance to governmental funds amounted to approximately \$724.6 million and \$82.7 million, respectively, for the year ended September 30, 2024.

Receipt of grants and loss reimbursements is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to audit under U.S. Office of Management and Budget's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Disallowances because of these audits may become liabilities of the Government.

The Government is also a recipient of disaster recovery funds due to the September 2017 hurricanes. Audits of disaster recovery funds may continue for decades, and federal reimbursements may be required to be repaid because of federal audits.

Management of the Government believes that the future outcome of any changes in federal financial assistance programs will not have a material adverse effect on the basic financial statements.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### (c) U.S. Department of Education Special Conditions

Since 2006, in accordance with special conditions imposed by the U.S. Department of Education (USED), the Government has contracted with a third-party fiduciary agent to ensure that the Government manages and administers USED grants in accordance with applicable federal and financial management requirements.

The special conditions also require the Government to submit quarterly reports on progress in improving all aspects of the fiscal management of federal education grants. The Virgin Islands has implemented a Self-Contained Model known as the Federal Grants Specialized Processing Unit to address the special conditions and as the approach for reassuming management of the grant funds.

### (d) U.S. Department of Labor Designation

On February 3, 2017, the Virgin Islands Department of Labor was placed on high-risk grantee status by the U.S. Department of Labor. High-risk grantee status is an administrative designation used by federal agencies to indicate unsatisfactory performance in the management of federal grants. Management is currently working with the U.S. Department of Labor to implement corrective action.

### (e) Legal Proceedings and Litigation Claims

The Government is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Under Title 33, Section 3411(c) of the V.I. Code, no judgment shall be awarded against the Government that exceeds \$25,000 for tort claims filed under Government statutes. In cases involving several survivors, each award must be construed separately for the purpose of applying the limitation upon recovery imposed by the Tort Claims Act. Under Title 27, Section 166(e) of the V.I. Code, the Government's waiver of immunity is expanded to \$250,000 for medical malpractice actions, including actions for wrongful death based on malpractice. Under certain circumstances, as provided in Title 33, Section 3414 of the V.I. Code, the Government may assume the payment of a judgment entered against an officer or employee who acted reasonably and within the scope of his employment. The Government may pay up to a maximum amount of \$100,000 for the settlement. With respect to pending and threatened litigation, the Government has accrued a provision for legal claims and judgments of approximately \$5.8 million for awarded and anticipated unfavorable judgments as of September 30, 2024.

Changes in the reported provision for legal claims during September 30, 2024, resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2023	New Claims	Claims Payments and Changes in Estimates	Ending Balance on September 30, 2024
Provision for legal claims	\$ 6,685	\$ 740	\$ (1,664)	\$ 5,761

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

The breakdown of the provision for legal claims on September 30, 2024, as reflected in governmental activities, is as follows (expressed in thousands):

Current portion	\$	1,475
Long-term portion		4,286
	\$	5,761

### (f) Landfill Closure and Post-Closure Costs

Federal laws and regulations, including the Clean Air Act, 42 U.S.C. § 7401 et seq. (CAA), and regulations promulgated thereunder, including the federal standards set forth in 40 C.F.R. Part 62, Subpart GGG (Federal Plan), and the National Emission Standards for Hazardous Air Pollutants for Municipal Landfill Maximum Achievable Control Technology, set forth in 40 C.F.R. Part 63, Subpart AAAA (Landfill MACT), and the Solid Waste Disposal Act, 42 U.S.C. § 6901 et seq. (RCRA), and regulations promulgated thereunder, including federal municipal solid waste landfill operating, closure, and post-closure criteria set forth in 40 C.F.R. Part 258, and three EPA administrative orders issued pursuant to RCRA § 7003(a), 42 U.S.C. § 6973(a), and Territorial laws and regulations, including V.I. Code Title 19, Chapter 56 (Solid and Hazardous Waste Management), Title 12, Chapter 9 (Air Pollution Control), and Title 12, Chapter 21 (Virgin Islands Coastal Zone Management), and regulations promulgated thereunder, require the Government to construct and operate certain environmental control systems and otherwise comply with certain requirements during operation of each of its landfill sites, properly close the site (including placement of a final landfill cover) when the landfill (or portion thereof) stops accepting waste, and perform certain post-closure maintenance and monitoring functions at the site for 30 years following closure. Compliance costs during the operational phase will be paid prior to closure.

Although closure and post-closure costs will be paid only near or after the date that the landfill stops accepting waste, the Government reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$169.4 million reported as landfill compliance, closure, and post-closure care liability on September 30, 2024, represents the cumulative amount reported to date based on the use of the estimated capacity of each landfill. The Government will recognize the remaining estimated cost of closure and post-closure care as the remaining estimated capacities are filled. These amounts are based on what it would cost to perform all closure and post-closure care as of September 30, 2024.

The estimated used capacity and expected closure of each of the Government landfills is as follows:

Landfill	Estimated Used capacity	Estimated Closure date
Bovoni	99.0%	2027
Anguilla	97.0%	2027
Susannaberg	100%	Closed

The actual cost to perform closure and post-closure may be higher due to inflation, changes in technology, or changes in regulations. The Government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The Government began making annual contributions to a trust in fiscal year 2007 to finance closure and post-closure costs. The Government expects that future inflation costs will be paid from interest earnings on these annual contributions and other financing measures.

However, if interest earnings and financing measures should prove to be inadequate, or additional post-closure care requirements are determined due to changes in technology or applicable laws or regulations, these costs may need to be recovered through charges to future landfill users.

### **(g) Hotel Development Agreements**

The Virgin Islands Hotel Development Program promotes tourism through the construction and redevelopment of hotels damaged by hurricanes. The program is administered by the Virgin Islands Economic Development Authority (VIEDA). Hotels approved to participate in the program may be reimbursed for construction expenses from designated hotel occupancy taxes and economic recovery fees charged to hotel guests on room rentals. The Government and VIEDA enter into an agreement with the hotels for the repayment of construction costs from pledged revenues over thirty (30) years on non-interest-bearing Developer Notes. As of September 30, 2024, two hotel developers were participating in the program.

CREF 3 USVI Hotel Owner, Inc., the owner of certain hotels on St. Thomas and St. John, signed a Hotel Development Agreement with VIEDA on November 1, 2023 in the amount of \$244.9 million. Under the agreement, the hotel will receive reimbursement of approved hotel construction expenses from specified hotel occupancy taxes of 12.5% and economic recovery fees of 2.5% charged to hotel guests as part of room rates. On November 1, 2023, the Virgin Islands Public Finance Authority (PFA) issued the Series 2023A Virgin Islands Public Finance Authority Occupancy Tax and Economic Recovery Fee Developer Note (Frenchman's Reef Hotel Development Project) securing the obligation. As of September 30, 2024, the remaining balance under the agreement was \$241.0 million.

On April 20, 2023, RC Hotels (Virgin Islands), Inc., the owner of the Ritz Carlton Hotel on St. Thomas, entered into a Hotel Development Agreement with VIEDA for \$32.6 million for a term of thirty (30) years with pledged revenues of economic recovery fees of 7.5%. PFA entered into the Economic Recovery Fee Trust Account Depository Agreement with the hotel, VIEDA, and the Government, establishing the Economic Recovery Fee Trust Account for the purpose of receiving pledged revenues and making payments under the Hotel Development Agreement with VIEDA. As of September 30, 2024, the remaining balance under the agreement was \$27.1 million.

### **(h) Wastewater Treatment Plant Consent Decree**

Since 1985, the Government has been subject to a consent decree issued by the Virgin Islands District Court, governing the operation of its wastewater treatment plants. The consent decree was amended in 1996 and further modified with the 2002 Stipulation to the Amended Consent Decree (the Stipulation) to establish deadlines for the construction of new secondary treatment facilities, including the replacement of the existing St. Croix and Airport Lagoon (Charlotte Amalie) wastewater treatment plants. The Stipulation required that the new St. Croix wastewater treatment plants be completed by the end of 2006 and the new Charlotte Amalie wastewater treatment plants be completed by the end of 2007. The cost of both facilities was estimated at approximately \$50.0 million.

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In January 2004, the Government's Legislature authorized the creation of the VIWMA for the purpose of meeting environmental requirements of wastewater treatment in the U.S. Virgin Islands. On December 2004, PFA issued revenue bonds amounting to \$94.0 million for the purpose of constructing and rehabilitating wastewater treatment plants. The treatment facilities were completed in July 2007 and January 2008 at a cost of approximately \$27.0 million and \$29.0 million for the St. Croix and the St. Thomas treatment facilities, respectfully.

The Stipulation also establishes certain interim penalties for violation of any of the deadlines or performance standards set forth therein. As of the date of the basic financial statements, the Government is current on all its outstanding obligations pursuant to the stipulation.

### **(i) Memorandum of Understanding - EPA**

On August 21, 2002, the Government and the United States Environmental Protection Agency (EPA) entered into a memorandum of understanding documenting the EPA's agreement to support the renewal of the Territorial Pollutant Discharge Elimination System (TPDES) permit for its St. Croix distillery operations provided that the Government make certain funding available to (i) conduct treatability studies regarding the Virgin Islands Rum Industries, Ltd. (Cruzan Rum) effluent and the means to mitigate its potential environmental effects in the vicinity of the discharge; (ii) identify practicable, available, reliable, and cost-effective potential mitigation measures; and (iii) implement (or assist in the implementation of) such mitigation measures in the event such measures are determined by the Virgin Islands Department of Planning and Natural Resources after consultation with EPA to be necessary and appropriate.

Pursuant to the memorandum of understanding, the Government's obligation to fund such activities is limited to \$6.0 million in the aggregate, commencing on October 13, 2003. Subsequently, the Government entered into a three-year contract with a locally licensed environmental consulting firm to facilitate the Government's commitments with the memorandum of understanding with the EPA.

At the conclusion of the MOU treatability study period, the PG agreed to reissue the TPDES permit to Cruzan Rum in 2008 with the requirement that the rum distillery design and construct a treatment facility for the rum distillery effluent within three years. PFA issued the Series 2009 Cruzan Bonds to fund the treatment facility which is currently operating under a 2013 TPDES permit.

### **(j) Workers' Compensation Liability**

The Government is exposed to the risk of loss related to workers' compensation claims. The Government is self-insured for this risk. Self-insured risk liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.

Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

# Government of the United States Virgin Islands

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Changes in the workers' compensation liability amount in fiscal year 2024, as recorded in the Government Insurance Fund, are as follows (expressed in thousands):

September 30,	2024
Claims payable, beginning of year	\$ 41,961
Incurred claims and changes in estimates	1,496
Payments for claims and adjustments expenses	(2,630)
Claims payable, end of year	\$ 40,827

### (k) Bond Credit Ratings

In December 2019, Standard & Poor's Global Ratings raised the Government's outlook from "negative" to "stable" and affirmed its A rating on the Series 2015A Bonds.

In February 2022, Moody's Investor Services updated its review of the Government's bonds, with a continued rating of Caa3.

In April 2022, KBRA assigned a long-term rating of BBB for the Matching Fund Securitization Bonds Series 2022A and Matching Fund Securitization Bonds Taxable Series 2022B issued in April 2022. This rating was reviewed by KBRA and affirmed in April 2024. In April 2025, KBRA affirmed the BBB rating and revised the outlook to negative. In July 2025, KBRA returned the outlook to stable, following the passage of H.R.1, the *Big Beautiful Bill Act*. Section 70427 of H.R.1 provides for the permanent increase in the cover over rate on distilled spirits to \$13.25 per proof gallon, an increase of \$2.75 per proof gallon, effective after December 31, 2025.

In August 2022, Moody's Investor Services upgraded the rating for the Series 2001 Term Bonds from A1 to Aa3.

In March 2023, Moody's Investor Services withdrew the Government of the U.S. Virgin Islands issuer rating. Moody's withdrew the rating as debt obligations for which it served as a reference rating no longer had outstanding ratings. Moody's had served as a reference rating for VIWAPA. The ratings of VIWAPA were withdrawn on March 1, 2023, because of insufficient information to support the maintenance of bond ratings.

In December 2023, Fitch Ratings withdrew ratings on the VIWAPA Electric System bonds due to lack of information.

### (l) Operating Agreement - Limetree Bay Terminals, LLC

In January 2012, Hess Oil Virgin Islands Corporation (Hess Oil) announced that it would close its oil refinery on the island of St. Croix, and the facility would serve as a storage terminal. The company amended tax returns for the three years before the closing, and a legal dispute arose with the Government over amounts due to, or from, the company in connection with the amended returns and other requirements of Hess Oil's agreement with the Government.

# Government of the United States Virgin Islands

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On December 1, 2015, the Government settled its dispute with Hess Oil. The company agreed to transfer to the Government 330 acres of land near the oil terminal (estimated value \$21.0 million), 130 housing units at the oil terminal (estimated value \$27.0 million), and a vocational school and a community center (both estimated at a value of \$1.0 million) for a payment in lieu of taxes (PILOT) valued at \$50.0 million.

On December 1, 2015, the Government entered into an operating agreement with the new operator of the oil terminal, Limetree Bay Terminals, LLC (Limetree). Limetree agreed to investigate refurbishing and reopening the terminal, with an investment of \$125.0 million. In December 2015, Limetree paid \$220.0 million as a payment in lieu of taxes, \$9.0 million as a reimbursement for contingent claims, and agreed to invest \$6.0 million in the construction of a bitumen tank at the facility. During the fiscal year ended September 30, 2022, Limetree made a payment of \$6.0 million to the Government in lieu of constructing the bitumen tank.

As part of the operating agreement Limetree receives exemption from property taxes, income taxes, and local taxes. Limetree is subject to quarterly concession payments in lieu of taxes (PILOT) of 10.0% of terminal revenues. During the fiscal year ended September 30, 2024, Limetree paid \$16.5 million in PILOT including a settlement of \$5.2 million for Limetree's default on previous years' payments. Should the oil refinery reopen, Limetree will be required to pay concession fees of 17.5% of refinery income to the Government on a quarterly basis. If there is a change in the control of Limetree, the Government is to receive 10.0% of the transaction value of the exchange, not to be less than \$25.5 million.

In December 2018, Limetree obtained \$1.3 billion in financing to reopen the oil refinery operation. Upon closing, the Government received \$40.0 million in short-term financing and \$30.0 million in payment for the 130 housing units, vocational school, and community center at the oil refinery.

In February 2021, the oil refinery reopened and experienced several flaring events. Flaring events are caused by machinery operating under high pressure and the release of oil droplets into the atmosphere. In April 2021, the Environmental Protection Agency (EPA) issued a Notice of Violation and in May 2021 ordered a 90-day plant closing. In June 2021, Limetree announced the indefinite closing of its oil refining facility and the layoff of 271 plant employees. In July 2021, Limetree subsequently declared bankruptcy, and was sold at auction in December 2021 for \$62.0 million. In October 2022, EPA regulators raised concern about hazardous substances stored at the facility, and on December 5, 2022, ordered the removal of thousands of pounds of chemicals from the facility. In July 2023, the Third Circuit Court of Appeals issued a ruling that EPA had exceeded its authority under the Clean Air Act in its permitting processing and the oil refinery may reopen without the special permitting process. The plant closing and subsequent bankruptcy are not expected to impact the operations of Limetree Bay Terminals, LLC, the terminal storage facility.

### **(m) Professional Services for Recovery Efforts**

In November 2017 and on behalf of the Government, PFA entered into a professional services contract to coordinate recovery efforts with FEMA and other federal agencies following the two Category 5 hurricanes in September 2017. The initial contract provided for annual compensation not to exceed \$5.0 million, a term of five (5) years from November 30, 2017, and provisions for the parties to extend the contract in two-year increments by mutual agreement.

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In February 2018, the contract was amended to revise the scope of work and increase the compensation of the contract to \$10.0 million annually, retroactive to November 2017. In August 2018, a second amendment was added containing provisions required by federal regulations for the Community Development Block Grants - Disaster Relief Program.

In December 2018, a third amendment was added to retroactively increase the annual compensation to \$16.0 million through November 30, 2018. The temporary increase of \$6.0 million was due to the Government's aggressive campaign to identify, assess, secure, and manage a larger percentage of the available resources and funding from FEMA and other federal agencies, through November 30, 2018. Effective December 1, 2018, the contract was returned to an annual amount of \$10.0 million.

Also, in November 2017 and on behalf of the Government, PFA entered into a second professional services contract to coordinate recovery efforts. The competitive bid contract was for a term of five (5) years following the effective date of the contract and may be extended in two (2) two-year increments for a maximum term of nine (9) years. Compensation under the agreement was capped at \$15.0 million annually including out-of-pocket expenses.

In April 2018, the contract was amended to increase the compensation amount to \$50.0 million annually, retroactive to November 2017. The increase is described in the amendment as due to an increase in the demands of the Government's aggressive campaign to identify, access, secure and manage a larger percentage of the available federal resources and funding from FEMA and other federal agencies. In September 2018, the contract was amended a second time to increase the compensation amount to \$80.0 million annually, retroactive to November 30, 2017. The increase is described in the amendment as due to the exhaustion of the \$50.0 million, and the continuing aggressive campaign to obtain federal funding following the hurricanes. Also, in December 2018, the second professional services contract was amended a third time to increase the contract amount temporarily to \$85.0 million through November 30, 2018. Effective December 1, 2018, the contract amount returned to \$80.0 million as specified in the second amendment. As of September 30, 2024, the amount due to the disaster recovery consultants related to these contracts was \$49.6 million.

On May 4, 2018, PFA entered into Memorandums of Understanding (MOU) with VIWAPA and with the Virgin Islands Housing Finance Authority (VIHFA), autonomous instrumentalities of the Government for disaster recovery consulting. The MOUs terminate at the expiration of the contract between PFA and the disaster recovery consultants. Invoices from the disaster recovery consultants are received by PFA, provided to VIWAPA and VIHFA for approval, and remitted back to PFA for submittal to federal grantors and payment.

### **(n) Settlement of Case**

In December 2022, the Attorney General for the U.S. Virgin Islands announced a settlement with Jeffrey E. Epstein's estate, certain co-defendants and co-executors of the estate, and ten Epstein-created entities. The settlement resolved a law enforcement action filed in 2020 under the anti-criminal enterprise, sex trafficking, child exploitation and fraud laws of the U.S. Virgin Islands. Under the terms of the settlement, the defendants paid the PG \$105.0 million in cash plus one-half of the proceeds of the sale of the island, Little St. James.

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The estate also agreed to pay \$450,000 to remediate environmental damage around Great St. James, another island owned by the estate. The settlement also returned to the U.S. Virgin Islands more than \$80.0 million in economic development tax benefits that had been fraudulently obtained. In the fiscal year ended September 30, 2024, the Government reported \$60.0 million in settlements, net of attorney fees.

### **(o) Molasses Subsidy Fund**

The Government maintains a program, established pursuant to law, in which it provides a subsidy to stabilize the cost of molasses to the U.S. Virgin Islands rum producers to ensure the competitive pricing of rum produced in the U.S. Virgin Islands. The effect of the molasses payments is to maintain the competitive position of the U.S. Virgin Islands rum producers relative to the rum producers in other countries in which local molasses supplies are readily available.

The molasses subsidy is administered by the Commissioner of Finance through the establishment of a legislatively mandated Molasses Subsidy Fund. In the event of a deficiency in the Molasses Subsidy Fund, the Commissioner of Finance could seek legislative appropriation of additional funds, as required, from the Legislature of the Virgin Islands. The Legislature, however, is not obligated to appropriate such amounts.

Notwithstanding the Government's past financial difficulties, the Legislature of the Virgin Islands has not yet waived or reduced the Molasses subsidy. If such an event should occur, the rum producers could experience a decrease in their operations and result in a reduction of the federal excise taxes returned to the Government by the United States Government. The collectability of the loans from the Government is highly dependent on the its ability in collecting these taxes.

### ***Pension Trust Fund***

#### **(a) Pension Reform**

In 2011, in response to an audit report issued by the Office of the Inspector General, the PG formed a Pension Reform Joint Task Force (the Task Force) to address the declining fiscal condition of GERS.

The Task Force submitted recommendations to the Legislature to: (i) increase government and employee contributions towards pension benefits; (ii) raise contribution rates for senators and judges; (iii) reduce retiree current benefits by 10.0 percent; (iv) increase the early retirement age from fifty (50) to fifty-five (55) and the regular retirement age from sixty (60) to sixty-five (65); (v) limit the cost-of-living increase; and (vi) change the formula used to calculate benefits.

On February 5, 2015, GERS increased employee contribution rates by 1.0% to be implemented over a three-year period, with employer rates increasing from 17.5% to 20.5%. On January 1, 2020, GERS increased employer contributions to the pension plan by 3.0%, from 20.5% to 23.5%.

In March 2022, the Matching Fund Special Purpose Securitization Corporation (Securitization Corporation) was created as a separate, independent instrumentality of the PG. One purpose of the Securitization Corporation is to free up funds of the PG through the issuance of Matching Fund Securitization Bonds (Securitization Bonds) to provide financial stability and liquidity to GERS.

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In April 2022, a payment was made to GERS in the amount of \$89.2 million as part of the Securitization Bonds issuance. In October 2022, the first full payment to GERS of \$158.0 million was made in accordance with a Funding Note entered into between PFA and the primary Government as part of the GERS Solvency Plan of Act 8540. In October 2023, October 2024, and October 2025 partial payments of \$124.0 million, \$101.6 million, and \$59.8 million, respectively, were made to GERS.

The GERS actuarial valuation and review as of September 30, 2024, issued in November 2025 includes the solvency projection that the System will remain solvent. However, assets are projected to decline to a low of \$194.0 million on September 30, 2037, before increasing again thereafter.

### ***Component Units***

#### **(a) Virgin Islands Waste Management Authority *(unaudited)***

On October 26, 2016, the VIWMA entered a Memorandum of Understanding (MOU), to comply with a September 28, 2016, order by the District Court to establish a Landfill/Solid Waste Remediate Fund (the Fund) to pay for urgent projects at the landfills required under Consent Decrees entered into with the Environmental Protection Agency.

The order by the District Court stipulates that the Fund be managed by the VIWMA through a separately established escrow account in the amount of \$3.1 million, and that all landfill projects be completed on or before September 30, 2018. As of September 30, 2024, the amount remaining in the escrow account was \$424,000.

#### **(b) Virgin Islands Water and Power Authority - Electric System *(unaudited)***

VIWAPA has signed purchase power agreements with several companies to integrate a combined 18-megawatt of solar electricity into the Electric System's electrical grid system. The agreements expire between 2022 and 2027. VIWAPA will not own the solar assets but will be able to purchase solar generated electricity at contracted rates.

In April 2020, the Electric System amended its Memorandum of Agreement (MOA) with viNGN, another instrumentality of the PG. As part of the original agreement, exclusive use of certain underground fiber and infrastructure owned by the Electric System was provided for use by viNGN. Following Hurricanes Irma and Maria, the Electric System obtained federal funding for the hardening of its infrastructure. The MOA was amended to provide viNGN a continuous and exclusive right to use of future telecommunications fiber and spare underground or subsea conduit owned by Electric System.

In October 2023, viNGN entered into a Memorandum of Understanding with VIWAPA to collaborate on the installation of WIFI equipment and development of high-speed fiber optic infrastructure for the Territory. This initiative is funded by the American Rescue Plan Act of 2021 (ARPA).

#### **(c) Virgin Islands Water and Power Authority - Water System *(unaudited)***

In 2011, the Water System of VIWAPA entered into two agreements with Seven Seas Corporation to build, operate, and maintain two reverse osmosis facilities, one on St. Croix and one on St. Thomas, and sell the water from the facilities to VIWAPA. The agreements both have twenty (20) year terms expiring through 2032.

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### (d) Virgin Islands Port Authority (*unaudited*)

The Federal Aviation Administration (FAA) conducted an onsite wildlife evaluation of the landfill, nearby airport, and surrounding area of the Anguilla Landfill of St. Croix. Flocks of birds nesting at the landfill had created environmental and navigational concerns at the Henry E. Rohlsen airport. The FAA threatened to force VIPA to repay federal grants amounting to \$9.3 million if remediation steps were not taken. The landfill is under the jurisdiction of the VIWMA. VIPA and VIWMA proposed a compliance and mitigation plan in 2013 which was accepted by FAA and VIPA is eligible for FAA grants.

### (e) Other

Various discretely presented component units are presently defendants or codefendants in various lawsuits. The financial managers of the component units have advised the PG that any adverse outcome involving a material claim is expected to be substantially covered by insurance. Government property is exempt from lien, levy, or sale due to court judgments under the V.I. Code.

## 15. Retirement Systems

### *Primary Government*

Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources. As required, the Government follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*.

### (a) Plan Description and Benefits

Full time employees of the Government are members of Government Employees' Retirement System of the U.S. Virgin Islands (GERS or System), a cost sharing, multiple employer, defined benefit pension plan (the plan) established as of October 1, 1959, Title 3, Chapter 27 of the V.I. Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members. The plan covers all employees of the Government except employees compensated on a contract fee basis, casual, per diem or provisional and part-time employees who work less than twenty (20) hours per week. Persons over the age of fifty-five (55) may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after ten (10) years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

Tier 1: Employees hired prior to September 30, 2005

Tier 2: Employees hired on or after October 1, 2005

Regular Tier 1 employees who have completed thirty (30) years of credited service or have attained age sixty (60) with at least ten (10) years of credited service are eligible for a full-service retirement annuity. Regular Tier 2 employees who have reached age sixty-five (65) with at least ten (10) years of service are eligible for a full-service retirement annuity.

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Members who are considered "safety employees " as defined in the Code are eligible for full-service retirement benefits under Tier 1 when they have earned at least twenty (20) years of government service or have reached the age of fifty-five (55) with at least ten (10) years of credited service.

Under Tier 2, safety employees are eligible for full retirement when they have earned at least twenty-five (25) years of government service and have reached age fifty-eight (58) or have reached age (60) with at least ten (10) years of service.

Members of the Legislature and Judges may receive a retirement annuity when they have attained age fifty (50) and upon completion of six (6) years of credited service as a member of the legislature or at any age with at least twenty (20) years of service. Judges are eligible for full retirement benefits when they have attained age fifty (50) and have completed six (6) years of service.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for regular and safety Tier 1 members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service. Average compensation for regular and safety Tier 2 members is based on career average salary, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation for regular and safety employees is \$65,000. For members of the legislature and judges, the average compensation varies based on the year of service.

In 1995, the Early Retirement Incentive Training and Promotion Act was amended by the Legislature to allow a member with a combined aggregate number of years of service and age of at least seventy-five (75) years to retire without a reduction in their annuity. Early retirement benefits provided under the Act vary depending upon age of retirement, type of employment, and credited years of service.

GERS is a separate and independent agency that is included for financial reporting purposes as a blended pension trust fund of the PG. GERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System of the Government of the Virgin Islands, 3438 Kronprindsens Gade, St. Thomas, Virgin Islands 00802.

### **(b) Funding and Contribution Policy**

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required contribution for Tier 1 and Tier 2 members was 23.5% of the members' annual salary during the fiscal year ended September 30, 2024.

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2024:

	<u>Tier 1</u>	<u>Tier 2</u>
Regular Employees	11.0%	11.5%
Public Safety Employees	13.0%	13.625%
Members of the Legislature	12.0%	14.0%
Judges	15.0%	15.0%

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The defined benefit pension plan administered by GERS, and the PG have a fiscal year that ends on September 30<sup>th</sup>. The following time frames are used to measure and report the PG's pension liability:

Valuation Date: October 1, 2023  
Measurement Date: September 30, 2023  
Measurement Period: October 1, 2022 - September 30, 2023

The PG is considered an employer of the plan with a proportionate share of 75.02% as of September 30, 2023, a decrease of 1.39% from its proportionate share measured as of September 30, 2022. The PG's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2017, through September 30, 2023. The PG's proportionate share of employer contributions recognized by GERS was \$203.9 million for the plan's fiscal year ended September 30, 2024.

### (c) Pension Liabilities, Expense, and Deferred Outflows/Inflows of Resources

As of September 30, 2024, the actuarially calculated net pension liability of the PG was \$2.96 billion. The net pension liability is measured as of September 30, 2023, and the total pension liability is actuarially computed as of October 1, 2023.

For the year ended September 30, 2024, the Government recognized \$31.1 million in pension expense, inclusive of amortization of deferred outflows, inflows, and other pension related items.

Following is a schedule of deferred outflows and deferred inflows allocated to the Government in the computation of the net pension liability for the year ended September 30, 2024, (expressed in thousands):

<b>Governmental Activities</b>	<b>Deferred Outflows</b>	<b>Deferred Inflows</b>
Difference between expected and actual experience	\$ 5,957	\$ 195,028
Net difference between projected and actual investment earnings on pension plan investments	16,318	-
Changes in assumptions	243,591	757,054
Changes in proportion and differences between contributions and proportional share of contributions	23,803	148,362
GERS Funding Note contributions	123,997	-
Contributions made after measurement date	79,883	-
<b>Total</b>	<b>\$ 493,549</b>	<b>\$ 1,100,444</b>

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Amounts reported as deferred outflows and inflows, exclusive of contributions made after the measurement date, will be recognized in pension expense as follows (expressed in thousands):

Year Ending September 30,			
2025	\$		(101,393)
2026			(214,761)
2027			(214,850)
2028			(271,012)
2029			(8,759)
Thereafter			-
Total	\$		(810,775)

### (d) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement date on September 30, 2023, is provided below. Refer to the October 1, 2023, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website at <http://www.usvigiers.com/Benefits/ActuarialReports.aspx>.

September 30,			2023
Inflation Rate			2.50%
Salary Increases	5.00% including inflation through 2026, and 4.00% thereafter		Entry age normal
Actuarial Cost Method			6.00%
Expected Rate of Return			4.09%
Municipal Bond Yield			4.87%
Discount Rate			Healthy: Pub-2010 General Below-Median Amount Weighted Employee and Healthy Annuitant Mortality Tables
			Disabled: Pub -2010 Non-Safety Amount-Weighted Disabled Annuitant Mortality Table
			Contingent Survivors: Pub-2010 General Below-Median Amount-Weighted Contingent Survivor Mortality Table
Mortality Table			With Generational Projections using Scale MP-2021

The assumptions and methods used in the actuarial valuation are based on the results of the actuarial experience study, for the five-year period October 31, 2017 through September 30, 2022, with the net investment return assumption updated for the October 1, 2023 valuation.

### (e) Investment Rate of Return

The long-term expected rate of return of 6.00% is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the System's portfolio asset classes, as well as the System's target asset allocation and the System's cash flow and potential solvency issues.

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Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date of September 30, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.39%
Developed markets	14%	6.49%
Emerging markets	6%	7.79%
Core fixed income	20%	1.59%
High Yield Fixed Income	10%	3.39%
Cash	5%	0.79%
<b>Total</b>	<b>100%</b>	

### (f) Discount Rate

The discount rate used to measure total pension liability was 4.87% as of September 30, 2023, which was an increase of 0.10% from the discount rate of 4.77% as of September 30, 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Using the above assumptions, GERS's fiduciary net position is not projected to be available to make all projected future benefit payments to current plan members.

The plan's long-term expected rate of return on pension plan investments of 6.00% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a twenty (20) year AA Municipal Bond Index was applied. As of September 30, 2023, that rate was 4.09%.

### (g) Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Following is a schedule of net pension liability for the Government calculated using the discount rate of 4.87%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate for the year ended September 30, 2024, (expressed in thousands):

	1.00% Decrease (3.87%)	Current Discount (4.87%)	1.00% Increase (5.87%)
Net pension liability	\$ 3,346,999	\$ 2,964,893	\$ 2,645,378

### (h) Early Retirement Incentive Program

In August 1994, legislation providing an early retirement incentive was passed. The legislation was subsequently amended on October 13, 1994, December 30, 1994, and December 5, 1995. Among other matters, the legislation allows a member of GERS who has a combined aggregate number of years of credited service plus number of years of age, equal to at least seventy-five (75) years as of the date of the legislation, to retire without reduction of annuity.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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Members who have attained the age of fifty (50) with at least ten (10) but less than thirty (30) years of credited service, may add an additional three (3) years to their age for this computation. Members with thirty (30) years of service or who can retire without penalty under the V.I. Code shall have their average compensation increased by 4 percentage points.

For each employee electing to retire pursuant to Section 8(a) of the Early Retirement Act of 1994 (the Act), the Government contributes to GERS, on a quarterly basis, an amount equal to the employer and employee contributions that would have been made until the employee reached the age of sixty-two (62) had the employee not elected to retire under this provision.

For employees electing to retire under Section 8(b) of the Act, the Government contributes to GERS a sum equal to the additional contribution the employer and employee would have made had the employee received a salary 4.0% higher during the three years used to compute the employee's average compensation figure, plus a sum of \$5,000.

Based on this calculation, the amount due to GERS was \$26.9 million and has been remitted to GERS. The actuaries of GERS have determined that the specific funding provided under the Act is inadequate to cover the costs of the program. GERS is seeking to recover any unfunded costs of the program under a newly enacted provision of the retirement law, which provides that the Government will compensate GERS for the costs of any special early retirement program.

### (i) Additional Information Regarding the Pension Plan

To obtain additional information regarding the pension plan, requests for information may be submitted to GERS at [www.usvigiers.com](http://www.usvigiers.com). Actuarial reports of GERS are available at <http://www.usvigiers.com/Benefits/ActuarialReport.aspx>. Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS audited financial statements available at [www.usvigiers.com/Reports/AuditedFinancialReports.aspx](http://www.usvigiers.com/Reports/AuditedFinancialReports.aspx).

### ***WICO Employee Retirement Plan***

WICO sponsors a defined contribution retirement and savings plan (the Plan) for its employees. Under the provisions of the Plan, employees must contribute at least 3.0% of their gross compensation but may also contribute up to 7.0%. WICO matches 3.0% of the employees' contribution plus a non-elective distribution at the discretion of WICO, which is divided among eligible employees, proportionate to compensation. Required contributions to the pension and savings plan made and charged to operations were approximately \$57,000 for the year ended September 30, 2024. No assets are accumulated in a trust that meets the criteria of paragraph 4 in GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. WICO does not offer other post-retirement benefits to its employees.

### ***viNGN Employee Retirement Plan***

viNGN sponsors a defined contribution retirement plan for its employees. Employees who receive a salary of at least \$5,000 are eligible to participate in the plan. viNGN matches the employee's contribution up to a maximum of 3.0% of the eligible employee's compensation. viNGN contributed \$44,000 in matching employer contributions for the year ended September 30, 2024. viNGN does not offer other post-retirement benefits to its employees.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *University TIAA-CREF Defined-Contribution Plan (unaudited)*

The University has two retirement plans in which all eligible employees are required to participate, the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and GERS. The TIAA-CREF is a defined-contribution pension plan covering participating, full-time faculty members and other exempt employees, under which the contributions, including employees' contributions, are used to purchase annuities. There are no unfunded past service costs, and vested benefits are equal to the annuities purchased under TIAA-CREF. The University's Board of Trustees administers, establishes, and amends benefit provisions of TIAA-CREF. The University is required to contribute 14.5% of the annual covered payroll.

### **16. Other Postemployment Benefits**

In addition to the pension benefits described above, the Government provides other postemployment benefits (OPEB) of healthcare, prescription, dental and life insurance coverage. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the V.I. Code as part of a multiple employer defined benefit OPEB plan, in which most component units of the PG participate and contribute. All employees who retire from government service after attaining age fifty-five (55) with at least thirty (30) years of service, except for policemen and firemen who can retire with at least twenty (20) years of service, are eligible for these benefits.

As required, the PG follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees of the Government, its component units, and certain eligible nonpublic corporations, other than pensions.

#### **Plan Description and Benefits**

The Health Insurance Board of Trustees of the PG (the Board) administers the defined benefit health and life insurance plan for eligible active and retired employees of the PG, the component units of the Government, and certain nonpublic corporations that receive allotments from the PG. The Board determines the eligibility criteria of the plan and recommends insurance contracts to the Legislature. The Group Health Insurance Office of the Department of Personnel maintains the accounting and personnel records for the health and life insurance plan. Eligible retired employees visit the Group Health Insurance Office within 30 days following retirement and complete a new insurance enrollment form. An eligible retiree is one that retires through the Government Employees Retirement System (GERS) or who is placed on disability and is eligible for retirement benefits.

The Government's OPEB plan is a multiple employer defined benefit plan created in accordance with Title 3, Ch. 25, Subchapter VIII of the Virgin Islands Code. The plan is a pay as-you-go, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, and expenses are paid as they come due. There are five participating employers in the plan: the primary Government, University of the Virgin Islands, Virgin Islands Port Authority, East End Medical Center, and Frederiksted Health Care, Inc.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The primary Government has a special funding arrangement with the following component units: VI Lottery, Magens Bay Authority, VI Economic Development Authority, VI Waste Management Authority, VI Housing Finance Authority, Juan Luis Hospital and Medical Center, Roy L. Schneider Medical Center, VI Public Finance Authority and the VI Public Broadcasting System. Under the special funding arrangement, the primary Government pays 100% of the employer costs.

Retirees participate in the same health benefit programs as active employees until they reach Medicare eligibility. After attaining Medicare eligibility, retirees participate in a Medicare Advantage prescription drug plan and an AARP Supplemental Plan. Four types of health plans were offered to eligible participants during the fiscal year:

- Group health insurance and group life insurance coverage through the Cigna Health and Life Insurance Company
- Group life and accidental death and dismemberment through ALIC Life Insurance Company
- Medicare Advantage and AARP Medicare Supplement through United Healthcare Insurance
- Vision care through Standard Insurance Company

### Contributions

Contribution percentages are enacted by the Legislature of the Virgin Islands based on recommendations of the Board. Changes in percentages are implemented by the Department of Personnel. Retirees under the age of sixty-five (65) are required to contribute 27.0% of monthly health premiums and retirees over the age of sixty-five (65) are required to contribute 34.0% of monthly health premiums. The employee share is withheld from salaries or pension benefits. Retirees receive a noncontributory life insurance benefit of \$5,000 and may elect to increase this coverage to \$75,000 at their own expense.

### Employees Covered by the Plan

As of October 1, 2023, the following employees were covered by the Government's postemployment benefits plan:

<b>Valuation Date of October 1, 2023</b>	<b>Primary Government</b>	<b>Component Units</b>	<b>Total</b>
Active employees	8,450	742	9,192
Retired employees	7,881	300	8,181
Deferred vested retirees	292	15	307
Disability retirees	235	22	257
<b>Total</b>	<b>16,858</b>	<b>1,079</b>	<b>17,937</b>
Primary Government			14,996
Component units included in primary Government's OPEB expense under special funding arrangement			1,862
<b>Total</b>			<b>16,858</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### OPEB Liability

The PG's proportionate share of the total liability was 95.216% as of October 1, 2023, which was a decrease of 0.19% from its proportionate share measured as of October 1, 2022, The PG's percentage was determined based on its respective census information provided to the actuary. The PG's total OPEB liability amounted to \$812.3 million which includes the PG's share of the component unit liabilities under the special funding arrangement of \$68.8 million. Also see Note 18.

Following is the total OPEB liability as of September 30, 2024 (expressed in thousands):

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Primary Government	\$	812,312
Component units		38,725
<hr/>		
Total OPEB Liability	\$	851,037

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### Actuarial Assumptions

The postemployment benefit plan is an unfunded plan. An actuarial valuation was conducted of the amount required to fund the plan, involving assumptions about the probability of the occurrence of events in the future. Actuarial assumptions used in the computation of the total OPEB liability are as follows:

Valuation date:	October 1, 2023
Measurement date:	October 1, 2023
Report date:	September 30, 2024
Actuarial cost method:	Entry Age Normal Cost Method
Salary increases:	Payroll Growth of 3.25% per year
Discount rate:	Beginning of Year Rate of 4.02% based on Bond Buyer 20 Bond Index as of September 30, 2022 End of Year Rate of 4.09% based on Bond Buyer 20 Bond Index as of September 30, 2023
Healthcare cost trend rates:	Pre-Medicare - 8.50% to 4.50% Medicare - 6.00% to 4.50% Dental - 4.50%
Retirees share of costs:	27.0% of the monthly health premiums for retirees under age 65 and 34.0% for retirees age 65 or older of Medical and Dental Premiums and Noncontributory Life Insurance Coverage. Retirees of UVI 403(b) plan pay 100% of coverage.
Mortality Rates:	Healthy: Pub 2010 Table Below-Median Amount-Weighted Employee and Healthy Annuitant Mortality Table (95% load for males) with generational projection using Scale Mp-2021.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Disability: Pub-2010 Non-Safety Amount-Weighted Disabled Annuitant Mortality Table with generational projections using Scale-MP 2021.

Contingent Survivors: Pub-2010 General-Below-Median Amount-Weighted Contingent Survivor Mortality Table with generational projection using Scale MP-2021.

Dependent status:

Covered dependents of current retirees were valued if non-waived coverage and a spouse date of birth indicated on data provided. Assumed that 50% of future male retirees and 25% of future female retirees who elected coverage would also cover spouses at the time of retirement. For future retirees, husbands assumed to be 3 years older than their wives.

Actuarial Experience Study:

The actuarial assumptions used in the valuation were based on recommendations from the actuarial experience study for the period from October 1, 2017 through September 30, 2022.

### Changes in Total OPEB Liability

Following are the components of change in the proportionate OPEB liability for the year ended September 30, 2024 (expressed in thousands):

	Primary Government	Component Units	Total
Beginning balances	\$ 784,556	\$ 35,508	\$ 820,064
Changes for the year:			
Service cost	22,459	1,081	23,540
Interest	31,720	1,446	33,166
Changes in benefit terms	4,573	260	4,833
Changes in assumptions and other input	5,267	1,684	6,951
Expected benefit payments	(36,263)	(1,254)	(37,517)
Net changes	27,756	3,217	30,973
Ending balances	\$ 812,312	\$ 38,725	\$ 851,037
Primary Government			\$ 743,467
Component Units Included in Primary Government's OPEB liability under special funding arrangement			68,845
<b>Total OPEB Liability</b>			<b>\$ 812,312</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### OPEB Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources

For the fiscal year ended September 30, 2024, the OPEB expense of the PG amounted to \$27.2 million as follows (expressed in thousands):

	Primary Government		Component Units		Total
Service cost	\$ 22,459	\$	1,081	\$	23,540
Interest on the total OPEB liability and net cash flow	31,720		1,446		33,166
Changes in benefit terms	4,573		260		4,833
Current period effect in change in assumptions	(31,576)		(1,852)		(33,428)
<b>Total OPEB Expense</b>	<b>\$ 27,176</b>	<b>\$</b>	<b>935</b>	<b>\$</b>	<b>28,111</b>
Primary Government				\$	28,595
Component Units Included in Primary Government's OPEB expense under special funding arrangement					(1,419)
<b>Total OPEB Expense</b>				<b>\$</b>	<b>27,176</b>

### OPEB Deferred Inflows of Resources

As of September 30, 2024, the PG reported deferred inflows of resources related to OPEB (expressed in thousands) is as follows:

	Primary Government		Component Units		Total
Changes in assumptions, expected results or other inputs	\$ 186,938	\$	11,700	\$	198,638
Primary Government				\$	157,002
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement					29,936
<b>Total</b>				<b>\$</b>	<b>186,938</b>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Fiscal Year Ended September 30	Primary Government		Component Units		Total
2025	\$ 60,604	\$	3,691	\$	64,295
2026	54,883		3,466		58,349
2027	53,653		3,425		57,078
2028	17,288		1,079		18,367
2029	510		39		549
2030 and after	-		-		-
<b>Total OPEB Deferred Inflows</b>	<b>\$ 186,938</b>	<b>\$</b>	<b>11,700</b>	<b>\$</b>	<b>198,638</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### OPEB Deferred Outflows of Resources

As of September 30, 2024, the PG reported deferred outflows of resources related to OPEB (expressed in thousands) as follows:

	Primary Government	Component Units	Total
Changes in assumptions, expected results or other inputs	\$ 81,665	\$ 5,580	\$ 87,245
Primary Government			\$ 71,973
Component Units Included in Primary Government's deferred outflows of resources under special funding arrangement			9,692
<b>Total</b>			<b>\$ 81,665</b>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Fiscal Year Ended September 30	Primary Government	Component Units	Total
2025	\$ 35,369	\$ 2,149	\$ 37,518
2026	32,906	2,030	34,936
2027	9,995	824	10,819
2028	2,559	434	2,993
2029	836	143	979
2030 and after	-	-	-
<b>Total OPEB Deferred Outflows</b>	<b>\$ 81,665</b>	<b>\$ 5,580</b>	<b>\$ 87,245</b>

### Sensitivity of OPEB Liability to Changes in the Discount Rate

The following sensitivity analysis shows the impact to the total OPEB liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate (expressed in thousands):

	1.00% Decrease 3.09%	Current Discount 4.09%	1.00% Increase 5.09%
Primary Government	\$ 920,952	\$ 812,312	\$ 723,026
Component Units	44,317	38,725	34,158
<b>Total OPEB Liability</b>	<b>\$ 965,269</b>	<b>\$ 851,037</b>	<b>\$ 757,184</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### Sensitivity of OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following sensitivity analysis shows the impact of the total OPEB liability if the healthcare cost trend rates were 1.00% higher or 1.00% lower than the current healthcare cost trend rate:

	1.00% Decrease - Health Cost Trend Rate 7.50%	Current Health Cost Trend Rate 8.50%	1.00% Increase - Health Cost Trend Rate 9.50%
Primary Government	\$ 722,269	\$ 812,312	\$ 922,724
Component Units	34,136	38,725	44,376
Total OPEB Liability	\$ 756,405	\$ 851,037	\$ 967,100

### Component Units

#### VIWAPA OPEB Plan (unaudited)

VIWAPA offers a medical, dental, and vision benefit plan, and reported a net OPEB liability of \$61.6 million, deferred outflows of resources of \$535,000, and deferred inflows of resources of \$9.6 million as of June 30, 2024.

#### VIHA OPEB Plan

VIHA offers certain health care benefits including healthcare and prescription drug, dental, vision and life insurance to qualified retired employees and their dependents. VIHFA reported a net OPEB liability of \$23.1 million, deferred outflows of resources of \$5.2 million, and deferred inflows of resources of \$10.4 million as of December 31, 2023.

## 17. Going Concern/Liquidity and Management's Plan

### Primary Government

The accompanying financial statements have been prepared on a going concern basis, which assumes the Government will be able to realize its assets and settle its liabilities in the normal course of operations for the foreseeable future.

On September 30, 2024, the Government reported a total net deficit in governmental activities amounting to \$4.9 billion. The Government's reported net deficit continues to reflect the effects of the adoption of accounting standards in prior years that required the recognition of pension and other postemployment benefit liabilities, and related expenses based on actuarial valuations. In addition, the aftermath of the 2017 hurricanes, as well as the impact of the global Coronavirus pandemic, had a further significant negative impact on operations. The culmination of these factors has resulted in liquidity challenges.

Management's plans to address these conditions include continued reliance on federal recovery and pandemic assistance, recovery-related economic activity, access to credit facilities, and growth in fiscal revenues. The Government's ability to continue as a going concern is dependent upon the continuation and sufficiency of federal programs and assistance, its ability to access and utilize such funding, its ability to access credit lines and facilities, and increased fiscal revenues from an expanding local economy.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

Management believes that reliance on federal recovery together with recovery-related economic activity and fiscal stabilization efforts, may mitigate these conditions; however, no assurance can be provided that such efforts will be sufficient.

Following is a summary of the Government’s unrestricted net deficit for governmental activities for fiscal years 2022 through 2024:

Fiscal Year	Governmental Unrestricted Net Deficit	(Increase)/ Decrease
2022	\$ (6,570,200)	\$ (479,746)
2023	(6,522,747)	47,453
2024	(6,069,353)	453,394

On September 30, 2024, the Government reported a fund deficit in the general fund of \$391.9 million. This fund deficit represents a decrease of \$78.0 million from the preceding fiscal year.

Fiscal Year	Committed	Assigned	Unassigned	Total
2022	\$ 42,325	\$ 452	\$ (419,326)	\$ (376,549)
2023	56,853	2,581	(529,326)	(469,892)
2024	71,586	2,982	(466,468)	(391,900)

Per Title 33, Subtitle 3 VIC, the Government established the Budget Stabilization Fund as a separate rainy day fund for the following purposes: (i) to offset any deficit in the General Fund at the end of the fiscal year, (ii) to offset a temporary shortfall in the General Fund caused by lagging revenue collections and (iii) to provide emergency funding for disaster recovery in a state of emergency declared by the Governor. The fund consists of annual appropriations of not less than \$5.0 million, and 10.0% of any fiscal year end surplus.

During the fiscal year ended September 30, 2024, the Virgin Islands Office of Management and Budget authorized payment of outstanding VIWAPA invoices due from the Virgin Islands Waste Management Authority and hospitals in the amount of \$17.0 million and payment of \$450,000 to PFA for a management turnaround company for VIWAPA. The fund also paid \$988,800 in outstanding vendor payments of the Virgin Islands Waste Management Authority. As of September 30, 2024, the amount reported in the Budget Stabilization Fund was \$2.6 million.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### Non-major Funds Deficit

#### *Primary Government*

The following non-major funds have a net fund deficit as of September 30, 2024, (expressed in thousands):

#### **Governmental Funds**

Rural Library Extension	\$	572	Water & Electric System Projects	\$	1,698
Employment Security Administration		2,194	Sewer System Fund		175
Federally Aided Education Program		9,599	District Potable Water Fund		4,962
Air & Water Pollution Control		7,030	Paternity and Child Support		11,557
Virgin Islands Planning Board Projects		3,000	District Street Light Fund		64,386
Highway Safety		4,600	Virgin Islands Law Enforcement		3,093
Virgin Islands Energy Office		3,655	Forensic Science		74
Virgin Islands National Guard Federal and State Agreement		-	Vocational Rehabilitation		1,848
Food Stamp Welfare		2,759	Hurricane Hugo Insurance Claims		3,908
Federal Programs/Department Conservation		2,434	Virgin Islands Army National Guard		2,266
Federal Aided Community Action Agency		-	Emergency Drought Relief		129
Commission on Aging		3,640	Outdoor Recreation Program		32
Elementary/Secondary Education		187	Section 12 Bond Proceeds		24,607
Job Training Partnership Act Of 1983-1984		50	Road Fund		6,330
Civil Defense Protection		19	Major Repair and Improvement		58
Health Information Council Assistance		-	Technical Assistance		8
Drug Education Training Program		8,614	Juvenile Detention Center Fund		14
Federal Health Program Not on Federal Letter of Credit System		849	Non-Lapsing		
Taxi Revolving Fund		18	Natural Resource Reclamation		2,205
		123	Boating Safety Program		584
		-	Fishery and Wildlife Projects		27
		489	VIWAPA Generating & Infrastructure		605
		153	Debt Service Fund		3
<b>Net fund deficit</b>				<b>\$</b>	<b>178,554</b>

#### **Proprietary Funds**

Frederiksted Small Business Fund	\$	164
Altona Community Development Fund		3
Housing Construction Revolving		7,653
Emergency Housing Fund		82
Virgin Islands ID Registration Fund		18
Virgin Islands Elections Fund		172
Gasoline Coupon Program Fund		1,398
Consumer Protection Fund		200
Enterprise Zone Fund		1,000
Virgin Islands Housing Finance Authority		2,898
Business & Commercial Property Revenue Fund		1,614
Homestead and Home Revolving Fund		344
<b>Net fund deficit</b>		<b>\$ 15,546</b>

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### **WICO**

WICO is a component unit of PFA. WICO is in a negative working capital position as of September 30, 2024, mainly due to legislation requiring WICO to remit \$700,000 annually to the primary Government as a payment in lieu of taxes (PILOT). As of September 30, 2024, WICO owed the primary Government \$11.2 million in PILOT payments.

### **viNGN**

viNGN is also a component unit of PFA. The start-up of viNGN was funded by a loan advance from PFA amounting to \$36.8 million. As of September 30, 2024, no repayments of the loan advance have been made by viNGN.

### **Component Units**

#### **(a) Virgin Islands Water and Power Authority (unaudited)**

Management of VIWAPA's Electric System (the System) has been attempting to stabilize and solidify its financial condition following significant structural damage related to the September 2017 hurricanes. Management of the Electric System has developed a twelve-month plan to focus on key initiatives as outlined below:

- i. Despite its financial challenges, the Electric System is benefitting from significant investment of federal funds in infrastructure projects. For example, federal funding is modernizing the Transmission & Distribution (T&D) infrastructure as it is migrating the system to underground infrastructure where feasible.
- ii. In areas when undergrounding is not viable, the T&D system is being hardened by the installation of composite poles that can withstand higher winds.
- iii. Placing new, more efficient generation in service on St. Thomas and St. Croix.
- iv. The installation of additional solar capacity on St. Croix.
- v. The acquisition of generation that is currently leased to avoid ongoing monthly lease expenses.
- vi. Focus on improving processes and procedures with the objective of improving customer service, billing, and collections. Improving customer service and increasing collections is expected to reduce operating costs and improve cash flow.

#### **(b) University of the Virgin Islands (unaudited)**

The University has been financially challenged, and its situation was exacerbated by global events. Further, the University is not organized as a self-sustaining entity and is highly dependent on funding from the Government to repay and fund its obligations. Approximately 35.0% of the University's total revenues are derived from the Government's appropriations. To date, local appropriations for funding the University's programs have not been significantly impacted by the Government's financial condition and it is unknown what impact, if any, the Government's financial condition will have on the University. The management team is focused on its plan for the immediate future which includes exploration of alternative revenue sources, reduction of operating expenses, and investment of federal funds.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### (c) Virgin Islands Government Hospital and Health Facilities Corporation (*unaudited*)

The Schneider Regional Medical Center on St. Thomas and the Juan F. Luis Hospital and Medical Center incurred significant structural damages related to the September 2017 hurricanes. The full impact of the hurricanes continues to be evaluated as the hospitals seek grants and federal assistance to continue operations.

As of September 30, 2023, the Schneider Regional Medical Center's current liabilities exceeded current assets by \$37.2 million. The hospital is economically dependent on the continued financial support of the Government. In fiscal year 2023, tax appropriations from the PG amounted to \$28.4 million and other contributions, FEMA grants and COVID assistance amounted to \$8.1 million.

Management at the Schneider Regional Medical Center is implementing efforts to improve financial stability by closely monitoring cash flow. This includes multiple internal initiatives and development of external partnerships with industry expertise to improve operational efficiencies, evaluate charge capture and pricing improvements, reduce accounts receivable collection time, and evaluate Medicare reimbursement options and opportunities, while improving the patient experience.

As of September 30, 2024, the Juan F. Luis Hospital and Medical Center's current liabilities exceeded current assets by \$62.2 million. The hospital reported an unrestricted net deficit of \$223.5 million. The hospital is economically dependent on the continued financial support of the Government.

Management of Juan F. Luis Hospital and Medical Center is considering several alternatives for mitigating liquidity conditions. These include an infusion of capital through several options including internal hospital operations, patient accounts receivable leveraging, affiliation or management agreements with larger hospital systems, and negotiations with vendors on past due accounts. The hospital is also developing plans for cost containment, seeking concessions for vendors, and seeking an increase in financial support from the Government.

## 18. Adjustments to Beginning Net Position/Deficit

### *Governmental Activities - Statement of Net Position*

Beginning net deficit of governmental activities in the government-wide financial statements was revised to incorporate certain information following receipt of the October 1, 2023 actuarial valuation report, which has a measurement date of September 30, 2023. As follows, management has evaluated the materiality, considering both quantitative and qualitative factors, and concluded that the related impact is not material to the 2023 financial statements (expressed in thousands):

Governmental Activities	Net Position		
	As Previously Reported	Adjustments	As Adjusted
Other post-employment benefits expense	\$ 5,264,677	\$ 10,028	\$ 5,274,705

Additionally, the adjustment impacted deferred outflows and inflows of resources related to OPEB. The amounts recorded included a decrease to total OPEB liability of \$192.1 million, an increase to deferred outflows of resources of \$32.3 million, an increase to deferred inflows of resources of \$169.8 million, and an increase to beginning net position of \$10.0 million.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

### Component Units

Beginning net position of certain discretely presented component units was adjusted to reflect prior-year beginning balance adjustments based on unaudited financial information provided to the Government, as follows (expressed in thousands):

Component Units	Net Position (Deficit)		
	As Previously Reported	Adjustments	As Adjusted
Virgin Islands Port Authority*	\$ 167,096	\$ 14,885	\$ 181,981
Virgin Islands Water and Power Authority:			
Electric System*	663,562	4,559	668,121
Water System*	30,568	(1,522)	29,046
Schneider Regional Medical Center*	(140,653)	(2,092)	(142,745)
Juan F. Luis Hospital and Medical Center*	(79,629)	16,211	(63,418)
University of the Virgin Islands*	58,398	(1,262)	57,136
Virgin Islands Economic Development Authority*	(10,249)	4,565	(5,684)
Magens Bay Authority*	21,629	1,134	22,763
UVI Research and Technology Park*	11,190	5,330	16,520
Virgin Island Housing Finance Authority*	99,950	-	99,950
Virgin Islands Housing Authority	(18,610)	-	(18,610)
Other component units*	7,448	-	7,448
	\$ 810,700	\$ 41,808	\$ 852,508

\* Unaudited

## 19. Subsequent Events

### Primary Government

#### (a) Hurricane Recovery

The Government is making significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The Government continues the process of tabulating the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services.

To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, such as FEMA, HUD, SBA, etc. to maximize its recovery from all available sources, subject to any sub-limits and retentions.

Through April 2026, federal assistance awarded to the Territory included \$22.1 billion in FEMA Public Assistance grants, \$77.3 million in Federal Highway grants, \$233.1 million in FEMA Hazard Mitigation grants, \$1.9 billion in Community Development Block Grants, and \$251.0 million in other grants for a total of \$24.5 billion.

#### (b) Global Pandemic and Economic Relief Legislation

Through January 2026, federal grants and assistance received by the PG related to COVID-19 amounted to \$729.7 million. Federal grants and assistance received by component units of the Government amounted to \$84.8 million.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### **(c) *Improper Procurement Activities and Irregularities***

As the result of an investigation by the United States Department of Justice, three members of the Government's management team were convicted for procurement-related criminal activities in July and December 2025, respectively. Management has evaluated the impact of these matters, as described in the indictments, and has determined that the financial statements as of and for the year ended September 30, 2024, are fairly presented.

In connection with this matter, management engaged an independent forensic review, which identified significant deficiencies in internal controls over procurement, including insufficient documentation, instances of non-compliance with established procurement policies, and potential circumvention of competitive bidding procedures. These deficiencies create uncertainty regarding the receipt of goods and services as invoiced and the consistency of payments with contractual terms.

No financial adjustments have been recorded in the financial statements related to these matters. Management has determined that disclosure is appropriate and is in the process of implementing corrective actions to enhance compliance and strengthen internal controls over procurement activities.

### ***Component Units***

#### **(a) WICO Bond Covenant Waiver**

Due to a slower than expected recovery from the COVID-19 pandemic, WICO was unable to meet the debt service coverage ratio required by its bond covenants for fiscal years 2024 and 2025. In March 2026, WICO requested and was granted a bond covenant waiver for both fiscal years, based on an increase in passenger fee revenue.

#### **(b) Lonesome Dove Petroleum Co. Asset Valuation**

In March 2026, the Lonesome Dove Petroleum Co. received an independent appraisal of the fair market value of its oil and gas wells, reserves and acreage blocks. The appraisal estimated the value of these interests at \$7.4 million as of January 1, 2026.

#### **(c) Virgin Islands Public Finance Authority**

##### ***Hotel Occupancy and Economic Recovery Fee Revenue Bonds***

In November 2024, PFA issued the Series 2024A Hotel Occupancy Revenue Bonds in the amount of \$64.9 million, and the Series 2024B Economic Recovery Fee Revenue Bonds (federally taxable) in the amount of \$18.3 million. The bonds were a private and limited offering only to "qualified buyers" as defined under Rule 144A of the Securities Act of 1933. The bonds were issued to provide a grant to a hotel developer for reimbursement of costs associated with the reconstruction and renovation of a hotel project formerly known as the Frenchman's Reef Resort located on the island of St. Thomas. The Government has pledged Hotel Occupancy Tax Revenues and Economic Recovery Fee Revenues generated by the hotel project for the repayment of the bonds. The Series 2024 A Bonds will mature on April 1, 2053 with a yield of 5.750%. The Series 2024 B Bonds will also mature on April 1, 2053 with a yield of 9.000%.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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### *Subordinate Gross Receipts Taxes Secured Series 2025 Revenue Note*

In January 2026, PFA issued the Virgin Islands Public Finance Authority Subordinate Gross Receipts Taxes Secured Series 2025 Revenue Note (Virgin Islands Gross Receipts Taxes Loan Note 2025 Projects) in the amount of \$90.0 million as a revolving line of credit to finance (i) disaster related projects, (ii) payment of vendors, (iii) retroactive wage payments, and (iv) other critical needs of the Government due to cash flow deficiencies. The line of credit is issued in accordance with the Second Restated and Amended Revenue Anticipation Note Purchase Agreement between the PFA and First Bank Puerto Rico with a revolving line of credit up to a maximum of \$150.0 million. The line of credit is secured with the pledge of gross receipts taxes (the “GRT Secured Series 2025 Note”), has an interest rate of the Prime Rate minus a spread of 0.50%, and a maturity date of September 30, 2026.

### *Line of Credit*

In October 2024, legislation enacted under Act 8701 by the Virgin Islands Legislature authorized an increase in the Territory’s line of credit with a local bank from \$100.0 million to \$150.0 million. The revised credit facility allocates \$100.0 million for disaster-related projects and \$50.0 million for vendor payments, retroactive wage obligations, and other critical needs of the Territory. As of May 2026, \$436,000 remained available for disaster-related projects and \$40.1 million for other designated purposes.

### *Series 2025A Tax Increment Revenue and Refunding Bonds*

In April 2025, PFA issued the Virgin Islands Public Finance Authority Tax Increment Revenue and Refunding Loan Note (Virgin Islands Tax Increment Revenue Loan Note - Island Crossings Shopping Center) Series 2025A Bond in the amount of \$3.5 million.

The Series 2025A Bond was issued as a private placement bond with FirstBank Puerto Rico to defease the Series 2019A TIF Revenue and Refunding Bonds and the Series 2019A TIF Project Developer Note. The Series 2025A Loan Note is a special limited obligation and the Government has pledged incremental gross receipts tax revenues from the Island Crossings shopping complex on St. Croix collected by the Government. The Series 2025A Bond is payable in fifty-five (55) installments of principal and interest with a fixed interest rate of 6.875% per annum.

### **(d) Virgin Islands Transportation & Infrastructure Corporation (VITIC)**

In November 2024, the Legislature of the Virgin Islands enacted Act No. 8949, the Federal Highway Grant Anticipation Bond Act, authorizing the establishment of the Virgin Islands Transportation & Infrastructure Corporation (VITIC), an independent instrumentality of the Government, and special purpose subsidiary of PFA.

On June 5, 2025, VITIC issued the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note) Series 2025 in the amount of \$150.2 million. The Series 2025 Bonds were issued to: (i) finance approved projects, (ii) refund the outstanding Federal-Aid Highway Series 2015 Bonds, (iii) fund debt service reserves and (iv) pay the costs of issuing the bonds. Bond proceeds will be loaned to the Government.

# Government of the United States Virgin Islands

## Notes to Basic Financial Statements

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The Bonds are special limited obligations payable solely from the Federal Highway Grant Revenues and received a bond rating of A (stable outlook) from S&P Global Ratings. Interest on the bonds is 5.0%, payable semiannually on March 1, and September 1, commencing September 1, 2025. The Bonds are subject to an annual redemption schedule prior to maturity with a final maturity date of September 1, 2044.

### **(e) Virgin Islands Hotel Development Financing Corporation (VIHDFC)**

In November 2025, the Legislature of the Virgin Islands enacted Act. No. 9063, the Virgin Islands Hotel Development Financing Corporation Act, authorizing the establishment of the Virgin Islands Hotel Development Financing Corporation (VIHDFC), an independent instrumentality of the Government, and special purpose subsidiary of the Virgin Islands Public Finance Authority. VIHDFC was established to oversee the development, operation and financing of hotels in the U.S. Virgin Islands and to issue bonds, notes, or other obligations as a conduit issuer on behalf of a nonprofit organization as described in section 501(c)(3) of the Internal Revenue Code. Bonds issued by the VIHDFC do not constitute a general obligation of the PG.

In December 2025, the VIHDFC issued the Hotel Revenue Bonds (Frenchman's Reef Hotel Acquisition Project) Senior Lien Series 2025A-1 in the amount of \$272.3 million, and the Federally Taxable Senior Lien Series 2025A-2 Bonds in the amount of \$10.0 million. The Series 2025A-1 and A-2 bonds were issued to: (i) finance the costs of acquiring ownership interests in the Westin St. Thomas Beach Resort & Spa and the Buoy Haus Beach Resort St. Thomas, Autograph Collection, located on the island of St. Thomas; (ii) fund certain reserves and other required amounts, (iii) fund capitalized interest accounts, and (iv) pay certain costs of issuing the bonds. The Series 2025A-1 Bonds mature from February 1, 2033 to December 1, 2055 with interest rates that vary from 4.5% to 6.0%. The Series 2025A-2 bonds mature February 1, 2034 with an interest rate of 8.875%.

### ***Management's Evaluation***

Management has evaluated events and transactions occurring after September 30, 2024, the statement of net position date, and through June 30, 2026, the date the financial statements were available to be issued and noted that there have been no additional events or transactions that would require adjustments to or disclosure in the Government's financial statements for the year ended September 30, 2024.

## Required Supplementary Information

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**Government of the United States Virgin Islands**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**

**Postemployment Benefits Other Than Pensions**

	<i>Primary Government</i>						
<i>Measurement year ending September 30,</i>	2024	2023*	2022	2021	2020	2019	2018
<b>Total OPEB Liability:</b>							
Service cost	\$ 22,459	\$ 31,673	\$ 39,683	\$ 25,885	\$ 25,358	\$ 26,147	\$ 28,216
Interest	31,721	23,329	21,723	28,508	28,548	26,623	23,904
Changes in benefit terms	4,573	-	39,411	-	-	-	-
Difference between expected/actual experience	12,184	-	(55,020)	-	(27,043)	-	-
Changes in assumptions or other inputs	(6,918)	(180,853)	(57,976)	184,091	16,827	(31,772)	(53,422)
Expected benefit payments	(36,263)	(35,721)	(33,994)	(32,939)	(31,441)	(29,864)	(28,280)
Net Change in Total OPEB Liability	27,756	(161,572)	(46,173)	205,545	12,249	(8,866)	(29,582)
Total OPEB Liability - Beginning of Year	784,556	946,128	992,301	786,756	774,507	783,373	812,955
Total OPEB Liability - End of Year	\$ 812,312	\$ 784,556	\$ 946,128	\$ 992,301	\$ 786,756	\$ 774,507	\$ 783,373
Covered-Employee Payroll	\$ 398,823	\$ 383,469	\$ 380,466	\$ 364,038	\$ 350,528	\$ 350,409	\$ 323,158
Total OPEB Liability as a Percentage of Covered-Employee Payroll	203.68%	204.59%	248.68%	272.58%	224.45%	221.03%	242.41%

*This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.*

*\*Also see accompanying Note 18 to the Basic Financial Statements.*

**Government of the United States Virgin Islands**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**

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**Notes to Schedule:**

1. The Government does not have assets accumulated in a trust that meets the criteria in GASB Statement No. 75 to pay related benefits.
2. The Primary Government, by statute, pays 100.0% of the employer cost-share of the postemployment health, dental, and life insurance of the retirees of the following semi-autonomous agencies: 1) Employee's Retirement System of the Government of the Virgin Islands, 2) Virgin Islands Economic Development Authority, 3) Virgin Islands Housing Finance Authority, 4) Juan F. Luis Hospital & Medical Center, 5) Magens Bay Authority, 6) Virgin Islands Public Broadcasting System, 7) Roy L. Schneider Hospital, and 8) Virgin Islands Waste Management Authority. The Primary Government also reports the OPEB liabilities associated with these benefits.
3. Change in the Discount Rate:

Measurement date, September 30	Discount Rate
2017	3.35%
2018	3.64%
2019	3.58%
2020	2.14%
2021	2.43%
2022	4.02%
2023	4.09%

4. The base mortality tables were upgraded to the Pub-2010 Table Below-Median Amount with generational projection using Scale MP-2021.
5. Based on plan experience, 85.0% of future retirees were assumed to elect post-employment medical and dental coverage.

## Government of the United States Virgin Islands

### Schedule of Net Pension Liability (NPL)

September 30, (in thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Primary Government's proportion of the NPL	75.0200%	76.4124%	77.2500%	78.3800%	78.9300%	77.8087%	76.5852%	76.4171%	75.2916%	75.2803%
Primary Government's proportionate share of the NPL	\$ 2,964,893	\$ 3,125,580	\$ 4,091,016	\$ 4,527,445	\$ 4,194,852	\$ 3,246,786	\$ 3,354,768	\$ 3,535,517	\$ 3,065,617	\$ 2,323,163
Primary Government's covered-employee payroll	\$ 345,914	\$ 334,650	\$ 336,625	\$ 325,000	\$ 310,758	\$ 309,998	\$ 307,132	\$ 300,909	\$ 277,091	\$ 267,698
Primary Government's proportionate share of the NPL as a percentage of its covered payroll	857%	934%	1,215%	1,393%	1,350%	1,047%	1,092%	1,175%	1,106%	868%
Plan fiduciary net position as a percentage of the total pension liability	10.33%	8.91%	8.23%	9.16%	11.32%	15.56%	16.18%	16.54%	19.58%	27.26%

*This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous year).*

#### Notes to Schedule:

(1) *Changes of benefit terms:*

In the year ended September 30, 2016, there were changes to the eligibility and benefit amounts for Tier 2 Regular and Public Safety Employees for service and early pensions reflected in this valuation.

(2) *Change of Assumptions:*

- Year Ended September 30, 2015: Discount rate decreased from 4.87% to 4.42%
- Year Ended September 30, 2016: Discount rate decreased from 4.42% to 3.84%
- Year Ended September 30, 2017: Discount rate decreased from 3.84% to 3.20%
- Year Ended September 30, 2018: Discount rate increased from 3.20% to 3.74%
- Year Ended September 30, 2019: Discount rate increased from 3.74% to 4.25%
- Year Ended September 30, 2020: Discount rate decreased from 4.25% to 2.67%
- Year Ended September 30, 2021: Discount rate decreased from 2.67% to 2.23%
- Year Ended September 30, 2022: Discount rate increased from 2.23% to 2.52%
- Year Ended September 30, 2023: Discount rate increased from 2.52% to 4.77%
- Year Ended September 30, 2024: Discount rate increased from 4.77% to 4.87%

# Government of the United States Virgin Islands

## Schedule of Pension Contributions

September 30 (in thousands)	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially required contributions of the Primary Government	\$ 228,262	\$ 238,367	\$ 279,469	\$ 292,944	\$ 289,507	\$ 215,937	\$ 205,052	\$ 191,481	\$ 186,089	\$ 150,628
Contributions in relation to the statutorily required contributions	\$ 203,880	\$ 236,821	\$ 163,960	\$ 74,817	\$ 72,301	\$ 84,005	\$ 77,840	\$ 61,759	\$ 68,291	\$ 64,357
Contribution deficiency	\$ 24,382	\$ 1,546	\$ 115,509	\$ 218,127	\$ 217,206	\$ 131,932	\$ 127,212	\$ 129,722	\$ 117,798	\$ 86,271
Primary Government covered payroll	\$ 341,373	\$ 345,914	\$ 334,650	\$ 336,625	\$ 325,000	\$ 310,758	\$ 309,998	\$ 307,132	\$ 300,909	\$ 277,091
Contributions as a percentage of covered payroll	59.72%	68.46%	48.99%	22.23%	22.25%	27.03%	25.11%	20.11%	22.69%	23.23%

*This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the latest fiscal year.*

# Government of the United States Virgin Islands

## Notes to Schedule of Pension Contributions

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### Methods and Assumptions Used

**Valuation date:** Actuarially determined contributions are calculated as of October 1, 2023.

**Contribution rates:**

Actuarial cost method: Entry Age Normal Cost Method determined as a percentage of salary

Amortization method: Level dollar, closed group

Amortization period: 20 years open amortization

**Asset valuation method:** Market value

**Inflation:** 2.5%

**Salary increases:** 5.0% per year

**Investment rate of return:** 4.87% net of pension plan investment expense, including inflation

**Mortality:** Healthy annuitant: Pub-2010 General Below-Median Amount-Weighted Employee Mortality Table with generational projection using Scale MP-2021.

Disabled annuitant: Pub-2010 Non-Safety Amount-Weighted Disabled Annuitant Mortality Table with generational projection using Scale MP-2021.

Contingent survivors: Pub-2010 General Below-Median Amount-Weighted Contingent Survivor Annuitant Mortality Table with generational projection using Scale MP-2021.

**Government of the United States Virgin Islands**  
**Schedule of Revenues and Expenditures - Budget and Actual**  
**Budgetary Basis – General Fund**  
*(in thousands)*

<i>Year Ended September 30, 2024</i>	Original Budget	Revised Budget	Actual	Variance
<b>Revenues</b>				
Taxes	\$ 943,097	\$ 943,097	\$ 841,599	\$ (101,498)
Payment in lieu of taxes	11,000	11,000	16,507	5,507
Federal grants and contributions	3,630	3,630	9,216	5,586
Charges for services	19,928	19,928	16,183	(3,745)
Interest and other	13,777	13,777	172,469	158,692
<b>Total revenues</b>	<b>991,432</b>	<b>991,432</b>	<b>1,055,974</b>	<b>64,542</b>
<b>Expenditures</b>				
Current:				
General government	411,646	461,641	513,972	(52,331)
Public safety	75,433	78,793	80,575	(1,782)
Health, public housing and welfare	97,155	108,400	107,499	901
Education	175,378	182,321	187,373	(5,052)
Transportation and communication	32,301	32,381	23,594	8,787
Culture and recreation	10,074	16,255	7,718	8,537
<b>Total expenditures</b>	<b>801,987</b>	<b>879,791</b>	<b>920,731</b>	<b>(40,940)</b>
<b>Excess of revenues over expenditures</b>	<b>189,445</b>	<b>111,641</b>	<b>135,243</b>	<b>23,602</b>
<b>Other financing sources (uses)</b>				
Transfers from other funds	46,700	46,700	55,903	9,203
Transfer to other funds	(39,116)	(39,116)	(51,848)	(12,732)
Transfers to component units	(153,996)	(153,996)	(161,152)	(7,156)
<b>Total other financing sources, net</b>	<b>(146,412)</b>	<b>(146,412)</b>	<b>(157,097)</b>	<b>(10,685)</b>
<b>Excess (deficiency) of revenues and net other financing sources over expenditures</b>	<b>\$ 43,033</b>	<b>\$ (34,771)</b>	<b>\$ (21,854)</b>	<b>\$ 12,917</b>

*See accompanying notes to the Schedule.*

# Government of the United States Virgin Islands

## Notes to Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis - General Fund

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### 1. Budgetary Process and Control

The V.I. Code requires the Governor to submit an annual balanced executive budget to be adopted by the Legislature for the ensuing fiscal year. The Governor is required by law to submit to the Legislature the annual balanced executive budget no later than May 30. The annual balanced executive budget is prepared on a budgetary basis. If the annual executive budget has not been approved before the commencement of any fiscal year, then the appropriations for the preceding fiscal year, insofar as they may be applicable, are automatically deemed re-appropriated item by item. The annual balanced executive budget, which includes those funds of the Government subject to appropriation pursuant to law, is composed of all proposed expenditures and estimated revenue for the Government. The Legislature enacts the annual executive budget through passage of lump-sum appropriations for each department. The Legislature may add, change, or delete any items in the annual executive budget proposed by the Governor. Upon passage by the Legislature, the annual executive budget is submitted to the Governor, who may veto the budget partially or in its entirety and return it to the Legislature with his objections. A veto by the Governor can be overridden only by a two-thirds majority of all members of the Legislature. The Legislature is obligated by law to pass a final annual executive budget no later than September 30, the last day of the fiscal year. Supplemental budgetary appropriations bills that are signed into law may be created during the year without the identification of a specific revenue source to finance them. In August 1999, the Legislature enacted the Financial Accountability Act (Act No. 6289). The purpose of the Financial Accountability Act is to require by law that the budget of the Government be balanced each year, and the appropriations in each fiscal year not exceed a verifiable revenue source.

Once the budget has been enacted, fiscal control over expenditures made pursuant thereto is exercised by the Governor through the Director of OMB. During any fiscal year in which the resources available to the Government are not sufficient to cover the appropriations approved for such year, the Governor, through the Director of OMB, may take administrative measures to reduce expenditures. The Governor may also make recommendations to the Legislature for new taxes or any other necessary action to meet the estimated deficiency.

Budgetary control is exercised at the department level through an allotment process. Encumbrances and expenditures cannot exceed total allotment amounts. The Government's department heads may make transfers of appropriations within the department. Appropriation transfers between departments and supplemental appropriations require executive and legislative branch approval. Unencumbered and unexpended appropriations, not designated, lapse at fiscal year-end. Also, encumbrances are established at fiscal year-end to pay certain expenditures for travel and utility costs payable against current year appropriation authority, but to be expended in the subsequent year.

# Government of the United States Virgin Islands

## Notes to Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis - General Fund

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### 2. Budget/GAAP Reconciliation

The following schedule presents a comparison of the general fund legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of timing and entity difference of the excess (deficiency) of revenue and net other financing sources over expenditures for the year ended September 30, 2024, is presented below (expressed in thousands):

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Excess of revenues and net other financing sources over expenditures	\$	12,917
Entity difference - deficiency of revenues and net other financing sources over expenditures - activities with budgets not legally adopted		(404,817)
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Deficiency of revenues and net other financing sources over expenditures - GAAP basis (net change in fund balance)	\$	(391,900)

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Controls over spending in special revenue funds and non-appropriated funds are maintained at the Department of Finance by use of budgets and available resources (revenues). The Government makes appropriations to authorize expenditures for various capital projects. Budgets for capital projects normally remain available until completion of the project unless modified or rescinded.