Government of the United States Virgin Islands

Management's Discussion and Analysis, Financial Statements (with Independent Auditor's Report Thereon) and Required Supplementary Information

Year Ended September 30, 2021

Government of the United States Virgin Islands

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Financial Statements (with Independent
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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

Disclaimer, Qualified, and Unmodified Opinions

We have audited the accompanying financial statements of 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, 2021, 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	Qualified
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Unmodified
Capital Projects 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	Disclaimer

Disclaimer of Opinions

Based on our audit and the reports of other auditors, because of the significance of the matters discussed in the Basis for Disclaimer Opinion paragraphs below, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Business-Type Activities, the Aggregate Remaining Fund Information, Unemployment Insurance-Enterprise Fund, and the Aggregate Discretely Presented Component Units of the Government of the United States Virgin Islands. Accordingly, we do not express an opinion on these financial statements.

Qualified Opinions

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs below, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, General Fund, and Federal Grants Fund of the Government of the United States Virgin Islands as of September 30, 2021, and the respective 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 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 of the United States Virgin Islands as of September 30, 2021, 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), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), Magens Bay Authority (MBA), Virgin Islands Public Broadcasting System (VIPBS), and Virgin Islands Housing Finance Authority (VIHFA), discretely-presented component units, which collectively represent 22.0%, 15.1%, and 20.5%, respectively, of the assets, net position (deficit), and revenues of the Aggregate Discretely-Presented Component Units.

- The Virgin Islands Lottery (V.I. Lottery), a nonmajor enterprise fund, which represents 2.3% and 4.9%, respectively, of the assets and revenues of the Aggregate Remaining Fund Information, and 18.1% and 14.5%, respectively, of the assets and revenues of the Business-Type Activities.

- Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 66.1%, 82.2%, and 34.6%, respectively, of the assets, net position/fund balance, and revenues/additions of the Aggregate Remaining Fund Information.

Those financial 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 Disclaimer of Opinion on Business-Type Activities and Aggregate Remaining Fund Information

The basic 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, 2021, may have been affected by this condition.

The Government did not maintain the requisite documentation to substantiate its reported interest and other revenue charges in the amount of $14.5 million for the Aggregate Remaining Fund Information as of and for the year ended September 30, 2021, 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 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, 2021, may have been affected by this condition.

Basis for Disclaimer of Opinion on Aggregate Discretely Presented Component Units

The financial statements of the University of the Virgin Islands Research and Technology Park Corporation (RTPark), University of the Virgin Islands (UVI), Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), Virgin Islands Water and Power Authority(VIWAPA), and Virgin Islands Port Authority (VIPA), have not been audited, and we were not engaged to audit RTPark's, UVI, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), VIWAPA and VIPA's financial statements or the information was not available as part of our audit of the Government's basic financial statements. RTPark's financial activities for the year ended September 30, 2021, are not included in the Government's basic financial statements. UVI, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), VIWAPA and VIPA's financial activities are included in the Government's basic financial statements and represent 85.2%, 75.9%, and 26.8% of the assets, net position, and revenues, respectively, of the Aggregate Discretely Presented Component Units.

The Government's notes to the basic financial statements do not present complete note disclosures for RTPark, UVI, Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center, VIWAPA, and VIPA. In our opinion, the disclosure of this information is required by accounting principles generally accepted in the United States of America.

The report of other auditors on the 2021 financial statements of VIWMA, a discretely presented component unit, was qualified because the auditors were unable to obtain sufficient audit evidence to determine whether grants receivable, capital assets, accounts payable, grant revenues and expenditures and certain expenditures were properly classified. Accordingly, the auditors were unable to determine whether adjustments were required.

The report of other auditors on the 2021 financial statements of MBA, a discretely presented component unit, was qualified because MBA does not report net pension liability, pension expense, related deferred inflows and outflows of resources, if any, the required financial statements disclosures, and the required supplementary information as required by accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 qualified and unmodified audit opinions.

Matters Giving Rise to Qualified Opinions 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, 2021. As such, we are unable to determine whether adjustments were required in the Governmental Activities.

The Government did not maintain the requisite documentation to substantiate its reported interest and other revenue charges in the amount of $14.5 million. As such, we were unable to determine whether adjustments were required in the Governmental Activities.

Further, 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*. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Matters Giving Rise to Qualified Opinions Governmental Activities, General Fund, and Federal Grants Fund

The Government did not maintain the requisite documentation to support its determination as to 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 were required in the General Fund, Federal Grants Fund, and Governmental Activities.

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 $54.7 million as of the year ended September 30, 2021. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments were required in the Federal Grants Fund and Governmental Activities.

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

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 other postemployment benefits (OPEB) liability and related ratios and notes to require supplementary information – OPEB, Net pension liability, pension contributions, and revenue and expenditures – budget and actual budgetary basis – General Fund on pages 9 through 21 and 142 through 148 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 February 16, 2024, 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.
(formerly known as BDO USA, LLP)

February 16, 2024

Management's Discussion and Analysis

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, 2021 and 2020.

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 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 Fund, 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.

A major fund is a fund whose revenues, expenditures or expenses, assets, or liabilities (excluding extraordinary items) are at least 10.0% of the corresponding totals for all governmental or enterprise funds and at least 5.0% 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, 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 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.

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 and manages a shopping mall complex on the island of St. Thomas.
>
> 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. In September 2021, the Government received $304.0 million in hurricane relief with the passage of the "Extending Government Funding and Delivering Emergency Assistance Act" resulting in the forgiveness of Community Disaster Loans (CDLs) to states and territories. In October 2021, the U.S. Virgin Islands Recovery Leader's Summit reported $11.3 billion in construction projects underway or planned for the Territory.

The Government has also been challenged by the COVID-19 pandemic that began in prior fiscal year. With the passage of "No Sail Orders" ("NSOs") by the Centers of Disease Control and Prevention in March 2020, cruise ship arrivals were paused until September 2021. The loss of hotel rooms and cruise ship tourism was offset by an increase in air arrivals and Airbnb tourism. The Virgin Islands Bureau of Economic Research reported a 96.7% increase in air visitor arrivals from January 2020 to December 2021. Investment interest in the Territory remains strong with the opening of hotels and campgrounds, and a 16.7% increase in leisure and hospitality employment through April 2022.

The Government regained access to capital markets in April 2022 with the issuance of the Series 2022A and Series 2022B securitized bonds in the amount of $952.8 million. The bonds were rated "BBB" by Kroll Bond Rating Agency. In June 2022, WICO issued private placement bonds amounting to $52.6 million to private investors.

Financial Analysis of the Primary Government

Total assets and deferred outflows of resources of the Government as of September 30, 2021, and 2020, were approximately $4.3 billion and $3.7 billion, respectively. Total liabilities and deferred inflows were approximately $9.7 billion and $8.8 billion, respectively, over the same period. Liabilities exceed assets mainly due to unfunded pension and other postemployment benefits such as health insurance due to retired Government employees amounting to $5.5 billion and $5.0 billion at September 30, 2021 and 2020.

On September 30, 2021, the Government's net deficit of $5.3 billion consisted of a $584.2 million net investment in capital assets; $300.5 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of $6.2 billion. On September 30, 2020, the Government's net deficit of $5.2 billion consisted of a $529.0 million net investment in capital assets; $307.4 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of $6.0 billion.

For the fiscal year ended September 30, 2021, the primary government earned program and general revenue amounting to $2.6 billion and reported expenses of $2.9 billion, resulting in an increase in net deficit of approximately $178.8 million. For the fiscal year ended September 30, 2020, the primary government earned program and general revenue amounting to $2.3 billion and reported expenses of $2.4 billion, resulting in an increase in net deficit of approximately $100.2 million.

Overall, revenue increased in fiscal 2021 by approximately $335.5 million, when compared to fiscal, 2020, mainly due to an increase in operating and capital grants and contributions of $387.5 million, an increase in COVID federal assistance of $40.3 million, an increase in interest and other of $2.6 million, and an increase in payment in lieu of taxes of $1.7 million, offset by a decrease in tax revenue of $96.3 million.

Overall expenses increased in fiscal 2021 by $562.8 million when compared to fiscal 2020, mainly due to an increase in general government expense of $413.8 million, an increase in public housing and welfare of $52.4 million, an increase in education expense of $17.2 million, an increase in public safety expense of $14.3 million, an increase in health of $11.7 million, an increase in transportation and communication of $10.3 million, and an increase in unemployment insurance benefit expense of $46.4 million. These increases were offset by a decrease in interest on long-term debt expense of $9.3 million and a decrease in WICO expense of $2.2 million.

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

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2021**	2020	**2021**	2020	**2021**	2020
Assets and Deferred Outflows						
Current assets	**$ 1,949,248**	$ 1,365,820	**$ 38,495**	$ 43,233	**$ 1,987,743**	$ 1,409,053
Internal balances	**49,015**	47,661	**(49,015)**	(47,661)	**-**	-
Capital assets	**979,087**	958,128	**106,142**	113,109	**1,085,229**	1,071,237
Other assets	**5,282**	5,530	**1,272**	815	**6,554**	6,345
Deferred outflows of resources	**1,244,521**	1,178,917	**-**	-	**1,244,521**	1,178,917
Total assets and deferred outflows	**4,227,153**	3,556,056	**96,894**	109,496	**4,324,047**	3,665,552
Liabilities and Deferred Inflows						
Long-term liabilities	**7,425,898**	7,205,871	**49,009**	93,042	**7,474,907**	7,298,913
Other liabilities	**1,689,646**	1,026,970	**165,395**	101,921	**1,855,041**	1,128,891
Deferred inflows of resources	**352,831**	417,671	**-**	-	**352,831**	417,671
Total liabilities and deferred inflows	**9,468,375**	8,650,512	**214,404**	194,963	**9,682,779**	8,845,475
Net Position						
Net investment in capital assets	**556,530**	494,921	**27,657**	34,048	**584,187**	528,969
Restricted	**292,702**	299,896	**7,748**	7,476	**300,450**	307,372
Unrestricted deficit	**(6,090,454)**	(5,889,273)	**(152,915)**	(126,991)	**(6,243,369)**	(6,016,264)
Total net deficit	**$ (5,241,222)**	$ (5,094,456)	**$ (117,510)**	$ (85,467)	**$ (5,358,732)**	$ (5,179,923)

September 30,	Governmental Activities 2021	Governmental Activities 2020	Business-Type Activities 2021	Business-Type Activities 2020	Total 2021	Total 2020
Revenues						
Program revenue:						
Charges for services	**$ 31,657**	$ 25,581	**$ 62,219**	$ 68,603	**$ 93,876**	$ 94,184
Operating grants and contributions	**1,006,537**	672,008	**100,605**	53,936	**1,107,142**	725,944
Capital grants and contributions	**39,207**	33,087	**679**	489	**39,886**	33,576
General revenue:						
Taxes	**1,105,323**	1,201,659	**-**	-	**1,105,323**	1,201,659
Interest and other	**102,901**	103,323	**10,964**	7,923	**113,865**	111,246
COVID-19 pandemic relief assistance	**143,678**	103,423	**-**	-	**143,678**	103,423
Payment in lieu of taxes	**13,660**	11,917	**-**	-	**13,660**	11,917
Tobacco settlement rights	**1,224**	1,184	**-**	-	**1,224**	1,184
Total revenues	**2,444,187**	2,152,182	**174,467**	130,951	**2,618,654**	2,283,133
Expenses						
General government	**1,689,055**	1,275,293	**-**	-	**1,689,055**	1,275,293
Public safety	**120,947**	106,615	**-**	-	**120,947**	106,615
Health	**79,618**	67,957	**-**	-	**79,618**	67,957
Public housing and welfare	**326,665**	274,216	**-**	-	**326,665**	274,216
Education	**358,470**	341,228	**-**	-	**358,470**	341,228
Transportation and communication	**67,999**	57,706	**-**	-	**67,999**	57,706
Culture and recreation	**13,370**	9,593	**-**	-	**13,370**	9,593
Interest on long-term debt	**85,705**	94,960	**-**	-	**85,705**	94,960
West Indian Company	**-**	-	**10,634**	12,802	**10,634**	12,802
Unemployment insurance	**-**	-	**141,694**	95,262	**141,694**	95,262
viNGN	**-**	-	**9,195**	10,263	**9,195**	10,263
Other	**-**	-	**44,852**	39,537	**44,852**	39,537
Total expenses	**2,741,829**	2,227,568	**206,375**	157,864	**2,948,204**	2,385,432
Changes in net position (deficit) before transfers and special item	**(297,642)**	(75,386)	**(31,908)**	(26,913)	**(329,550)**	(102,299)
Transfers	**135**	(1,000)	**(135)**	1,000	**-**	-
Special item – insurance recoveries on capital assets	**555**	-	**-**	2,141	**555**	2,141
Special item – debt cancellation	**150,186**	-	**-**	-	**150,186**	-
Changes in net deficit	**(146,766)**	(76,386)	**(32,043)**	(23,772)	**(178,809)**	(100,158)
Net deficit, beginning of year	**(5,094,456)**	(5,018,070)	**(85,467)**	(61,695)	**(5,179,923)**	(5,079,765)
Net deficit, end of year	**$ (5,241,222)**	$ (5,094,456)	**$ (117,510)**	$ (85,467)	**$ (5,358,732)**	$ (5,179,923)

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 or the primary Government.

On September 30, 2021, the Government's governmental funds reported a combined fund balance of $331.9 million, a decrease of $42.3 million when compared to the prior year combined fund balance of $374.2 million. Approximately $295.6 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 ($419.3 million), ii) committed for particular purposes ($57.5 million), or iii) assigned for particular purposes ($150.7 million).

The General Fund is the chief operating fund of the primary Government. On September 20, 2021, the unassigned fund deficit of the General Fund was $145.5 million while the total fund deficit of the General Fund was $109.4 million. The fund balance of the General Fund decreased by $131.2 million when compared to the prior-year fund balance of $21.8 million. This decrease was mainly due to an increase in General Fund expenditures of $192.0 million and a decrease in General Fund revenues of $36.4 million.

The PFA Debt Service Fund accounts for the resource 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, 2021, the restricted fund balance of the PFA Debt Service Fund was $292.4 million, a decrease of $7.2 million from the prior fiscal year fund balance of $299.6 million. This decrease is mainly due to a decrease in tax revenue of $14.5 million and a decrease in bond issuances of $13.6 million and a decrease in interest and other revenues of $6.1 million, a decrease in principal payments $5.7 million, and a decrease in interest payments of $10.6 million, and a decrease in transfers to other funds of $14.1 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, 2021, the restricted fund balance of the PFA Capital Projects Fund was $103.1 million, a decrease of $4.4 million from the prior fiscal year fund balance of $107.5 million. This was mainly due to capital outlays of $3.8 million and other expenditures of $669,000.

The Federal Grants Fund accounts for proceeds and payments that are restricted to expenditures for specified purposes. On September 30, 2021, the fund deficit of the Federal Grants Fund decreased by $56.5 million from a fund deficit of $148.0 million to a fund deficit of $91.5 million. The decrease 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 Limited (WICO), Unemployment Insurance, and the Virgin Islands Next Generation Network (viNGN) as these funds are considered to be major funds.

On September 30, 2021, the primary Government's proprietary funds reported a combined net deficit of $117.5 million, an increase in deficit of $32.0 million when compared to the prior year combined net deficit of $85.5 million. The deficit is the result of an unrestricted deficit in the proprietary funds $152.9 million, offset by net investment in capital assets of $27.7 million and restricted net position of $7.7 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, 2021, the net deficit of WICO was $12.2 million, an increase in fund deficit of $9.3 million from the prior fiscal year. This increase was mainly due to an operating loss of $6.5 million and interest expense of $2.3 million. WICO was required to close its port during the fiscal year due to the COVID-19 pandemic.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance. On September 30, 2021, the net deficit of the fund was $90.5 million, an increase in deficit of $20.9 million from the prior fiscal year. The increase is mainly due to an increase in unemployment claims due to the COVID-19 pandemic.

viNGN designs, develops, and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed interest connections to retail internet service providers. On September 30, 2021, viNGN, reported net position of $19.5 million, a decrease of $4.5 million from the prior fiscal year. This decrease was mainly due to an operating loss of $5.1 million offset by grant revenues of $599,000.

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, included on page 146 of the financial statements, follows (expressed in thousands):

September 30, 2021	Original Budget	Amended Budget	Actual	Variance
Total revenues	$ 757,617	$ 757,617	$ 894,192	$ 136,575
Total expenditures	865,076	885,551	704,729	180,822
Excess (deficiency) of revenues over expenditures	(107,459)	(127,934)	189,463	317,397
Other financing sources (uses), net	(105,120)	(169,255)	(150,516)	18,739
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (212,579)	$ (297,189)	$ 38,947	$ 336,136

For fiscal year 2021, the General Fund realized a favorable budgetary variance of $336.1 million mainly due to a favorable revenue variance of $136.6 million and a favorable expenditure variance of $180.8 million.

The General Fund realized a favorable revenue variance of $136.6 million mainly due to tax revenues exceeding budgeted amounts by $145.0 million, federal grant revenue received of $52.5 million, charges for services revenues being under budget by $45.9 million, and interest and other revenues being under budget by $15.1 million during the fiscal year. The General Fund realized a favorable expenditures variance of $180.8 million due to spending efficiencies when compared to budgeted amounts.

Capital Assets

Capital assets additions during fiscal year 2021 amounted to $73.6 million for governmental activities and $1.8 million for business-type activities, net of adjustments. Capital assets additions during fiscal year 2020 amounted to $91.9 million for governmental activities and $1.7 million for business-type activities, net of adjustments.

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

	Governmental Activities		Business-Type Activities		Total	
September 30,	**2021**	2020	**2021**	2020	**2021**	2020
Land and land improvements	**$ 228,790**	$ 227,474	**$ 5,854**	$ 5,854	**$ 234,644**	$ 233,328
Building and improvements	**651,998**	648,659	**90,546**	90,513	**742,544**	739,172
Machinery and equipment	**260,643**	241,416	**81,982**	80,631	**342,625**	322,047
Infrastructure	**241,947**	190,628	**-**	-	**241,947**	190,628
Intangible assets	**-**	-	**30,774**	30,774	**30,774**	30,774
Construction in progress	**172,311**	174,532	**6,127**	5,758	**178,438**	180,290
Total capital assets	**1,555,689**	1,482,709	**215,283**	213,530	**1,770,972**	1,696,239
Less accumulated depreciation	**(576,602)**	(524,581)	**(109,141)**	(100,421)	**(685,743)**	(625,002)
Total capital assets, net	**$ 979,087**	$ 958,128	**$ 106,142**	$ 113,109	**$ 1,085,229**	$ 1,071,237

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% 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, 2021, (expressed in thousands):

Bond Issue	Maturity	Rates (%)	Balance
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	$ 10,101
Series 2015 Federal-Aid Highway Bonds	2016 - 2033	3.00 – 5.00	67,125
Series 2014 D Revenue Bonds	2015 - 2033	6.03	4,595
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50-5.00	214,895
Series 2014 A Revenue Bonds	2015 - 2034	5.00	39,535
Series 2013 B Revenue Refunding Bonds	2015 - 2024	3.00 – 5.00	28,675
Series 2013 A Revenue Refunding Bonds	2018 - 2024	5.00 – 5.25	11,215
Series 2012 C Revenue Bonds	2017 - 2042	3.00 – 5.00	23,075
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 – 5.25	137,650
Series 2012 A Revenue Bonds	2022 - 2032	4.00 – 5.00	136,215
Series 2010 A and B Revenue Bonds	2012 - 2029	4.00 – 5.25	376,190
Series 2009 A Revenue Bonds (Cruzan)	2010 - 2039	3.00 – 6.00	31,665
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	2010 - 2039	3.00 – 5.00	156,540
Series 2009 A Revenue Bonds (Diageo)	2013 - 2037	6.00 – 6.75	208,975
Series 2006 A Revenue Bonds	2007 - 2029	3 50 – 5.00	170,265
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	7,290
Series 2001 A Tobacco Bonds	2031	4.62 – 5.13	2,365
Total bonds outstanding			1,626,371
Plus (less):			
Bonds premium			30,837
Bonds discount			(1,645)
Bonds accretion			12,546
Net bonds outstanding			$ 1,668,109

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

The Government made bond principal payments on outstanding general and special revenue bonds amounting to $90.7 million during fiscal year 2021 and $85.5 million during fiscal year 2020.

In December 2019, Standard & Poor's Global Ratings revised its outlook from negative to stable and affirmed its A rating on the outstanding Series 2015A grant anticipation bonds (GARVEE bonds).

In October 2021, March 2022, and August 2022, Moody's affirmed the Territory's Caa3 issuer rating and stable outlook, as well as the Caa2 rating on Matching Fund Senior Lien Bonds, and Caa3 rating on other Matching Fund Bonds.

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 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. Most recently, Moody’s had served as a reference rating for WAPA. The ratings for WAPA were withdrawn on March 1, 2023, because of insufficient information to support the maintenance of bond ratings.

Other Liabilities of the Primary Government

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

September 30,	**2021**	2020
Governmental activities:		
Accrued compensated absences	**$ 43,695**	$ 44,467
Retroactive union arbitration	**188,300**	195,286
Accrued 8.0% salary reduction	**49,837**	-
Litigation	**12,538**	18,058
Landfill closure and post closure	**118,815**	109,409
Business-type activities:		
Workers’ compensation claims	**53,189**	57,927
Compensated absences - WICO	**1,255**	1,286
Loan payable – U.S. Treasury	**96,143**	69,083
Loans payable - WICO	**42,397**	42,255
Refundable advance - WICO	**-**	464
Total other liabilities	**$ 606,169**	$ 538,235

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*.

Following is the net pension liability reported in fiscal years 2021 and 2020 (expressed in thousands):

September 30,	**2021**	2020
Net pension liability	**$ 4,527,445**	$ 4,194,852

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 2021 and 2020 (expressed in thousands):

September 30,	2021	2020
OPEB liability	**$ 992,301**	$ 786,756

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.

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, 2021 and 2020, long-term liabilities for pension and other postemployment benefits to retired government employees amounted to $5.5 billion and $5.0 billion, respectively. The Government's defined benefit pension plan was 9.16% and 11.32% funded as of the measurement dates of September 30, 2021, and 2020, respectively.

Based on actuarial projections, absent additional contributions from the Government, the plan may not be able to meet its obligations by fiscal year 2025. A Pension Reform Joint Task Force has provided recommendations to the Legislature of the Virgin Islands to (i) increase the retirement age of Government workers; (ii) restructure plan benefits; and (iii) to no longer allow retirees to both work and collect benefits from the Government. The retirement system increased the contribution rates of participating employers by 1.0% per year over the three fiscal years 2015, 2016 and 2017 and at September 30, 2018, the employer contribution rate was 20.5%. In December 2019, the employer rate was increased by 3.0% bringing the contribution rate to 23.5% effective January 1, 2020.

In February 2022, the Legislature of the Virgin Islands passed Act 8540, authorizing the creation of the Matching Fund Special Purpose Securitization Corporation to purchase the Matching Fund Receipts from the Government, restructure the existing matching fund bond debt, and to free up resources to provide annual funding for the Government Employees' Retirement System of the U.S. Virgin Islands (GERS) through the GERS Funding Note established with the PFA.

The Matching Fund Securitization Bonds Series 2022A and Series 2022B were issued in April 2022 in the amount of $952.8 million, and an initial payment was made to GERS in the amount of $89.2 million. In October 2022 and 2023, a second and third payments were made to GERS in the amount of $158.0 million and $124.0 million, respectively.

Coronavirus COVID-19 Pandemic

Through September 2023, federal grants and assistance received by the primary government related to COVID-19 amounted to $758.3 million of which $615.6 million have been expended.

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

Basic Financial Statements

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2021	**Primary Government** Governmental Activities	Business-type Activities	Total	**Component Units**
Assets				
Cash and cash equivalents	$ 599,018	$ 25,678	$ 624,696	$ 151,213
Investments, at fair value	978,909	1,678	980,587	1,629
Receivables, net	247,592	2,914	250,506	360,269
Internal balances	49,015	(49,015)	-	-
Due from Federal government	54,708	477	55,185	60,154
Due from component units	56,157	-	56,157	111
Due from primary government	-	-	-	23,826
Inventories	-	-	-	13,089
Prepayments and other assets	-	-	-	30,007
Restricted:				
Cash and cash equivalents	-	7,748	7,748	69,839
Investments	-	-	-	111,245
Other	-	-	-	18,214
Capital assets, net	979,087	106,142	1,085,229	2,239,100
Notes receivable	12,864	-	12,864	10,345
Other assets	5,282	1,272	6,554	71,769
Total assets	2,982,632	96,894	3,079,526	3,160,810
Deferred Outflows of Resources				
Deferred amounts related to pension	1,071,734	-	1,071,734	349,759
Deferred charges on bond refunding	4,197	-	4,197	7,424
Deferred amounts related to OPEB	168,590	-	168,590	3,798
Total deferred outflows of resources	1,244,521	-	1,244,521	360,981
Total assets and deferred outflows of resources	$ 4,227,153	$ 96,894	$ 4,324,047	$ 3,521,791

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2021	Primary Government Governmental Activities	Business-type Activities	Total	Component Units
Liabilities				
Accounts payable and accrued liabilities	$ 442,042	$ 9,228	$ 451,270	$ 817,677
Tax refunds payable	133,009	-	133,009	-
Unemployment insurance benefits	-	3,257	3,257	-
Customer deposits	-	-	-	30,500
Due to primary government	-	-	-	55,629
Due to component units	29,673	-	29,673	-
Due to Federal government	-	-	-	5,046
Interest payable	40,911	-	40,911	9,609
Refundable advance	573,426	-	573,426	-
Other current liabilities:				
Unearned revenues	293,700	8,935	302,635	43,531
Line of credit	-	-	-	37,012
Loans and notes payable	192	138,540	138,732	8,207
Bonds payable	106,179	-	106,179	15,367
Other liabilities	70,514	5,435	75,949	23,771
Noncurrent liabilities:				
Line of credit	-	-	-	2,740
Loans and notes payable	1,551	-	1,551	25,566
Bonds payable	1,561,930	-	1,561,930	326,260
Net pension liability	4,527,445	-	4,527,445	1,217,062
Other postemployment benefits liability (OPEB)	992,301	-	992,301	119,387
Unearned revenues	-	-	-	14,288
Other liabilities	342,671	49,009	391,680	128,079
Total liabilities	9,115,544	214,404	9,329,948	2,879,731
Deferred Inflows of Resources				
Deferred amounts related to OPEB	57,889	-	57,889	17,824
Deferred amounts related to pension	294,942	-	294,942	187,298
Lease payments received in advance	-	-	-	1,122
Total liabilities and deferred inflows of resources	$ 9,468,375	$ 214,404	$ 9,682,779	$ 3,085,975
Net Position (Deficit)				
Net investment in capital assets	$ 556,530	$ 27,657	$ 584,187	$ 1,868,673
Restricted:				
Unemployment insurance	-	5,018	5,018	-
Debt service	292,443	2,222	294,665	-
Capital projects	259	508	767	-
Other purposes	-	-	-	204,289
Unrestricted deficit	(6,090,454)	(152,915)	(6,243,369)	(1,637,146)
Total net position (deficit)	$ (5,241,222)	$ (117,510)	$ (5,358,732)	$ 435,816

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2021	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position — Primary Government: Governmental Activities	Business-type Activities	Total	Component Units
Functions:								
Primary government:								
Governmental activities:								
General government	$ 1,689,055	$ 30,284	$ 690,622	$ 11,740	$ (956,409)	$ -	$ (956,409)	$ -
Public safety	120,947	374	2,244	-	(118,329)	-	(118,329)	-
Health	79,618	129	21,180	-	(58,309)	-	(58,309)	-
Public housing and welfare	326,665	266	235,701	-	(90,698)	-	(90,698)	-
Education	358,470	-	45,722	16,010	(296,738)	-	(296,738)	-
Transportation and communication	67,999	476	11,068	11,457	(44,998)	-	(44,998)	-
Culture and recreation	13,370	128	-	-	(13,242)	-	(13,242)	-
Interest on long-term debt	85,705	-	-	-	(85,705)	-	(85,705)	-
Total governmental activities	2,741,829	31,657	1,006,537	39,207	(1,664,428)	-	(1,664,428)	-
Business-type activities:								
WICO	10,634	1,189	-	80	-	(9,365)	(9,365)	-
Unemployment insurance	141,694	16,014	100,517	-	-	(25,163)	(25,163)	-
viNGN	9,195	4,054	-	599	-	(4,542)	(4,542)	-
Other	44,852	40,962	88	-	-	(3,802)	(3,802)	-
Total business-type activities	206,375	62,219	100,605	679	-	(42,872)	(42,872)	-
Total primary government	$ 2,948,204	$ 93,876	$ 1,107,142	$ 39,886	$ (1,664,428)	$ (42,872)	$ (1,707,300)	$ -
Component units:								
Virgin Islands Housing Authority	$ 63,358	$ 6,192	$ 46,718	$ 1,534	$ -	$ -	$ -	$ (8,914)
Virgin Islands Port Authority*	84,952	48,555	-	43,005	-	-	-	6,608
Virgin Islands Water and Power Authority:								
Electric System*	310,011	260,715	-	120,296	-	-	-	71,000
Water System*	28,289	31,510	-	1,701	-	-	-	4,922
Virgin Islands Government Hospital and Health Facilities Corporation:								
Roy L. Schneider Hospital*	103,667	54,964	25,000	708	-	-	-	(22,995)
Juan F. Luis Hospital*	104,870	34,310	24,036	15,876	-	-	-	(30,648)
University of the Virgin Islands*	99,527	9,693	73,628	4,992	-	-	-	(11,214)
Virgin Islands Housing Finance Authority	136,863	6,689	123,512	-	-	-	-	(6,662)
Other component units**	83,956	4,475	45,081	-	-	-	-	(34,400)
Total component units	$ 1,015,493	$ 457,103	$ 337,975	$ 188,112	$ -	$ -	$ -	$ (32,303)
Total primary government and component units								$ (32,303)

**Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (unaudited)*

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

Year Ended September 30, 2021	Net Revenue (Expense) and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
General revenue:				
Taxes	$ 1,105,323	$ -	$ 1,105,323	$ -
Payment in lieu of taxes	13,660	-	13,660	-
Interest and other	102,901	10,964	113,865	21,563
Tobacco settlement rights	1,224	-	1,224	-
COVID-19 pandemic relief assistance	143,678	-	143,678	-
Special item - debt cancellation	150,186	-	150,186	131,435
Special item - insurance recoveries on capital assets, net	555	-	555	34,279
Transfers – internal activities of primary government	135	(135)	-	-
Total general revenue and other items	1,517,662	10,829	1,528,491	187,277
Changes in net position (deficit)	(146,766)	(32,043)	(178,809)	154,974
Net position (deficit), beginning of year, as restated	(5,094,456)	(85,467)	(5,179,923)	280,842
Net position (deficit), end of year	$ (5,241,222)	$ (117,510)	$ (5,358,732)	$ 435,816

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Balance Sheet - Governmental Funds

(in thousands)

September 30, 2021	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total Governmental
Assets						
Cash and cash equivalents	$ 382,167	$ 20,981	$ 21,666	$ -	$ 174,204	$ 599,018
Investments, at fair value	560,028	366,884	47,036	-	4,961	978,909
Receivables:						-
Taxes, net	216,216	30,224	-	-	-	246,440
Other	111	-	-	-	118	229
Due from federal government	-	-	-	54,708	-	54,708
Due from:						
Other funds	55,142	-	37,128	-	33,486	125,756
Component units, net	47,282	-	-	-	8,875	56,157
Total assets	1,260,946	418,089	105,830	54,708	221,644	2,061,217
Liabilities						
Accounts payable and accrued liabilities	279,192	11	1,225	138,846	22,768	442,042
Tax refunds payable	133,009	-	-	-	-	133,009
Refundable advance	553,841	-	-	7,350	12,235	573,426
Unearned revenues	180,978	108,722	-	-	4,000	293,700
Due to:						
Other funds	31,367	-	-	-	45,374	76,741
Component units	28,116	-	1,553	-	4	29,673
Total liabilities	1,206,503	108,733	2,778	146,196	84,381	1,548,591
Deferred Inflows of Resources						
Unavailable revenues	163,839	16,913	-	-	-	180,752
Total liabilities and deferred inflows of resources	1,370,342	125,646	2,778	146,196	84,381	1,729,343
Fund balances (deficit)						
Restricted	-	292,443	103,052	-	23,790	419,285
Committed	34,669	-	-	-	22,829	57,498
Assigned	1,442	-	-	-	149,267	150,709
Unassigned	(145,507)	-	-	(91,488)	(58,623)	(295,618)
Total fund balances (deficit)	(109,396)	292,443	103,052	(91,488)	137,263	331,874
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 1,260,946	$ 418,089	$ 105,830	$ 54,708	$ 221,644	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	979,087
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.	5,282
Note receivable related to the sale of capital assets therefore, not reported in the funds.	12,864
Deferred costs of refunding bonds are not financial resources and are therefore, not reported in the funds.	4,197
Other long-term assets, primarily taxes receivable, will not be available to pay for current period expenditures and therefore, are deferred in the funds.	181,675
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.	887,493
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(40,911)
Long-term pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(4,527,445)
Long-term postemployment benefit liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(992,301)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(2,083,037)
Net deficit of governmental activities	$ (5,241,222)

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)

Year Ended September 30, 2021	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total Governmental
Revenues						
Taxes	$ 728,197	$ 343,448	$ -	$ -	$ 18,038	$ 1,089,683
Payment in lieu of taxes	13,660	-	-	-	-	13,660
Federal grants and contributions	16,835	7,572	-	963,623	57,714	1,045,744
COVID-19 pandemic relief assistance	-	-	-	-	143,678	143,678
Charges for services	16,302	-	-	876	14,479	31,657
Tobacco settlement rights	-	-	-	-	1,203	1,203
Interest and other	44,383	2,736	24	68	54,495	101,706
Total revenues	819,377	353,756	24	964,567	289,607	2,427,331
Expenditures						
Current:						
General government	731,527	178	669	593,107	186,245	1,511,726
Public safety	70,981	-	-	2,954	737	74,672
Health	35,831	-	-	19,846	459	56,136
Public housing and welfare	64,159	-	-	225,039	4,515	293,713
Education	166,704	-	-	47,899	5,029	219,632
Transportation and communication	20,372	-	-	3,368	25,641	49,381
Culture and recreation	6,760	-	-	-	2,024	8,784
Capital outlays	11,340	-	3,778	15,825	42,142	73,085
Debt service:						
Principal	-	93,790	-	-	1,105	94,895
Interest	145	87,448	-	-	174	87,767
Total expenditures	1,107,819	181,416	4,447	908,038	268,071	2,469,791
Excess (deficiency) of revenue over expenditures	(288,442)	172,340	(4,423)	56,529	21,536	(42,460)
Other financing sources (uses)						
Transfers from other funds	168,529	90	-	-	22,390	191,009
Transfers to other funds	(11,250)	(179,624)	-	-	-	(190,874)
Total other financing sources (uses), net	157,279	(179,534)	-	-	22,390	135
Net change in fund balances	(131,163)	(7,194)	(4,423)	56,529	43,926	(42,325)
Fund balances (deficit), beginning of year	21,767	299,637	107,475	(148,017)	93,337	374,199
Fund balances (deficit), end of year	$ (109,396)	$ 292,443	$ 103,052	$ (91,488)	$ 137,263	$ 331,874

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, 2021		
Net change in fund balances – total governmental funds	$	(42,325)
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.		20,959
Income from note receivable interest income not producing current resources.		1,196
Tax revenue in the statement of activities, which provide current financial resources, are reported as revenue in the funds.		15,660
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 and cancellation as no bonds or loans were issued.		301,191
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.		(45,965)
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.		(247)
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.		2,450
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.		7,246
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.		(35,983)
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 increase in pension liabilities for the allocable share of pension expense reported in statement of net position.		(370,948)
Change in net deficit of governmental activities	$	(146,766)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position - Proprietary Funds

(in thousands)

September 30, 2021	Business-type Activities WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 947	$ 2,645	$ 552	$ 21,534	$ 25,678
Investments, at fair value	-	-	-	1,678	1,678
Receivables, net:					
Grants receivable	152	-	325	-	477
Premiums receivable	-	1,277	-	-	1,277
Other receivables	51	-	522	1,064	1,637
Due from other funds	-	-	-	300	300
Other assets	884	-	277	111	1,272
Total current assets	2,034	3,922	1,676	24,687	32,319
Noncurrent assets:					
Restricted cash and cash equivalents	2,730	5,018	-	-	7,748
Other noncurrent receivables	-	-	-	-	-
Capital assets	37,074	-	55,008	14,060	106,142
Total noncurrent assets	39,804	5,018	55,008	14,060	113,890
Total assets	$ 41,838	$ 8,940	$ 56,684	$ 38,747	$ 146,209
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	$ 1,033	$ -	$ 405	$ 7,790	$ 9,228
Due to other funds	9,309	-	36,804	3,202	49,315
Unemployment insurance benefits	-	3,257	-	-	3,257
Workers compensation	-	-	-	5,409	5,409
Loan payable to U.S. Treasury	-	96,143	-	-	96,143
Loans payable	42,397	-	-	-	42,397
Unearned revenue	-	-	-	8,935	8,935
Compensated absences payable	26	-	-	-	26
Total current liabilities	52,765	99,400	37,209	25,336	214,710
Noncurrent liabilities:					
Workers compensation	-	-	-	47,780	47,780
Compensated absences payable	1,229	-	-	-	1,229
Total noncurrent liabilities	1,229	-	-	47,780	49,009
Total liabilities	$ 53,994	$ 99,400	$ 37,209	$ 73,116	$ 263,719
Net Position (Deficit)					
Net investment in capital assets	$ (4,606)	$ -	$ 18,203	$ 14,060	$ 27,657
Restricted:					
Unemployment insurance	-	5,018	-	-	5,018
Debt service	2,222	-	-	-	2,222
Capital projects	508	-	-	-	508
Unrestricted (deficit)	(10,280)	(95,478)	1,272	(48,429)	(152,915)
Total net position (deficit)	$ (12,156)	$ (90,460)	$ 19,475	$ (34,369)	$ (117,510)

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)

	Business-type Activities				
Year Ended September 30, 2021	**WICO**	**Unemployment Insurance**	**viNGN**	**Other Enterprise**	**Total**
Operating revenues					
Charges for services	$ 1,189	$ 16,014	$ 4,054	$ 40,962	$ 62,219
Operating expenses					
Cost of services	4,565	141,694	5,018	43,380	194,657
Depreciation and amortization	3,113	-	4,177	1,472	8,762
Total operating expenses	7,678	141,694	9,195	44,852	203,419
Operating loss	(6,489)	(125,680)	(5,141)	(3,890)	(141,200)
Non-operating revenues (expenses)					
Grants revenue	80	100,517	599	88	101,284
Interest and other income	84	4,255	3	6,622	10,964
Payment in lieu of taxes	(700)	-	-	-	(700)
Interest expense	(2,256)	-	-	-	(2,256)
Total non-operating (expenses) revenues, net	(2,792)	104,772	602	6,710	109,292
(Loss) income before operating transfers	(9,281)	(20,908)	(4,539)	2,820	(31,908)
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	(135)	(135)
Change in net position	(9,281)	(20,908)	(4,539)	2,685	(32,043)
Net position (deficit), beginning of year	(2,875)	(69,552)	24,014	(37,054)	(85,467)
Net position (deficit), end of year	$ (12,156)	$ (90,460)	$ 19,475	$ (34,369)	$ (117,510)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

	Business-type Activities				
Year Ended September 30, 2021	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Cash flows from operating activities					
Cash received from customers and users	$ 1,399	$ 16,014	$ 4,177	$ 40,073	$ 61,663
Cash paid to beneficiaries and suppliers	(2,683)	(141,694)	(2,788)	(49,822)	(196,987)
Cash paid to employees	(2,059)	-	(2,181)	-	(4,240)
Net cash used in operating activities	(3,343)	(125,680)	(792)	(9,749)	(139,564)
Cash flows from noncapital financing activities					
Other income	-	4,255	-	6,622	10,877
Transfer to other funds	-	-	-	(135)	(135)
Federal grants	161	100,517	479	88	101,245
Contribution to the Government	(52)	-	-	-	(52)
Issuance of debt	-	31,175	-	-	31,175
Principal paid on debt issuances, including interest	-	(4,116)	-	-	(4,116)
Net cash provided by noncapital financing activities	109	131,831	479	6,575	138,994
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(38)	-	(903)	(854)	(1,795)
Return of refundable advance	(464)	-	-	-	(464)
Proceeds from Paycheck Protection Program	717	-	-	-	717
Principal added to loan payable	183	-	-	-	183
Principal payments on direct borrowing from a bank	(758)	-	-	-	(758)
Interest paid	(2,256)	-	-	-	(2,256)
Net cash used in capital and related financing activities	(2,616)	-	(903)	(854)	(4,373)
Cash flows from investing activities					
Interest income	24	-	3	-	27
Purchase of investments	-	-	-	(4)	(4)
Net cash provided by (used in) investing activities	24	-	3	(4)	23
Net increase (decrease) in cash and cash equivalents	(5,826)	6,151	(1,213)	(4,032)	(4,920)
Cash and cash equivalents, beginning of year	9,503	1,512	1,765	25,566	38,346
Cash and cash equivalents, end of year	$ 3,677	$ 7,663	$ 552	$ 21,534	$ 33,426
Reconciliation of operating loss to net cash used in operating activities					
Operating loss	$ (6,489)	$ (125,680)	$ (5,141)	$ (3,890)	$ (141,200)
Adjustments to reconcile operating loss to net cash used in operating activities:					
Depreciation and amortization	3,113	-	4,177	1,472	8,762
Provision for doubtful accounts	(153)	-	34	-	(119)
Other income	61	-	-	-	61
Change in operating assets and liabilities:					
Receivables, net	341	-	89	(449)	(19)
Unearned revenue	(38)	-	-	(440)	(478)
Other assets	(462)	-	(12)	15	(459)
Accounts payable and accrued liabilities	315	-	61	(2,425)	(2,049)
Compensated absences payable	(31)	-	-	-	(31)
Workers compensation	-	-	-	(4,738)	(4,738)
Due to other funds	-	-	-	706	706
Net cash used in operating activities	$ (3,343)	$ (125,680)	$ (792)	$ (9,749)	$ (139,564)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows − Proprietary Funds

(in thousands)

	Business-type Activities				
Year Ended September 30, 2021	**WICO**	**Unemployment Insurance**	**viNGN**	**Other Enterprise**	**Total**
Reconciliation of cash and cash equivalents to the statement of net position					
Cash and cash equivalents - current	$ 947	$ 2,645	$ 552	$ 21,534	$ 25,678
Cash and cash equivalents - restricted	2,730	5,018	-	-	7,748
Total cash and cash equivalents, end of year	$ 3,677	$ 7,663	$ 552	$ 21,534	$ 33,426

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Fiduciary Net Position

(in thousands)

September 30, 2021	**Pension Trust**
Assets	
Cash and cash equivalents:	
Unrestricted	$ 84,728
Restricted	18
Investments, at fair value:	
Cash collateral received under securities lending transactions	822
U.S. Government and agency obligations	26,351
Corporate obligations	28,200
Mortgage and asset backed securities	28,161
Commingled and mutual funds	217,032
Limited partnerships	14,301
Real estate	66,204
Stock lending collateral	6,619
Receivables, net:	
Loans and advances	21,830
Accrued interest	370
Due from other agencies of the Government	10,984
Capital assets, net	1,668
Other assets	1,428
Total assets	$ 508,716
Liabilities	
Retirement benefits in process of payment	$ 3,418
Obligation for collateral under securities lending tranactions	6,619
Other liabilities	23,551
Total liabilities	33,588
Net position restricted for pensions	$ 475,128

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Changes in Fiduciary Net Position

(in thousands)

Year Ended September 30, 2021	Pension Trust
Additions	
Contributions:	
Employer	$ 104,844
Plan members	50,991
Total contributions	155,835
Investment income:	
Net appreciation of fair value of investments	14,452
Interest, dividends, and other, net	4,171
Other investment income	55
Rental income	2,035
Total investment income	20,713
Less management and custodian fees	(460)
Less borowers' rebates and other agent fees on securities lending transactions	(6)
Investment income, net	20,247
Other income	2,665
Total additions	178,747
Deductions	
Benefits paid directly to members	265,175
Refunds of members' contributions	6,701
Administrative and operational expenses	14,283
Total deductions	286,159
Change in net position	(107,412)
Net position restricted for pension benefits, beginning of year	582,540
Net position restricted for pension benefits, end of year	$ 475,128

See accompanying notes to financial statements.

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:

<u>Virgin Islands Public Finance Authority (PFA)</u>

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.

The powers of PFA are exercised by a board of directors consisting of the Governor (Chairperson), the Commissioner of Finance, the Director of the Virgin Islands 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, Inc. 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.

Complete audited financial statements of PFA and TSFC 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
P.O. Box 430
St. Thomas, VI 00804

(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.

(c) 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 the 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.

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 (WAPA)

WAPA 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 WAPA 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. WAPA is required by its bond resolutions to maintain separate audited financial statements for each system (the Electric and Water Systems).

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)

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, 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. The complex has remained closed following the 2017 hurricanes.

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 Virgin Islands Office of Management and Budget, and three persons not employed by the Government appointed by the Governor with advice and consent of the Legislature.

(d) Other Component Units (Nonmajor)

Virgin Islands Economic Development Authority (EDA)

EDA was created by Act No. 6390 on December 21, 2000, as a public corporation and semiautonomous instrumentality of the Government. EDA was created as an umbrella authority of the Economic Development Commission, the Small Business Development Agency, the Government Development Bank, and the Virgin Islands Industrial Development Park Corporation. The powers of EDA 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.

In addition, the Director of the Virgin Islands 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

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

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

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 financial statements of the discretely presented component units included within this report have a fiscal year end of September 30, 2021, except for WAPA and VIHA which have a fiscal year-end of June 30, 2021, and December 31, 2020, respectively.

(e) 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 the government-wide financial statements.

Government Employees' Retirement System of the 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. 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 services. 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 are 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.

(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 Funds, and Discretely Presented Component Units Financial Statements

The financial statements of the proprietary funds, fiduciary funds, 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:

(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.

- 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 shopping mall complex 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 providers and public infrastructure stewards.

(c) Fiduciary Activities

The Government implemented GASB Statement No. 84, "*Fiduciary Activities*" during the current fiscal year. This Statement establishes criteria for identifying fiduciary activities focusing on whether a government is controlling the assets of the fiduciary activity, and the beneficiaries with whom a fiduciary relationship exists. 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.

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, 2021, the Government had $620.0 million in collateral with Banco Popular de Puerto Rico consisting of Municipal Letters of Credit (MULOC) issued by the Federal Home Loan Bank, and $676.4 million in collateral with First Bank consisting of MULOCs, 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 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, 2021, the General Fund and other governmental funds had invested in certificates of deposit with two local banks. Investments are reported at fair value as of September 30, 2021.

- *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.

- *Tobacco Settlement Financing Corporation Investment 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.

- *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.

- *WAPA 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* – 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, industrial corporate bonds or trust certificates, common and preferred shares of foreign and domestic corporations, mutual funds, mortgage or personal loans to GERS members or retirees, and mortgage and asset-backed securities. Investments in bonds are subject to rating restrictions of BBB and may not exceed 2% of the GERS investment portfolio. Investments in stock of a single corporation may not exceed 1% of the market value of the fund or exceed 1% of the outstanding stock of the corporation.

  The aggregate of 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. Any investment of 20.0% or more of the aggregate value of the portfolio must be approved by two-thirds of the membership of the board of trustees.

The investments are administered by several professional investment managers and are held in trust by a commercial bank on behalf of GERS.

Investments in equity securities in the GERS pension trust fund are reported 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 owns administrative facilities on the islands of St. Thomas and St. Croix. Portions of the facilities are leased to government agencies and commercial tenants, and portions of the facilities are utilized for GERS operations. The investment in leased real estate is reported at its appraised value, and the portion used for GERS operations is reported at depreciated cost. The amount of $1.7 million was reported net of depreciation as of September 30, 2021.

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.

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 fair 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.

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.

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 consist of 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 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 three 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.

- 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. On September 30th, the Government estimates the amount owed to taxpayers for overpayments during the first nine months of the calendar year. These estimated amounts and the actual tax refunds claimed for 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as deferred inflows of resources and deferred outflows of resources 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 is 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 to 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 of the Virgin Islands, the Virgin Islands Office of Management and Budget, or authorizing boards of the Government, that are not restricted or committed.

  Budgetary authority of the Virgin Islands 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 against 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 in the United States of America 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 January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for the Government's financial statements for the year ended September 30, 2021. Following the guidance of this Statement, GERS financial statements are presented as a pension trust fund in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

In August 2018, GASB issued GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for the Government's financial statements for the year ended September 30, 2021. The Government has evaluated this Statement and has determined there is no impact on the financial statements as the Government does not have a majority interest in a nongovernmental organization.

Following are statements issued by GASB that are effective in future years. In light of the COVID-19 pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in these upcoming pronouncements for one year, except for GASB Statement No. 87 which is postponed for eighteen months. Certain provisions of GASB Statement 92 are excluded from GASB Statement No. 95, along with certain provisions in GASB Statement No. 93 related to lease modifications.

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
87	Leases	2022
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	2022
91	Conduit Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022

Following are statements issued by GASB that are effective in the immediate future years as based on the original effective dates.

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
96	Subscription-Based Information Technology Arrangements	2023
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for IRC Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	2022
98	The Annual Comprehensive Financial Report	2022
99	Omnibus 2022	2022
100	Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62	2024
101	Compensated Absences	2024
102	Certain Risk Disclosures	2025

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

Other Component Units (Nonmajor)

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

Condensed financial information as of September 30, 2021, of all discretely presented component units follows (expressed in thousands):

	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				
Assets and deferred outflows										
Current assets	$ 36,105	$ 37,162	$ 47,009	$ 7,900	$ 18,669	$ 10,363	$ 30,013	$ 328,210	$ 40,887	$ 556,318
Due from primary government	-	-	18,255	2,434	1,552	696	-	50	839	23,826
Due from Federal government	-	22,412	32,087	37	-	-	-	-	5,618	60,154
Restricted assets	791	30,578	46,764	1,814	920	-	53,055	43,926	21,450	199,298
Capital assets, net	46,029	310,728	1,401,471	78,866	33,550	112,656	91,713	46,294	117,793	2,239,100
Other noncurrent assets	6,120	-	37,167	-	-	-	-	38,827	-	82,114
Deferred outflows of resources	20,751	38,396	53,422	10,797	70,677	100,044	29,247	15,952	21,695	360,981
Total assets and deferred outflows of resources	109,796	439,276	1,636,175	101,848	125,368	223,759	204,028	473,259	208,282	3,521,791
Liabilities and deferred inflows										
Current liabilities	3,349	39,971	540,064	(75,282)	29,689	87,430	3,750	282,188	74,515	985,674
Due to primary government	-	-	6,215	-	3,717	2,716	-	40,700	2,281	55,629
Due to Federal government	-	-	4,142	-	375	529	-	-	-	5,046
Bonds payable - long-term	-	29,694	221,566	75,000	-	-	-	-	-	326,260
Notes payable - long-term	-	-	-	-	-	-	21,552	610	3,404	25,566
Line of credit - long-term	-	-	-	2,740	-	-	-	-	-	2,740
Net pension liability	84,334	172,711	243,071	49,786	199,282	245,492	87,799	36,968	97,619	1,217,062
Other postemployment benefits	27,960	24,605	45,493	9,318	-	-	12,011	-	-	119,387
Other noncurrent liabilities	623	1,564	108,065	-	-	-	5,845	8,881	3,101	128,079
Unearned revenues - long-term	-	-	-	-	-	-	-	4,042	10,246	14,288
Deferred inflows of resources	16,813	24,889	72,370	14,822	27,612	15,054	17,809	2,779	14,096	206,244
Total liabilities and deferred inflows of resources	133,079	293,434	1,240,986	76,384	260,675	351,221	148,766	376,168	205,262	3,085,975
Net position (deficit):										
Net investment in capital assets	46,029	305,728	1,180,858	94,933	35,550	81,040	(17,628)	24,371	117,792	1,868,673
Restricted	142	30,578	55,465	(109)	920	-	41,562	55,966	19,765	204,289
Unrestricted deficit	(69,454)	(190,464)	(841,134)	(69,360)	(171,777)	(208,502)	31,328	16,754	(134,537)	(1,637,146)
Total net position (deficit)	$ (23,283)	$ 145,842	$ 395,189	$ 25,464	$ (135,307)	$ (127,462)	$ 55,262	$ 97,091	$ 3,020	$ 435,816

**Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (unaudited)*

Information on Statement of Activities	Expenses	Program revenue: Charges for Services	Program revenue: Operating Grants and Contributions	Program revenue: Capital Grants and Contributions	Total Component Units
Virgin Islands Port Authority*	$ 84,952	$ 48,555	$ -	$ 43,005	$ 6,608
Virgin Islands Housing Authority	63,358	6,192	46,718	1,534	(8,914)
Virgin Islands Water and Power Authority:					
Electric System*	310,011	260,715	-	120,296	71,000
Water System*	28,289	31,510	-	1,701	4,922
Virgin Islands Government Hospital and Health Facilities Corporation:					
Roy L. Schneider Hospital*	103,667	54,964	25,000	708	(22,995)
Juan F. Luis Hospital*	104,870	34,310	24,036	15,876	(30,648)
University of the Virgin Islands*	99,527	9,693	73,628	4,992	(11,214)
Virgin Islands Housing Finance Authority	136,863	6,689	123,512	-	(6,662)
Other component units**	83,956	4,475	45,081	-	(34,400)
Total activities	$ 1,015,493	$ 457,103	$ 337,975	$ 188,112	$ (32,303)
General revenue:					
Interest and other					21,563
Special item – debt cancellation					131,435
Special item - insurance recoveries on capital assets - net					34,279
Changes in net position					154,974
Net position, beginning of year, as restated					280,842
Net position, end of year					$ 435,816

*Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (unaudited)*

The summary of due to/due from primary government and component units as of September 30, 2021, is as follows (expressed in thousands):

	Due from PG/ Component Units	Due to PG/ Component Units
Governmental funds:		
General fund	$ 47,282	$ 28,116
PFA capital projects	-	1,553
Other governmental funds	8,875	4
Discretely presented component units:		
WAPA – Electric System*	18,255	6,215
WAPA – Water System*	2,434	-
Hospital and Health Facilities Corporation*	2,248	6,433
Virgin Islands Housing Finance Authority	50	40,700
Other component units**	839	2,281
	$ 79,983	$ 85,302

*Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (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, 2021, the PG reported $624.7 million in unrestricted cash and cash equivalents and $7.7 million in restricted cash and cash equivalents. All bank balances were fully collateralized, except for $3.1 million held in various bank accounts for WICO that exceeded FDIC coverage.

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, 2021, GERS held $84.7 million in cash and cash equivalents consisting of: $62.4 million in money market accounts and $22.3 million in operational accounts.

Component Units

Discretely presented component units reported $151.2 million in unrestricted cash and cash equivalents and $69.8 million in restricted cash and cash equivalents. Bank balances reported that were not insured or collateralized amounted to $12.5 million.

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. 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 commercial paper, certificates of deposit, U.S. government, agency and state obligations, U.S. Treasury notes, 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.

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, 2021, the Government's investments included a non-negotiable certificate of deposit, which is 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, 2021	(In thousands) Level 1	Level 2	Level 3
Money market funds	$ 511,891	$ 511,891	$ -	$ -
Investments with contractual maturities:				
Certificates of deposit	353,544	-	353,544	-
U.S. government, agency, and state obligations	49,973	-	49,973	-
Portfolio investments:				
Commercial paper	54,843	-	54,843	-
Subtotal	970,251	$ 511,891	$ 458,360	$ -
Investments, at cost:				
Non-negotiable certificate of deposit	10,314			
Others	22			
Total	$ 980,587			

Following is a summary of the investments of the PG categorized by investment type and weighted average maturity, as of September 30, 2021, (expressed in thousands):

	Fair Value	Maturity (in years) Less Than 1 Year	1 to 5 Years	Over 5 Years
Investments with contractual maturities				
Certificates of deposit	$ 353,544	$ 353,544	$ -	$ -
U.S. government, agency, and state obligations	49,973	11,289	38,684	-
Portfolio investments				
Commercial paper	54,843	54,674	-	169
Other investments	22	22	-	
Total investments with contractual maturities	458,382	$ 419,529	$ 38,684	$ 169
Investments without contractual maturities				
Money market funds	511,891			
Certificates of deposit	10,314			
Total	$ 980,587			

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 and has some exposure to interest rate risk.

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, 2021, the PG's investments in money market funds were rated AAA by Standard & Poor's, and Aaa- and Aaa by Moody's Investors Service. The Government's investments in commercial paper in the amount of $54.8 million were not rated by Standard & Poor's or by Moody's Investors Service. The PG's investments in government, agency and state obligations were rated AA- to AAA by Standard & Poor's and Aa2 to Aaa by Moody's Investors Service. The PG's investments in certificates of deposit in the amount of $363.9 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, 2021, more than 5% of the PG's investments were invested in: Goldman Financial Square Money Market #524 (36.33%), Federated Government Obligation Money Market #5, (11.73%), certificates of deposit issued by Banco Popular de Puerto Rico (26.65%) and certificates of deposit issued by First Bank (10.34%).

Custodial Credit Risk – The Government 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, 2021, $616.7 million of investments were held in the name of the Bank of New York Trust Company, N.A, as trustee for the Government, $260.3 million of certificates of deposit were issued by Banco Popular de Puerto Rico, and $100.0 million of certificates of deposit were issued by First Bank.

Pension Trust Fund

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

	September 30, 2021	Level 1 (In thousands)	Level 2	Level 3
Debt securities:				
Government agency obligations	$ 26,351	$ -	$ 26,351	$ -
Corporate bond	28,200	-	28,200	-
Asset-backed securities	5,268	-	5,268	-
Collateralized mortgage obligations	6,919	-	6,919	-
Commercial mortgaged-backed securities	855	-	855	-
Residential mortgaged-backed securities	15,119	-	15,119	-
Limited partnerships:				
Private equity funds	14,301	-	-	14,301
Private lending	21,830	-	-	21,830
Real estate/other real assets	66,204	-	-	66,204
Subtotal	185,047	$ -	$ 82,712	$ 102,335
Investments, at cost:				
Money market funds	62,388			
Unsettled Securities	823			
Other Short-term investments	13,622			
Subtotal	76,833			
Investments measured at net asset value (NAV):				
Commingled bond funds	217,032			
Securities lending collateral fund	6,619			
Total	$ 485,531			

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 bond funds	$ 217,032	$ -	Daily	2 - 10 days
Securities lending collateral fund	6,619	-	Daily	None
Total investments measured at the NAV	$ 223,651	$ -		

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. The underlying securities within the commingled funds carry a recurring fair value measurement Level 2. There are no unfunded commitments to commingled funds as of September 30, 2021.

Securities lending collateral - GERS' custodian 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, 2021, (expressed in thousands):

		Maturity (in years)				
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	No Stated Maturity
Investments with contractual maturities						
Commingled and mutual funds	$ 217,032	$ -	$ -	$ -	$ -	$ 217,032
Corporate obligations	28,200	5	11,298	5,395	11,502	-
Mortgage and asset backed securities	28,161	-	3,069	2,993	22,099	-
Limited partnerships	14,301	-	-	-	-	14,301
U.S. Treasury bonds	6,843	-	-	-	6,843	-
U.S. Treasury notes	19,508	-	14,941	4,567	-	-
Total investments with contractual maturities	$ 314,045	$ 5	$ 29,308	$ 12,955	$ 40,444	$ 231,333
Investments without contractual maturities						
Money market funds	62,388					
Real estate investments:						
Havensight Mall - U.S. Virgin Islands	41,000					
GERS Complex - U.S. Virgin Islands and other real estate	25,204					
Debt lending - member loans	21,830					
Securities lending short-term collateral investment pool	6,619					
Other short-term investments	13,622					
Unsecured securities	823					
Total	$ 485,531					

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, 2021, 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	$ 432	A+	$ 260	Aa1
Corporate obligations	261	A	798	A2
Corporate obligations	2,587	A-	3,453	A3
Corporate obligations	260	AA+	7,578	Baa1
Corporate obligations	7,791	BBB+	9,377	Baa2
Corporate obligations	10,366	BBB	6,412	Baa3
Corporate obligations	6,309	BBB-	317	Not Available
Corporate obligations	194	Not Available	5	Not Rated
Mortgage and asset backed securities	3,207	AAA	7,067	Aaa
Mortgage and asset backed securities	427	AA	936	Aa1
Mortgage and asset backed securities	130	A	130	Aa3
Mortgage and asset backed securities	24,397	Not Available	20,228	Not Available
Commingled and mutual funds	217,032	Not Rated	217,032	Not Available
Total	$ 273,393		$ 273,593	

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.

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. Other than underlying securities on loans secured by noncash collateral, GER's entire investment portfolio was held with a single third-party custodian in GER's name as of September 30, 2021. As of September 30, 2021, the System had no underlying securities on loan secured by noncash collateral.

Cash collateral held for securities lending transactions is invested in a collective investment pool maintained by the securities lending agent.

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, 2021, GERS did not engage in any foreign currency exchange contracts.

Securities Lending Transactions – The Government's statutes permit GERS to participate in securities lending transactions, and GERS has, via a securities lending authorization agreement (the Agreement), authorized State Street Bank and Trust Company (the Custodian) to lend its securities to broker-dealers and banks pursuant to a form of a loan agreement. Lent securities are collateralized with cash, securities issued or guaranteed by the U.S. government, or irrevocable bank letters of credit. GERS does not have the ability to pledge or sell collateral securities delivered absent borrower default. No restrictions were imposed during 2021 as to the amount of loans the Custodian can make on behalf of GERS.

Under the terms of the Agreement, the Custodian must indemnify the Government for losses attributable to violations by the Custodian under the "standard of care" clause described in the Agreement. There were no such violations during the fiscal year 2021, or losses resulting from the default of the borrowers or the Custodian.

Loans are generally terminable on demand. The collateral received shall, (i) in the case of loaned securities denominated in U.S. dollars or whose primary trading market is located in the U.S. or sovereign debt issued by foreign governments, have a market value of 102.0% of the market value of the loaned securities; (ii) in the case of loaned securities which are not denominated in U.S. dollars or whose primary trading market is not located in the United States, have a market value of 105.0% of the market value of the loaned securities; or (iii) have a higher value as may be applicable in the jurisdiction in which the loaned securities are customarily traded. Such collateral should be kept, at a minimum, at 100.0% of the market value of the security for all borrowers throughout the outstanding period of the loans.

GERS has invested in Havensight Mall, a shopping and pier complex on the island of St. Thomas with a reported value of $41.0 million as of September 30, 2021.

GERS also invested in two funds of the Mesirow limited partnership. The funds reported a fair market value of $14.3 million as of September 30, 2021.

Component Units

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

		(In thousands)		
		Level 1	Level 2	Level 3
Investments, at fair value:				
U.S. Government agencies and notes	$ 42,327	$ 42,327	$ -	$ -
Mutual funds	601	601	-	-
Subtotal	42,928	$ 42,928	$ -	$ -
Investments, at cost:				
Certificate of deposits	18,140			
Investments measured at net asset value (NAV):				
Alternative investments	51,806			
Total*	$ 112,874			

**Include balances of unaudited component units – see Note 2*

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, 2021, (expressed in thousands):

		Maturity (in years)			
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Investments with contractual maturities					
Certificates of deposit	$ 18,140	$ 12,404	5,736	$ -	$ -
U.S. Government agencies and notes	42,327	42,327	-	-	-
Total investments with contractual maturities	60,467	$ 54,731	$ 5,736	$ -	$ -
Investments without contractual maturities					
Mutual funds	601				
Other investments	51,806				
Total*	$ 112,874				

**Include 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.

5. Receivables

Primary Government

Receivables for governmental funds on September 30, 2021, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 308,751	$ -	$ -	$ 308,751
Real property taxes	120,924	-	-	120,924
Hotel occupancy taxes	5,989	-	-	5,989
Excise taxes	1,449	-	-	1,449
Gross receipts taxes	-	266,471	-	266,471
Subtotal taxes receivables	437,113	266,471	-	703,584
Less allowance for doubtful accounts	(220,897)	(236,247)	-	(457,144)
Taxes receivables, net	216,216	30,224	-	246,440
Other	$ 111	$ -	$ 118	229
Tobacco settlement rights				923
Total				$ 247,592

(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.

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 31.

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 Government 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, 2021, the Government reported a receivable of $923,000 for tobacco settlement right payments as included in the accompanying statement of net position.

Component Units

Receivables for the discretely presented component units consist of the following (expressed in thousands), including prior year data for certain component units:

Utility service charges	$ 17,464
Patients	14,423
Students	6,338
Port fees	6,442
Other	315,602
Total*	$ 360,269

**Include balances of unaudited component units – see Note 2*

Pension Trust Fund

Loans and advances to members of GERS as of September 30, 2021, consist of the following (expressed in thousands):

Personal loans	$ 4,203
Mortgage loans	18,636
Less allowance for losses	(1,009)
Total	$ 21,830

(c) Notes Receivable

On July 30, 2018, the Government under an amended Terminal agreement entered into 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, 2021, principal and interest amounted to $12.9 million.

6. Unavailable Revenues

The components of unavailable revenues of the general fund and PFA debt service fund as of September 30, 2021, consist of the following (expressed in thousands):

	General	PFA Debt Service	Total
Property taxes	$ 16,229	$ -	$ 16,229
Income taxes	147,610	-	147,610
Gross receipts taxes	-	16,913	16,913
Total	$ 163,839	$ 16,913	$ 180,752

7. Interfund Transfers

Interfund transfers (from/to) for the year ended September 30, 2021, consist of the following (expressed in thousands):

Transfer from/to	General	PFA Debt Service	Other Governmental	Other Enterprise	Total
General	$ -	$ 168,529	$ -	$ -	$ 168,529
PFA Debt Service	90	-	-	-	90
Other governmental	11,160	11,095	-	135	22,390
Other business-type	-	-	-	-	-
Total	$ 11,250	$ 179,624	$ -	$ 135	$ 191,009

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 $168.5 million transfer from PFA debt service fund (a major governmental fund) representing gross receipt tax revenues available after bond debt service requirements. Significant transfers made from the general fund include a transfer of $5.0 million to PFA Operating Fund (a non-major governmental fund); a transfer of $4.0 million to the St. Croix Capital Improvement Fund (a non-major governmental fund); and a transfer of $1.0 million to the Crisis Intervention Fund (a non-major governmental fund). The PFA debt service fund (a major governmental fund) made a transfer of $11.1 million to PFA Operating Fund (a non-major governmental fund).

Due From/To Other Funds

	General	PFA Capital Projects	Other Governmental	Other Enterprise	Total
General	$ -	$ -	$ 31,067	$ 300	$ 31,367
Other governmental	45,374	-	-	-	45,374
Total Governmental Funds	45,374	-	31,067	300	76,741
WICO	9,309	-	-	-	9,309
viNGN	-	36,804	-	-	36,804
Other enterprise	459	324	2,419	-	3,202
Total Proprietary Funds	9,768	37,128	2,419	-	49,315
Total	$ 55,142	$ 37,128	$ 33,486	$ 300	$ 126,056

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, $4.9 million due to the Emergency Molasses Fund (a non-major governmental fund) for unpaid appropriations; $7.0 million due to PFA special revenue fund (a non-major governmental fund) for unpaid budget from gross receipts; and $1.9 million due to the Elected Governor Retirement Fund.

The amount due from other funds by the general fund is mainly composed of $42.2 million due from the District Street Lighting Fund (a non-major governmental fund) and $2.7 million from the Bond Proceeds Fund (a non-major governmental fund). 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, related to the transfer of the 15.0% of revenues derived from lottery games under contract between the Virgin Islands Lottery and private contractors.

8. Restricted Assets

Primary Government

Restricted assets of proprietary funds and business-type activities as of September 30, 2021, include cash and cash equivalents as follows (expressed in thousands):

Unemployment insurance funds	$ 5,018
WICO debt service and insurance recovery funds	2,730
Total	$ 7,748

These funds were restricted to repay loans payable to the U.S. Treasury, WICO debt service, and insurance recovery funds restricted by loan covenants.

Component Units

Restricted assets of discretely presented component units as of September 30, 2021 include cash and cash equivalents, investments, and receivables as follows (expressed in thousands):

Cash and cash equivalents:	
Debt service and sinking fund requirements	$ 24,240
Endowment funds	605
HUD project funds	791
Revolving loan funds	34,924
Construction funds*	234
Renewal and replacement funds	520
Other	8,525
Total restricted cash and cash equivalents:	$ 69,839
Investments:	
Debt service and sinking fund requirements	51,650
Construction funds	483
Endowment funds	51,806
Renewal and replacement funds	727
Revolving loan funds	6,337
Other	242
Total restricted investments:	111,245
Other:	
Pledged funds	18,214
Total*	$ 199,298

**Include balances of unaudited component units - see Note 2*

9. Capital Assets

Primary Government

Capital assets activity for governmental activities for the year ended September 30, 2021, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 215,400	$ 140	$ 457	$ -	$ 215,997
Construction in progress	174,532	56,703	(58,403)	(521)	172,311
Total capital assets not being depreciated	389,932	56,843	(57,946)	(521)	388,308
Capital assets being depreciated and amortized:					
Land improvements	12,074	-	719	-	12,793
Infrastructure	190,628	3,024	48,295	-	241,947
Buildings and improvements	648,659	683	2,656	-	651,998
Machinery and equipment	241,416	13,089	6,276	(138)	260,643
Total capital assets being depreciated, and amortized	1,092,777	16,796	57,946	(138)	1,167,381
Land improvements	(6,048)	(477)	-	-	(6,525)
Infrastructure	(53,989)	(7,402)	-	-	(61,391)
Buildings and improvements	(260,675)	(30,237)	-	-	(290,912)
Machinery and equipment	(203,869)	(14,043)	-	138	(217,774)
Total accumulated depreciation and amortization	(524,581)	(52,159)	-	138	(576,602)
Total capital assets being depreciated and amortized, net	568,196	(35,363)	57,946	-	590,779
Total Governmental activities capital assets, net	$ 958,128	$ 21,480	$ -	$ (521)	$ 979,087

Depreciation and amortization expense are charged to functions of the PG's governmental activities for the year ended September 30, 2021, as follows (expressed in thousands):

General government	$ 13,378
Public safety	2,196
Health	3,337
Education	24,284
Public housing and welfare	728
Culture and recreation	402
Transportation and communication	7,834
Total	$ 52,159

Capital assets activity for business-type activities for the year ended September 30, 2021, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 5,178	$ -	$ -	$ -	$ 5,178
Construction in progress	5,758	428	(59)	-	6,127
Total capital assets not being depreciated	10,936	428	(59)	-	11,305
Capital assets being depreciated and amortized:					
Land improvements	676	-	-	-	676
Buildings and improvements	90,513	-	33	-	90,546
Machinery and equipment	80,631	1,367	26	(42)	81,982
Intangible assets	30,774	-	-	-	30,774
Total capital assets being depreciated and amortized	202,594	1,367	59	(42)	203,978
Less accumulated depreciation and amortization for:					
Land improvements	(374)	(34)	-	-	(408)
Buildings and improvements	(54,811)	(3,573)	(59)	-	(58,443)
Machinery and equipment	(36,093)	(4,143)	59	42	(40,135)
Intangible assets	(9,143)	(1,012)	-	-	(10,155)
Total accumulated depreciation and amortization	(100,421)	(8,762)	-	42	(109,141)
Total capital assets being depreciated and amortized, net	102,173	(7,395)	59	-	94,837
Total Business-type activities capital assets, net	$ 113,109	$ (6,967)	$ -	$ -	$ 106,142

Depreciation and amortization expense are charged to business-type activities for the year ended September 30, 2021, as follows (expressed in thousands)

WICO	$ 3,113
viNGN	4,177
Other enterprise funds	1,472
Total	$ 8,762

Component Units

Capital assets activity for discretely presented component units is summarized as follows (expressed in thousands):

	Adjusted Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 124,961	$ 1,739	$ -	$ -	$ 126,700
Construction in progress	754,825	152,837	(348,560)	(586)	558,516
Total capital assets not being depreciated	879,786	154,576	(348,560)	(586)	685,216
Capital assets being depreciated and amortized:					
Buildings and improvements	2,265,916	24,246	348,560	(216)	2,638,506
Airport and marine terminal facilities	189,961	-	-	-	189,961
Personal property and equipment	143,029	7,906	-	(335)	150,600
Intangible assets	2,919	-	-	-	2,919
Total capital assets being depreciated and amortized	2,601,825	32,152	348,560	(551)	2,981,986
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,078,170)	(73,349)	-	-	(1,151,519)
Airport and marine terminal facilities	(156,989)	(5,978)	-	-	(162,967)
Personal property and equipment	(105,018)	(6,515)	-	522	(111,011)
Intangible assets	(2,410)	(195)	-	-	(2,605)
Total accumulated depreciation and amortization	(1,342,587)	(86,037)	-	522	(1,428,102)
Total capital assets being depreciated and amortized, net	1,259,238	(53,885)	348,560	(29)	1,553,884
Total component units' capital assets, net*	$ 2,139,024	$ 100,691	$ -	$ (615)	$ 2,239,100

**Include balances of unaudited component units – see Note 2*

Depreciation and amortization expense charged by each component unit for the year ended September 30, 2021, is as follows (expressed in thousands):

Virgin Islands Housing Authority	$ 6,339
Virgin Islands Port Authority*	18,181
Virgin Islands Water and Power Authority:	
Electric System*	42,719
Water System*	1,629
Virgin Islands Government Hospital and Health Facilities Corporation:	
Schneider Regional Medical Center*	3,981
Governor Juan F. Luis Hospital*	1,390
University of the Virgin Islands*	2,681
Virgin Islands Housing Finance Authority	1,428
Other component units**	7,689
Total	$ 86,037

**Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (unaudited)*

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, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Matching Funds Revenue Bonds						
Series 2013 B Revenue and Refunding Bonds	$ 35,010	$ -	$ 6,335	$ 28,675	$ 6,655	$ 22,020
Series 2013 A Revenue and Refunding Bonds	13,675	-	2,460	11,215	2,590	8,625
Series 2012 A Revenue Bonds	137,315	-	1,100	136,215	1,150	135,065
Series 2010 A and B Revenue Bonds	380,195	-	4,005	376,190	3,115	373,075
Series 2009 A Revenue Bonds (Cruzan)	32,530	-	865	31,665	920	30,745
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	190,805	-	34,265	156,540	37,515	119,025
Series 2009 A Revenue Bonds (Diageo)	215,380	-	6,405	208,975	6,845	202,130
Total	1,004,910	-	55,435	949,475	58,790	890,685
Gross Receipts Revenue Bonds						
Series 2018 A Revenue Bonds	206,295	-	206,295	-	-	-
Series 2014 D Revenue Bonds	4,820	-	225	4,595	240	4,355
Series 2014 C Revenue and Refunding Bonds	220,960	-	6,065	214,895	6,385	208,510
Series 2014 A Revenue Bonds	41,435	-	1,900	39,535	2,000	37,535
Series 2012 A and B Revenue and Refunding Bonds	140,515	-	2,865	137,650	3,315	134,335
Series 2012 C Revenue Bonds	24,845	-	1,770	23,075	1,860	21,215
Series 2006 A Revenue Bonds	186,130	-	15,865	170,265	16,295	153,970
Total	825,000	-	234,985	590,015	30,095	559,920
Tobacco Settlement Bonds						
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	7,290	-	-	7,290	-	7,290
Series 2001 A Tobacco Bonds	3,470	-	1,105	2,365	-	2,365
Total	10,760	-	1,105	9,655	-	9,655
Federal-Aid Highway Bonds						
Series 2015 Bonds	71,140	-	4,015	67,125	4,220	62,905
Other Direct Placement Bonds or Borrowings						
Series 2019 A TIF Revenue and Refunding Bonds	11,587	-	1,486	10,101	528	9,573
Total	**$ 1,923,397**	**$ -**	**$ 297,026**	**$ 1,626,371**	**$ 93,633**	**$ 1,532,738**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Plus (less):						
Bond premium	$ 35,499	$ -	$ 4,662	$ 30,837	$	$ 30,837
Bond discount	(1,846)	-	(201)	(1,645)	-	(1,645)
Bond accretion	11,300	1,246		12,546	12,546	-
Total bonds payable, net	1,968,350	1,246	301,487	1,668,109	106,179	$ 1,561,930
Notes						
Series 2019 A TIF Project Developer Note	1,593	-	28	1,565	14	1,551
Series 2016 A Notes	2,315	-	2,137	178	178	-
Series 2014 B Revenue Notes	2,000	-	2,000	-	-	-
Total notes payable	5,908	-	4,165	1,743	192	1,551
Total governmental activities bonds and notes payable	$ 1,974,258	$ 1,246	$ 305,652	$ 1,669,852	$ 106,371	$ 1,563,481

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	$ 44,467	$ -	$ 772	$ 43,695	$ 16,012	$ 27,683
Retroactive union arbitration	195,286	-	6,986	188,300	-	188,300
Accrued 8.0% salary reduction	-	49,837	-	49,837	49,837	-
Litigation	18,058	547	6,067	12,538	4,665	7,873
Landfill closure and post closure	109,409	9,406	-	118,815	-	118,815
Total	$ 367,220	$ 59,790	$ 13,825	$ 413,185	$ 70,514	$ 342,671

Accrued compensated absences, retroactive union arbitration, accrued 8.0% salary reduction, litigation, landfill closure and post-closure costs are generally expected to be liquidated with resources derived from the General Fund.

On September 30, 2021, the PG reported other post-employment benefits (OPEB) to retirees such as health insurance liability of $992.3 million. The OPEB liability is valued as of October 1, 2019, determined by an actuarial valuation, with a roll forward through October 1, 2020.

The change in the OPEB liability for governmental activities is as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
OPEB liability	$ 786,756	$ 205,545	$ -	$ 992,301	$ -	$ 992,301

As of September 30, 2021, the PG reported a net pension liability of $4.5 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, 2020.

The change in the pension liability for governmental activities is as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	$ 4,194,852	$ 332,593	$ -	$ 4,527,445	$ -	$ 4,527,445

The changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2021, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Workers' compensation claims	$ 57,927	$ 2,887	$ 7,625	$ 53,189	$ 5,409	$ 47,780
Loan payable – U.S. Treasury	69,083	31,176	4,116	96,143	96,143	-
Compensated absences - WICO	1,286	205	236	1,255	26	1,229
Loans payable – WICO	42,255	900	758	42,397	42,397	-
Refundable advance - WICO	464	-	464	-	-	-
Total	$ 171,015	$ 35,168	$ 13,199	$ 192,984	$ 143,975	$ 49,009

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 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, provide 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.

(a) Bonds Payable

Bonds payable outstanding on September 30, 2021, are comprised of the following (expressed in thousands):

	Maturity	Interest Rate (%)	Balance
Matching Funds Revenue Bonds			
Series 2013 B Revenue and Refunding Bonds	2015 - 2024	3.00 - 5.00	$ 28,675
Series 2013 A Revenue and Refunding Bonds	2018 - 2024	5.00 - 5.25	11,215
Series 2012 A Revenue Bonds	2022 - 2032	4.00 - 5.00	136,215
Series 2010 A and B Revenue Bonds	2012 - 2029	4.00 - 5.25	376,190
Series 2009 A Revenue Bonds (Cruzan)	2010 - 2039	3.00 - 6.00	31,665
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	2010 - 2039	3.00 - 5.00	156,540
Series 2009 A Revenue Bonds (Diageo)	2013 - 2037	6.00 - 6.75	208,975
Total			949,475
Gross Receipts Revenue Bonds			
Series 2014 D Revenue Bonds	2015 - 2033	6.03	4,595
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50 - 5.00	214,895
Series 2014 A Revenue Bonds	2015 - 2034	5.00	39,535
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 - 5.25	137,650
Series 2012 C Revenue Bonds	2017 - 2042	3.00 - 5.00	23,075
Series 2006 A Revenue Bonds	2007 - 2029	3.50 - 5.00	170,265
Total			590,015
Tobacco Settlement Bonds			
Series 2006 A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 - 8.00	7,290
Series 2001 A Tobacco Bonds	2031	4.62 - 5.13	2,365
Total			9,655
Federal-Aid Highway Bonds			
Series 2015 Bonds	2016 - 2033	3.00 - 5.00	67,125
Other Direct Placement Bonds or Borrowings			
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	10,101
Plus (Less):			
Bonds premium			30,837
Bonds discount			(1,645)
Bonds accretion			12,546
Total bonds payable, net			$ 1,668,109

Matching Funds Revenue Bonds

Series 2013 B Revenue and Refunding Bonds

On October 17, 2013, PFA issued the Series 2013 B Revenue and Refunding Bonds, the proceeds of which amounted to $51,365,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture, and the Series 2013 B Loan Notes 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 Series 2013 B Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, (ii) fund the Series 2013 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 B Bonds. The Series 2013 B Bonds mature from 2015 to 2024 at an interest rate of 3.0% to 5.0%. The proceeds of the Series 2013 B Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A. On October 1, 2014, the outstanding principal of the Series 2004 A Bonds was defeased through a call redemption amounting to $58,835,000.

Interest on the Series 2013 B Revenue and Refunding 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 2013 B Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2013 B Revenue and Refunding Bonds are not redeemable at the option of PFA.

Series 2013 A Revenue and Refunding Bonds

On September 19, 2013, PFA issued the Series 2013 A Revenue and Refunding Bonds, the proceeds of which amounted to $36,000,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture and the Series 2013 A Loan Notes 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 Series 2013 A Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, Series 2009 A1 Bonds, and Series 2009 B Bonds, (ii) fund the Series 2013 A Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 A Bonds. The Series 2013 A Bonds mature from 2018 to 2024 at an interest rate of 5.0% to 5.3%. The proceeds of the Series 2013 A Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A, Series 2009 A1, and Series 2009 B Bonds. 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 deferred loss of approximately $10.9 million and an economic loss of approximately $1.5 million.

Interest on the Series 2013 A Revenue and Refunding 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 2013 A Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2013 A Revenue and Refunding Bonds are not redeemable at the option of PFA.

Series 2012 A Revenue Bonds

On September 7, 2012, PFA issued the Series 2012 A Revenue Bonds, the proceeds of which amounted to $142,640,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Seventh Supplemental Indenture and the Series 2012 Loan Notes 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 Series 2012 A Bonds were issued to: (i) finance various operating expenses and other obligations of the Government, (ii) fund the Series 2012 A Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2012 A Bonds. The Series 2012 A Bonds mature from 2022 to 2032 at an interest rate of 4.0% to 5.0%.

Interest on the Series 2012 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 2012 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2012 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:

Series 2012 A Revenue Bonds	Price
October 1, 2023, and thereafter	100%

Series 2010 A and B Revenue Bonds

On July 8, 2010, PFA issued the Series 2010 A and B Revenue Bonds, the proceeds of which amounted to $399,050,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Sixth Supplemental Indenture and the Series 2010 Loan Notes 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 Series 2010 A Bonds were issued to: (i) finance various operating expenses of the Government, (ii) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (iii) fund the Series 2010 A Subordinate Lien Debt Service Reserve Account, and (iv) finance certain costs of issuance of the Series 2010 A Bonds. The Series 2010 B Bonds were issued to: (i) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (ii) fund the Series 2010 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2010 B Bonds. The Series 2010 A Bonds amount to $305,000,000 and mature from 2012 to 2029 at an interest rate of 4.0% to 5.0%. The Series 2010 B Bonds amount to $94,050,000 and mature from 2020 to 2029 at an interest rate of 4.3% to 5.3%.

Interest on the Series 2010 A and B 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 2010 A and B Revenue Bonds.

The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2010 A and B 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:

Series 2010 A and B Revenue Bonds	Price
October 1, 2021, and thereafter	100%

Series 2009 A Revenue Bonds (Cruzan)

On December 17, 2009, PFA issued the Series 2009 A Revenue Bonds (Cruzan), amounting to \$39,190,000, to finance the costs of the development, acquisition, construction, and installation of a wastewater treatment facility and to fund certain preliminary costs of the alteration, upgrade, expansion, and renovation of the Cruzan distillery on St. Croix, to establish debt service reserves, and to finance costs of issuance of the 2009 A Bonds.

These bonds are special limited obligations of PFA payable from and secured by a pledge of the Cruzan Trust estate which includes certain funds established under the Subordinated Indenture and the First Supplemental Subordinate Indenture of Trust. The bonds bear interest at 3.0% to 6.0% and mature from 2010 to 2039 and are subject to an optional redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

In association with the Series 2009 A Revenue Bonds, PFA entered into an agreement with Cruzan VIRIL, Ltd. (Cruzan), on October 6, 2009. Provisions of the agreement call for payments of excess matching funds, after debt service, debt service reserve, and sinking fund redemption payments, to the Government and Cruzan of 60.0% - 80.0% and 54.0% - 60.0%, respectively.

Interest on the Series 2009 A Revenue Bonds (Cruzan) 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 2009 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2009 A Revenue Bonds (Cruzan) 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:

Series 2009 A Revenue Bonds (Cruzan)	Price
October 1, 2019, and thereafter	100%

Series 2009 A1, A2, B and C Revenue and Refunding Bonds

On October 1, 2009, PFA issued the Series 2009 A1, A2, B, and C Revenue and Refunding Bonds, the proceeds of which amounted to $458,840,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Fourth Supplemental Indenture and the Series 2009 Loan Notes 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 Series 2009 A1 and A2 Revenue and Refunding Bonds were issued to: (i) finance various capital projects of the Government, (ii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 A1 and A2 Revenue and Refunding Bonds. The Series 2009 A1 Revenue and Refunding Bonds amounted to $86,350,000 and mature from 2010 to 2039 at interest rates from 3.0% to 5.0%. The Series 2009 A2 Revenue and Refunding Bonds amount to $8,650,000 and mature from 2010 to 2011 at an interest rate of 3.0%.

The Series 2009 B Revenue and Refunding Bonds were issued to: (i) refund the Series 1998 A Revenue and Refunding Bonds (Senior Lien/Refunding Bonds), (ii) fund the Series 2009 B Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 B Revenue and Refunding Bonds. The Series 2009 B Revenue and Refunding Bonds amount to $266,330,000 and mature from 2010 to 2025 at an interest rate of 5.0%.

The Series 2009 C Revenue and Refunding Bonds were issued to: (i) refund the Series 1998 E Revenue and Refunding Bonds (Subordinate Lien/Capital Program Bonds), (ii) fund the Series 2009 C Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 C Revenue and Refunding Bonds. The Series 2009 C Revenue and Refunding Bonds amounted to $97,510,000 and mature from 2010 to 2022 at an interest rate of 5.0%. The Series 2009 C Revenue and Refunding Bonds are subject to optional redemption by PFA on or after October 1, 2019, at redemption price of 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

Interest on the Series 2009 A1, A2, B and C Revenue and Refunding 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 2009 A1, A2, B and C Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2009 A1, A2, B and 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:

Series 2009 A1, A2, B and C Revenue and Refunding Bonds	Price
October 1, 2019, and thereafter	100%

Series 2009 A Revenue Bonds (Diageo)

On July 9, 2009, PFA issued the Series 2009 A Revenue Bonds (Diageo), the proceeds of which amounted to $250,000,000. These bonds are secured by a pledge of Diageo Matching Fund Revenues (Matching Funds generated from the sale of Captain Morgan rum products), which includes certain funds established under the original indenture, the Third Supplemental Indenture, and the 2009 Matching Fund Loan Note – Diageo Project, Series A issued by the Government. The bonds bear interest at 6.0% to 6.8% and mature from 2013 to 2037. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of PFA.

The bonds were issued to: (i) provide a grant to Diageo USVI, Inc. ("Diageo USVI") to finance the costs of the acquisition, design, development, construction, and equipping of a rum production and maturation warehouse facility to be located on St. Croix (the Diageo Project) (ii) redeem the Subordinated Revenue Bond Anticipation Notes (Virgin Islands Matching Fund Loan Notes – Diageo Project) Series 2009 A issued to finance preliminary costs of the Diageo Project (iii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, (iv) pay capitalized interest on the Series 2009 A Revenue Bonds, and (v) finance certain costs of issuance of the Series 2009 A Revenue Bonds. The Series 2009 A Bonds maturing on or after October 1, 2020, shall be subject to optional redemption on or after October 1, 2019, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

In association with the Series 2009 A Revenue Bonds, PFA entered into an agreement with Diageo USVI on June 17, 2008. Provisions of the agreement call for payments of excess matching funds, after debt service, debt service reserve, and sinking fund redemption payments, to Diageo of 49.5% - 57.0%.

Interest on the Series 2009 A Revenue Bonds (Diageo) 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 2009 A Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, 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 the Matching Fund Revenues.

The Series 2009 A Revenue Bonds (Diageo) 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:

Series 2009 A Revenue Bonds (Diageo)	Price
October 1, 2020, and thereafter	100%

Pledged Funds, Covenants, and Collateral

The Government has pledged the Matching Funds Revenues to the timely payment of principal and interest on the Series 2013 B Revenue and Refunding Bonds, Series 2013 A Revenue and Refunding Bonds, Series 2012 A Revenue Bonds, Series 2010 A and B Revenue Bonds, Series 2009 A Revenue Bonds (Cruzan), the Series 2009 A1, A2, B and C Revenue and Refunding Bonds, and the Series 2009 A Revenue Bonds (Diageo).

Thus, all amounts to be received by the Government from federal rum excise tax are deposited directly in a trust account from which the Bonds are paid in accordance with the Indenture of Trust.

The Secretary of the United States Department of Treasury makes annually, certain transfers to the Government of substantially all excise taxes imposed and collected under the internal revenue laws of the United States in any fiscal year on certain products produced in the Virgin Islands (primarily rum) and exported to the United States from the Virgin Islands. The amount required to be remitted to the Government by the Secretary of the Treasury is an amount no greater than the total amount of local revenues (primarily taxes) collected by the Government in each fiscal year. The term "matching fund revenues" is used to denote these payments.

Estimated prepayments of matching fund revenues are made to the Government prior to the beginning of each fiscal year, subject to adjustment for local revenue collected by the U.S. Department of Treasury during such year. Such adjustments are made to the estimated prepayments for a subsequent fiscal year.

In fiscal year 2021, pledged matching rum excise tax revenues represented 39.7% of total rum excise revenues. Payments of Matching Fund Revenue Bonds principal and interest from matching rum excise tax revenues amounted to $55.4 million and $52.9 million, respectively. Also see Note 17.

Gross Receipts Revenue Bonds

Series 2018 A Revenue Bonds

On July 1, 2018, PFA issued the Series 2018 A Revenue Bonds in a private placement to the Federal Emergency Management Agency ("FEMA"). The bonds secure certain Community Disaster Loans ("CDLs") drawn following Hurricanes Irma and Maria in the U.S. Virgin Islands in September 2017. These bonds are secured by the pledge of gross receipts tax revenue. The Series 2018 A Revenue Bonds were issued to (i) finance essential functions of the Government's operations following the hurricanes in the amount of $145.0 million, (ii) finance the operations of the Roy L. Schneider Hospital on the island of St. Thomas in the amount of $28.0 million, (iii) finance the operations of Governor Juan F. Luis Hospital and Medical Center on the island of St. Croix in the amount of $42.0 million, and (iv) fund certain debt service reserve requirements of the bond issuance.

The bonds are subject to optional redemption by PFA at any time at a redemption price of 100% of the principal amount thereof, plus interest accrued through the redemption date. Interest payments commence October 1, 2019, with interest-only payments through October 1, 2022, calculated on a 360-day year consisting of twelve 30-day months. The Series 2018 bonds mature in 2037 and deferred interest payments mature in 2038.

Semi-annual interest and principal payments are due April 1 and October 1. Due to the COVID-19 pandemic, interest payments for fiscal year 2021, amounting to $6.0 million were deferred by FEMA to 2038. The Series 2018 A Revenue bonds were scheduled to mature in 2037 and deferred interest payments mature in 2038. Interest accruing during the deferral period, from the date of each drawdown through September 30, 2021, bear interest beginning October 1, 2021, equal to the draws on the loan.

On September 30, 2021, H.R. 5305, "Extending Government Funding and Delivering Emergency Assistance Act" was signed by the President and included provisions cancelling the remaining balances of all FEMA loans issued under Section 417 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, including the Series 2018 A Revenue Bonds. With the passage of this Act, FEMA cancelled the outstanding principal and accrued interest of the Series 2018 A Revenue Bonds as amounting to $206.3 million and $5.2 million, respectively.

Series 2014 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%.

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:

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

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:

Series 2014 C Revenue and Refunding Bonds	Price
October 1, 2024, and thereafter	100%

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:

Series 2014 A Revenue Bonds	Price
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%.

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:

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

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:

Series 2012 C Revenue Bonds	Price
October 1, 2030, and thereafter	100%

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 were 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:

Series 2006 A Revenue Bonds	Price
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 and the TIF special escrow agreement, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2018 A Revenue Bonds, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 B Revenue Notes, 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, as required by bond covenants.

In fiscal year 2021, pledged gross receipts tax revenues represented 27.18% of total gross receipt tax revenues. Payment of Gross Receipts Revenue Bonds and Notes principal and interest from pledged gross receipts taxes amounted to $60.9 million and $4.4 million, respectively. Also see Note 17.

Tobacco Settlement Bonds

Series 2006 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, provided however that the 2001 Series Bonds have been paid in full.

Series 2001 A Tobacco Bonds

On November 20, 2001, TSFC issued the 2001 Tobacco Settlement Financing Corporation Asset-Backed Bonds (Term and Capital Appreciation Bonds) amounting to $23,685,000, with an issue value of $21,709,862 net of accretion of $1,975,138. 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) purchasing all rights, title, and interest in certain litigation awards under the MSA entered into by participating cigarette manufacturers, (ii) issuing Tobacco Settlement Asset-Backed Bonds to pay the purchase price for the rights, and (iii) providing funds for hospital and healthcare projects in the United States Virgin Islands.

Interest on the Series 2001 Bonds is payable semi-annually on each May and November 15, beginning with May 2002 for the Term Bonds. The Corporation is responsible for all principal and interest payments on the bonds. The convertible Capital Appreciation Bonds will accrete interest prior to November 15, 2007, and will accrue interest after that date. Interest will compound on May 15 and November 15.

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:

Series 2015 Bonds	Price
September 1, 2025, and thereafter	100%

Pledged Funds, Covenants, and Collateral

The Government has pledged the Federal Highway Grant Revenues 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. Also see Note 17.

Other Direct Placement Bonds or Borrowings

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.

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:

Series 2019 A TIF Revenue and Refunding Bonds	Price
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.

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 31st 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 2019 A 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, 2021, the DSCR amounted to 2.03 and the LTV was 44.0%, 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 further 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. Also see Note 17.

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

Governmental Activities - Matching Funds Revenue Bonds	Series 2009 A Revenue Bonds (Diageo)		Series 2009 A1 & A2 Revenue Bonds		Series 2009 B Revenue Bonds		Series 2009 C Revenue Bonds		Series 2009 A Revenue Bonds (Cruzan)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:										
2022	$ 6,845	$ 13,777	$ 2,195	$ 3,286	$ 24,975	$ 2,934	$ 10,345	$ 647	$ 920	$ 1,872
2023	7,315	13,308	2,300	3,179	9,650	2,068	7,770	194	975	1,815
2024	7,815	12,807	2,410	3,068	1,275	1,795	-	-	1,040	1,755
2025	8,350	12,272	2,530	2,951	26,750	1,094	-	-	1,100	1,691
2026	8,920	11,699	2,655	2,825	8,510	213	-	-	1,170	1,623
2027-2031	54,665	48,439	15,460	11,938	-	-	-	-	7,035	6,933
2032-2036	76,475	26,624	19,850	7,547	-	-	-	-	9,490	4,472
2037-2041	38,590	2,649	19,865	2,049	-	-	-	-	9,935	1,237
Total	$ 208,975	$ 141,575	$ 67,265	$ 36,843	$ 71,160	$ 8,104	$ 18,115	$ 841	$ 31,665	$ 21,398

Governmental Activities - Matching Funds Revenue Bonds	Series 2010 A Revenue Bonds		Series 2010 B Revenue Bonds		Series 2012 A Revenue Bonds		Series 2013 A Revenue and Refunding Bonds		Series 2013 B Revenue and Refunding Bonds		Total Matching Excise Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:												
2022	$ 3,115	$ 14,082	$ -	$ 4,789	$ 1,150	$ 6,764	$ 2,590	$ 515	$ 6,655	$ 1,267	$ 58,790	$ 49,933
2023	19,890	13,507	2,705	4,721	1,250	6,715	2,725	377	6,985	926	61,565	46,810
2024	29,795	12,264	11,010	4,378	1,300	6,658	2,875	231	7,330	569	64,850	43,525
2025	5,915	11,372	11,575	3,814	1,400	6,591	3,025	78	7,705	193	68,350	40,056
2026	33,545	10,385	12,170	3,220	1,500	6,518	-	-	-	-	68,470	36,483
2027-2031	190,930	19,689	55,540	6,023	45,845	30,408	-	-	-	-	369,475	123,430
2032-2036	-	-	-	-	83,770	4,241	-	-	-	-	189,585	42,884
2037-2041	-	-	-	-	-	-	-	-	-	-	68,390	5,935
Total	$ 283,190	$ 81,299	$ 93,000	$ 26,945	$ 136,215	$ 67,895	$ 11,215	$ 1,201	$ 28,675	$ 2,955	$ 949,475	$ 389,056

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

	Series 2006 A Revenue Bonds		Series 2012 A Revenue and Refunding Bonds		Series 2012 B Revenue and Refunding Bonds		Series 2012 C Revenue Bonds		Series 2014 A Revenue Bonds		Series 2014 C Revenue and Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:												
2022	$ 16,295	$ 7,942	$ 1,140	$ 5,939	$ 2,175	$ 883	$ 1,860	$ 1,107	$ 2,000	$ 1,927	$ 6,385	$ 10,526
2023	16,895	7,113	1,430	5,887	2,290	766	1,955	1,012	2,100	1,824	6,705	10,199
2024	17,515	6,253	6,780	5,689	2,415	642	430	952	2,210	1,717	7,045	9,855
2025	18,165	5,361	7,395	5,335	2,545	512	455	930	2,325	1,603	7,385	9,494
2026	18,840	4,435	8,040	4,640	2,680	684	475	907	2,440	1,484	6,595	9,145
2027-2031	82,555	7,871	61,400	17,291	5,805	-	2,770	4,142	14,225	5,408	60,605	39,747
2032-2036	-	-	33,555	1,699	-	-	5,225	3,155	14,235	1,468	103,025	12,062
2037-2041	-	-	-	-	-	-	6,715	1,671	-	-	6,865	3,172
2042-2046	-	-	-	-	-	-	3,190	162	-	-	10,285	1,103
Total	$ 170,265	$ 38,975	$ 119,740	$ 46,480	$ 17,910	$ 3,487	$ 23,075	$ 14,038	$ 39,535	$ 15,431	$ 214,895	$ 105,303

Governmental Activities - Gross Receipts Revenue Bonds

	Series 2014 D Revenue Bonds		Total Gross Receipts Tax Bonds	
	Principal	Interest	Principal	Interest
Maturity Year:				
2022	$ 240	$ 270	$ 30,095	$ 28,594
2023	255	255	31,630	27,056
2024	270	239	36,665	25,347
2025	290	222	38,560	23,457
2026	305	204	39,375	21,499
2027-2031	1,840	712	229,200	75,171
2032-2036	1,395	129	157,435	18,513
2037-2041	-	-	13,580	4,843
2042-2046	-	-	13,475	1,265
Total	$ 4,595	$ 2,031	$ 590,015	$ 225,745

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

	Principal	Interest
Maturity Year:		
2022	$ -	$ 118
2023	-	118
2024	-	118
2025	-	119
2026	-	118
2027-2031	2,365	591
2032-2036	48,145	-
Less, future accretion	(28,309)	-
Total	$ 22,201	$ 1,182

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

	Principal	Interest
Maturity Year:		
2021	$ 4,220	$ 3,356
2022	4,430	3,146
2023	4,650	2,924
2024	4,880	2,691
2025	5,125	2,447
2026-2030	29,735	8,126
2031-2036	14,085	1,065
Total	$ 67,125	$ 23,755

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

	Principal	Interest
Maturity Year:		
2022	$ 528	$ 759
2023	565	719
2024	604	680
2025	650	634
2026	697	588
2027-2030	7,057	1,514
Total	$ 10,101	$ 4,894

(b) Loans and Notes Payable

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 will be due on October 1, 2020.

The 2019 A 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 2019 A TIF Project Developer Loan Note are as follows (expressed in thousands):

	Principal	Interest
Maturity Year:		
2022	$ 14	$ 133
2023	15	132
2024	16	131
2025	17	129
2026	19	128
2027-2031	123	611
2032-2036	185	549
2037-2041	278	457
2042-2046	417	317
2047-2050	481	106
Total	$ 1,565	$ 2,693

2016 A Notes

On October 1, 2016, PFA issued two Subordinate Lien Revenue Notes, Series 2016 A (Virgin Islands Gross Receipts Taxes Loan Notes-Emergency First Responder Project), collectively the “Series 2016 A Notes” in an aggregate amount of up to $10,000,000 to: (i) finance the acquisition of public safety vehicles and related equipment (the “Series 2016 A-1 Project”), and (ii) to finance certain consulting services for the improvement of public safety and security in the Virgin Islands, (the “Series 2016 A-2 Project”), and (iii) to pay certain costs incidental to the issuance of the Series 2016 A Notes. The Series 2016 A Notes matures in 2021 with variable interest rates based on the 90-day London Inter-bank Offered Rate (“LIBOR”) plus 375 basis points.

The Series 2016 A Notes are subject to prepayment by PFA in whole or in part at any time upon 100% payment of the outstanding principal plus interest accrued to the prepayment date. As of September 30, 2021, the outstanding balance was $178,000.

As security for the payment of principal and interest on the Series 2016 A Notes, the Government has pledged and assigned the gross receipts taxes collected by the Government subject and subordinate to the lien on such taxes and revenues in favor of the holder of outstanding bonds and to the Required Annual Moderate Income Housing Deposit. The Government covenants to provide to the PFA within 180 days of the end of each fiscal year a financial report summarizing annual receipts and transfers of gross receipts taxes and substitute revenues.

Future debt service requirements for the 2016 A Notes are as follows (expressed in thousands):

	Principal	Interest
Maturity Year:		
2022	$ 178	$ 1

2014 B Revenue Notes

On September 12, 2014, PFA issued the Subordinate Lien Revenue Notes, Series 2014 B (Virgin Islands Gross Receipts Taxes Loan Note) in the aggregate amount of $14,000,000 (the 2014 B Revenue Notes). The proceeds of the Series 2014 B Revenue Notes were loaned to the Government under the same terms, for the purposes of (i) financing general obligations of the Government and (ii) paying certain costs of issuing the 2014 B Notes. Principal was payable in eighty-four (84) consecutive monthly principal installments commencing on November 1, 2014. Interest was assessed at 375 points above the 90-day LIBOR rate. As of September 30, 2021, the 2014 B Revenue Notes has been paid.

(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, 2021, the PG owed $96.1 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 it repays the loan fully. For calendar year 2021, the credit reduction rate increased from 3.0% to 3.3%.

During the year ended September 30, 2021, the PG borrowed $31.2 million from the UTF. The UTF loan was not subject to interest from October 1, 2020 through September 7, 2021, due to a temporary suspension on the accrual of interest on federal loans to pay unemployment benefits and a waiver of interest payments through September 7, 2021, provided by the Families First Coronavirus Response Act. The PG paid interest from September 7, 2021 through September 30, 2021, in the amount of $144,800, with an assessed interest rate by U.S. Treasury of 2.3%.

(d) Loan Payable – The West Indian Company Limited

Consolidated Bank Loan

In July 2017, WICO consolidated various loans with Banco Popular de Puerto Rico (the Bank) in the amount of $42,697,836 at a fixed interest rate of 5.3% per annum, amortized on a 25-year term with a final maturity date of July 2022. Upon maturity, should WICO stay in compliance with the current terms of the loan, it may refinance the loan for a term not to exceed twenty (20) years, subject to new terms and conditions.

WICO may prepay the loan, however there is a prepayment penalty of 2.0% of the outstanding principal of the loan. Security and collateral for the loan include a first-priority security interest in WICO's assets, a pledge of WICO's revenues and the unlimited continuing repayment guarantee from PFA in the event of a default. The loan contains a provision that in an event of default, the Bank may by written notice to WICO (i) immediately terminate the commitments of the Bank and (ii) declare the principal and interest accrued on the loan due and payable.

WICO must also maintain insurance on its facilities at full replacement cost value and business interruption insurance equal to one year's net revenues. WICO is required to pay all payments in lieu of taxes (PILOT) to the PG.

In May 2020, WICO was notified by Banco Popular de Puerto Rico that monthly payments on the outstanding loan balance would be deferred for 90 days as a result of the pandemic. In September 2020, an additional 90-day moratorium was granted to WICO with regular repayments resuming in November 2020.

WICO is required to maintain a Debt Service Reserve Account (DSR) with the bank in the amount of $2.2 million. WICO is also required to maintain a Debt Service Coverage Ratio Reserve (DSCR) with the amount of the shortfall, if any, between WICO's earnings before interest, taxes, depreciation, and amortization (EBITDA), so that net revenues are not less than 1.25 times annual debt service payments. WICO is also required to maintain a Fixed Coverage Ratio (FCR) of 1.10 times EBITDA divided by the current portion of long-term debt (CPLTD) plus interest expense, PILOT, maintenance, and capital expenses. WICO may not declare dividends during the term of the loan, and no additional equity interests may be granted without the lender's approval. The loan agreement also requires WICO to deliver the year-end audited financial statements within 180 days of its fiscal year end.

For the year ended September 30, 2021, WICO was not in compliance with the DSR, DSCR, and FCR and audit reporting requirement. The loan agreement considers any noncompliance of the covenants as default. However, as further discussed in Note 19, WICO issued certain bonds, the proceeds of which were utilized to prepay the outstanding loan balance and WICO entered into loan termination, pledge termination, and guaranty termination agreements with the Bank, documenting the close of the consolidated bank loans.

Paycheck Protection Program (PPP) Loan

In May 2020, WICO received an initial set of certain proceeds in the amount of $464,400 from the Paycheck Protection Program (PPP). The arrangement was guaranteed by the Small Business Administration (SBA) and was not required to be collateralized or have any covenants. WICO did not expend any of these loan proceeds pending the completion of an analysis with respect to its qualification in the newly established program. The loan proceeds, including interest were subsequently returned to the lender in March 2021.

In April 2021, WICO received a SBA guaranteed PPP loan in the amount of $717,200. The loan was subject to a fixed interest of 1.0%. The maturity of the loan is five years from the date of the first disbursement of the loan. WICO applied for forgiveness of the loan in May 2022 and the loan was forgiven in October 2022.

Future principal payments on the WICO loans payable are as follows (expressed in thousands):

	Principal	Interest	Total
Maturity Year:			
2022	$ 42,397	$ 1,990	$ 44,387

(e) Insurance Guaranty Fund Minimum Balance Requirement

Under Title 22, Chapter 10 of the V.I. Code, 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. In the event the balance in the Insurance Guaranty Fund equals or exceeds $20.0 million, amounts in excess thereof shall be deposited, at the direction of the Commissioner of Finance, into the General Fund. Effective September 30, 2022, the Legislature increased the minimum balance to $50.0 million.

Component Units

Bonds payable of discretely presented component units are those liabilities that are paid out of resources pledged by such entities. Bonds payable is presented as of September 30, 2021, (expressed in thousands):

	Maturity	Interest Rate (%)	Balance*
Bonds Payable			
Virgin Islands Water and Power Authority (Electric System):			
Bond Anticipation Notes of 2020 A	2022	7.75	$ 39,380
Bond Anticipation Notes of 2018 C	2033	2.38 - 2.90	17,500
Revenue Bonds of 2012	2025	4.00 - 6.06	31,365
Revenue Bonds of 2010	2035	5.00 - 6.85	42,485
Revenue Bonds of 2007 A	2031	5.00	57,585
Revenue Bonds of 2003	2028	4.00 - 5.00	32,990
Rural Utilities Service Note	2035	1.62	10,473
Virgin Islands Water and Power Authority (Water System):			
Revenue Bonds of 2018	2033	2.30 - 2.90	75,000
Virgin Islands Port Authority:			
Series A Revenue Bonds of 2014	2033	4.00 - 5.00	16,720
Series B Revenue Bonds of 2014	2044	3.00 - 5.00	11,030
Series C Revenue Bonds of 2014	2025	2.00 - 5.00	3,920
Subtotal			338,448
Plus, unamortized premium			3,179
Bonds payable, net			341,627
Less amount due within one year			(15,367)
Bonds payable, due in more than one year			$ 326,260

**Unaudited*

The changes in bonds payable for discretely presented component units are as follows for the year ended September 30, 2021 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Virgin Islands Water and Power Authority:						
Electric System*	$ 257,820	$ 39,995	$ 63,862	$ 233,953	$ 12,386	$ 221,567
Water System*	75,000	-	-	75,000	-	75,000
University of the Virgin Islands*	72,237	-	72,237	-	-	-
Virgin Islands Port Authority*	35,954	-	3,280	32,674	2,981	29,693
Total	$ 441,011	$ 39,995	$ 139,379	$ 341,627	$ 15,367	$ 326,260

**Unaudited*

The changes in notes payable, line of credit payable, and other long-term liabilities for discretely presented component units are as follows for the year ended September 30, 2021 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Notes payable						
Virgin Islands Port Authority*	$ 1,160	$ 7,686	$ 1,465	$ 7,381	$ 7,381	$ -
University of the Virgin Islands*	23,697	-	2,011	21,686	133	21,553
Virgin Islands Housing Finance Authority	777	-	83	694	84	610
Other component units**	9,571	-	5,559	4,012	609	3,403
Total	$ 35,205	$ 7,686	$ 9,118	$ 33,773	$ 8,207	$ 25,566
Line of credit payable						
Virgin Islands Water and Power Authority:						
Electric System*	$ 33,262	$ -	$ -	$ 33,262	$ 33,262	$ -
Water System*	2,739	1	-	2,740	-	2,740
Virgin Islands Waste Management Authority	1,000	2,750	-	3,750	3,750	-
Total	$ 37,001	$ 2,751	$ -	$ 39,752	$ 37,012	$ 2,740
Other long-term liabilities:						
Virgin Islands Housing Authority	$ 2,314	$ 165	$ 307	$ 2,172	$ 1,549	$ 623
Virgin Islands Port Authority*	2,882	367	711	2,538	974	1,564
Virgin Islands Water and Power Authority:						
Electric System*	135,024	-	12,441	122,583	14,517	108,066
Water System*	1,974	-	1,974	-	-	-
Hospital and Health Facilities Corporation:						
Schneider Regional Medical*	4,114	286	-	4,400	4,400	-
Juan F. Luis Hospital*	8,554	-	8,554	-	-	-
University of the Virgin Islands*	5,872	10	37	5,845	-	5,845
Virgin Islands Housing Finance Authority	9,749	230	61	9,918	1,037	8,881
Other component units**	3,387	1,219	212	4,394	1,294	3,100
Total	$ 173,870	$ 2,277	$ 24,297	$ 151,850	$ 23,771	$ 128,079

**Unaudited; **University of the Virgin Islands Research and Technology Park Corporation (unaudited)*

(a) Bonds Payable

Virgin Islands Water and Power Authority – Electric System Bond Anticipation of 2018 C & 2020 A (unaudited)

On November 28, 2018, the Electric System's Board authorized the issuance of Bond Anticipation Notes in a principal amount not to exceed $30.0 million, the Series 2018 C Bond Anticipation Notes (BAN). The 2018 C BANs were being issued to evidence the debt in respect of a Community Disaster Loan made by United States of America, acting through FEMA. The form of the Series 2018 C BANs allows for multiple draws by the Electric System. During the year ended June 30, 2019, the Electric System drew down $17.5 million to provide additional working capital for fuel invoices, payroll, and other critical operating expenses. No additional draws were made in fiscal year 2021. The rate on the BANs was 2.4% to 2.9%, maturing July 1, 2033. The Community Disaster Loans made through FEMA were cancelled on September 30, 2021, with the passage of H.R. 5305, the "Extending Government Funding and Delivering Emergency Assistance Act."

On October 22, 2020, the Electric System's Board authorized the issuance of Bond Anticipation Notes in a principal amount of $38.4 million, the Series 2020 A Bond Anticipation Notes. The proceeds of the Series 2020 A Bond Anticipation Notes were used to (i) refund the Electric System's Series 2018B Bond Anticipation Notes, (ii) make deposits into reserve accounts to satisfy the Series 2020 A Note Reserve Requirement, and (iii) pay certain costs in connection with the issuance of the Series 2020 A Bond Anticipation Notes.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2012 (unaudited)

In May 2012, the Electric System issued $69.1 million in bonds made up as, $17.4 million in 2012 A Electric System Revenue Refunding Bonds, $19.7 million in 2012 B Electric System Subordinated Revenue Bonds, and $32.0 million in 2012 C Electric System Subordinated Revenue Bonds. The proceeds of the Series 2012 A Bonds were used to (i) refund the Electric System's Electric System Revenue Refunding Bonds, Series 1998 and (ii) pay certain costs of issuance of the Series 2012 A Bonds. The proceeds of the Series 2012B Bonds were used to (i) refinance a portion of the Electric System's Electric System Term Loan, (ii) make a deposit into the Subordinated Debt Service Reserve Fund sufficient to satisfy the Series 2012 B Subordinated Debt Service Reserve Fund Requirement, and (iii) pay certain costs of issuance of the Series 2012 B Bonds. The proceeds of the Series 2012 C Bonds were used 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.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2010 (unaudited)

In March 2010, the Electric System issued $85.3 million in bonds made up as, $39.1 million in 2010 A Electric System Revenue Refunding Bonds, $8.9 million in 2010 B Electric System Revenue Bonds, and $37.3 million in 2010 C Electric System Revenue Bonds. The proceeds of the Series 2010 A Bonds were used to refund a portion of the Electric System Revenue Refunding Bonds, Series 1998. The proceeds of the Series 2010 B Bonds were used to finance certain capital expenditures temporarily funded through draws on a line of credit ($9.0 million) and to make certain deposits into the Debt Service Revenue Fund sufficient to satisfy the Debt Service Reserve Fund requirement.

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. The proceeds of the three series were also used to pay certain costs of issuance of the 2010 A, 2010 B, and 2010 C Bonds.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2007 A (unaudited)

In June 2007, the Electric System issued $57.6 million in 2007 A Electric System Subordinated Revenue Bonds. The proceeds of the Series 2007 A Bonds were used to (i) finance costs of certain capital improvements, (i) 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.

Virgin Islands Water and Power Authority – Electric System Revenue Bonds of 2003 (unaudited)

In June 2003, the Electric System issued $69.9 million in Electric System Revenue Bonds, Series 2003. 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 Series 2003 Bonds maturing on or after July 1, 2013, shall be 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 Water and Power Authority – Electric System Utilities Service (RUS) Note (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 WAPA'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, WAPA 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 WAPA on May 17, 2007, as amended and supplemented (the Subordinated Bond Resolution), WAPA 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.

Virgin Islands Water and Power Authority – Water System Revenue Bonds of 2018 (unaudited)

In November 2017, to fund its working capital needs in the aftermath of Hurricanes Irma and Maria, the Water System obtained $31.0 million under the Community Disaster Loan program administered by FEMA. In March 2018, the Water System entered into another loan for $44.0 million and refinanced the existing $31.0 million for a combined loan of $75.0 million, secured as a first lien of the Water System's revenues. The proceeds of these loans were used to provide working capital mostly for fuel invoices, payroll, and other critical operating expenses. While the loan is reflected under the Water System, the payment of principal and interest is subject to an intercompany agreement whereby 17.0% will be allocated to the Water System and 83.0% to the Electric System. The interest rate varies with each drawdown, ranging from 2.3% to 2.9%. The first interest payment was due July 1, 2021, with subsequent payments due semiannually. The first principal payment is due July 1, 2022, with subsequent payments due semiannually.

On September 30, 2021, the Community Disaster Loan was cancelled with the passage of H.R. 5305, the "Extending Government Funding and Delivering Emergency Assistance Act."

University of the Virgin Islands – Series A Bonds (unaudited)

In June 2011, the University entered into two capital project loan agreements under the U.S. Department of Education's Historically Black College and University (HBCU) Capital Financing Program for various capital projects. Under these loan agreements, the University was authorized to drawdown advances up to $44.0 million under the Series A 2011-2 Bonds and up to $16.0 million under the Series A 2011-3 Bonds. The Series A 2011-2 Bonds have maturity dates through August 1, 2034, and the Series A 2011-3 Bonds have maturity dates through August 1, 2040. Interest payments are due in February and August. Interest on the Series A 2011-2 Bonds is calculated at 3.5% and interest on the Series A 2011-3 Bonds is variable and calculated from the date of each advance using the long-term U.S. Treasury Rate on that day.

In February 2015, the University obtained an additional HBCU capital loan agreement, the Series A 2015-1 Bonds, for a maximum loan amount of $19.0 million to finance various capital projects, and stated to mature on February 1, 2045.

In November 2019, the University entered into an additional HBCU capital loan agreement, the Series A 2019-7 Bonds, for a maximum loan amount of $32.0 million. The proceeds from the Series A 2019-7 Bonds were utilized to refund the outstanding Bond Series A 2011-3 and Series A 2015-1. As a result, the Series A 2011-3 and Series A 2015-1 Bonds were fully paid off and the University recognized a deferred charge on debt refunding amounting to $3.5 million.

Also, in November 2019, the University entered into a second HBCU capital loan agreement, the Series A 2019-8 Bonds, for a maximum loan amount of $15.0 million on which the University drew down $10.1 million for capital projects. Interest on these 2019 Bonds is variable and calculated from the date of each advance at a variable, adjustable, or floating rate. The interest rate was 2.3% as of September 30, 2020 and is paid semi-annually.

During August 2020, the University's Series A 2011-2 and Series A 2019-7 Bonds were modified under the "Coronavirus Aid, Relief, and Economic Security (CARES)" Act to defer principal and interest payments retroactively to October 1, 2019. During the deferment period, the University was not required to make periodic installments of both principal and interest as required.

Additionally, because of this provision, approximately $3.0 million of principal and interest payments made during fiscal year 2020 were refunded to the University during fiscal year 2021.

Virgin Islands Port Authority – Series A, B, and C Revenue Bonds of 2014 (unaudited)

In October 2014, VIPA issued the 2014 Series Revenue Bonds A, B & C amounting to $48.6 million, with an average interest rate of 4.7%. 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.

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 were as follows on September 30, 2021 (expressed in thousands):

	Principal	Interest
Maturity Year:		
2022	$ 15,367	$ 19,772
2023	64,856	16,264
2024	25,344	11,224
2025	26,437	10,118
2026	51,918	13,611
2027-2031	97,086	22,801
2032-2036	51,916	9,324
2037-2041	4,524	1,083
2042-2044	1,000	88
Total	338,448	$ 104,285
Plus, unamortized premium	3,179	
Bonds payable, net	$ 341,627*	

**Unaudited*

(b) Notes Payable

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.

In September 2018, the University extended its loan agreement with First Bank for $30.0 million to assist in establishing a School of Medicine. Initially, the loan was a non-revolving line of credit and converted into a general obligation note "Series 2018". The note bears interest at the JP Morgan Chase Prime Rate plus 70 basis points, subject to a minimum interest rate of 3.95% each month thereafter until payment of the principal.

In November 2021, and as further discussed in Note 19, the University repaid the outstanding note balance, documenting the close of the general obligation note.

Virgin Islands Port Authority (unaudited)

In April 2021, VIPA obtained a short-term note used to finance VIPA's insurance premiums. The outstanding balance of $1.3 million was paid off in December 2021.

UVI Research and Technology Park Corporation (unaudited)

In February 2013, RTPark obtained a $3.0 million loan from a member. A portion of the loan proceeds was used to repay a previous loan from the University to complete construction on 64 West Center. This loan has a 6.8% interest rate and is payable over 15 years. The loan is secured by RTPark's tangible and intangible property.

In March 2015, RTPark settled an on-going dispute with a member through arbitration for $1.5 million. RTPark obtained a $1.5 million loan from the Foundation of the University to pay the settlement amount. The loan is payable over 7 years at a 5.0% interest rate.

In June 2016, RTPark entered into $1.2 million notes payable arrangements with the University for repayment of administrative expenses incurred prior to 2014. The notes payable has a 2.4% interest rate and are payable over six years. Interest is deferred on the note until May 31, 2023.

(c) Line of Credit Payable

Virgin Islands Water and Power Authority (unaudited)

As of June 30, 2021, the Electric System of WAPA reported $33.3 million outstanding under bank lines of credit for working capital purposes. Interest on amounts borrowed is payable quarterly at a variable interest rate of prime plus 0.50%, or 90-day London Interbank Offered Rate (LIBOR) plus 3.5-4.5%. Subsequent to the financial reporting date, the lines were extended to have a maturity of April 2024. There are certain financial reporting covenants that the Electric System must comply with in connection with the lines of credit. The agreements require the Electric System to deliver audited financial statements within 180 days after the end of its fiscal year.

As of June 30, 2021, the Water System of WAPA has available bank lines of credit of $2.0 million for capital projects and $300,000 for working capital purposes. Interest on amounts borrowed is payable quarterly at a variable interest rate of prime plus 0.5%, or the 90-day London Inter-Bank Offer Rate (LIBOR) plus 4.5%. The Water System has the option to select the variable interest rate to utilize for any borrowings on these notes. As of June 30, 2021, there was $2.7 million outstanding under the lines of credit with a maturity of April 2024. Furthermore, there are certain financial reporting covenants that the Water System must comply with. The agreements require the Water System to deliver audited financial statements within 180 days after the end of its fiscal year.

Virgin Islands Waste Management Authority

On December 31, 2018, VIWMA entered into a secured credit agreement (Agreement) consisting of a $4.0 million revolving credit facility. The maturity date of the Agreement is every 12 months. The Agreement was established to supplement any delays in receiving monthly and quarterly allotments from the Government and reimbursements for allowable expenses related to federal programs. The Agreement is secured by certificates of deposit in the amount of $4.0 million, which have been assigned to the bank and are available at all times to be held as collateral for the repayment of outstanding loan balances and related costs. The credit facility bears an interest rate of 2.5% per annum. The Agreement contains various customary representations, warranties, and covenants by VIWMA. VIWMA believes it was in substantial compliance with the various covenants as of September 30, 2021.

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 (ARP) Act of 2021.” During fiscal year 2021, the PG incurred expenditures of $59.8 million for eligible program activities, including subawards and payroll disbursements and has reflected the unspent balance of $573.4 million as a refundable advance.

12. General Tax Revenue

For the year ended September 30, 2021, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 406,803	$ -	$ -	$ 406,803
Real property taxes	46,423	-	5,683	52,106
Gross receipts taxes	5,000	235,124	250	240,374
Excise taxes	174,711	108,324	5,266	288,301
Other taxes	95,260	-	6,839	102,099
	$ 728,197	$ 343,448	$ 18,038	
Tax revenue recognized on the full accrual basis				15,640
Total tax revenue – government-wide				$ 1,105,323

13. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet – Governmental Funds as of September 30, 2021, (expressed in thousands):

	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total
Restricted for:						
Debt service	$ -	$ 292,443	$ -	$ -	$ -	$ 292,443
Capital projects	-	-	103,052	-	-	103,052
General government	-	-	-	-	9,531	9,531
Health	-	-	-	-	3,817	3,817
Public housing and welfare	-	-	-	-	5,711	5,711
Transportation and communication	-	-	-	-	4,723	4,723
Culture and recreation	-	-	-	-	8	8
Total	-	292,443	103,052	-	23,790	419,285
Committed to:						
General government	34,669	-	-	-	$ 12,615	$ 47,284
Public safety	-	-	-	-	17	17
Public housing and welfare	-	-	-	-	177	177
Transportation and communication	-	-	-	-	9,693	9,693
Culture and recreation	-	-	-	-	327	327
Total	34,669	-	-	-	22,829	57,498
Assigned to:						
General government	1,442	-	-	-	123,255	124,697
Public safety	-	-	-	-	1,219	1,219
Health	-	-	-	-	6,297	6,297
Public housing and welfare	-	-	-	-	7,121	7,121
Education	-	-	-	-	-	-
Transportation and communication	-	-	-	-	10,103	10,103
Culture and recreation	-	-	-	-	1,272	1,272
Total	$ 1,442	$ -	$ -	$ -	$ 149,267	$ 150,709
Unassigned	$ (132,692)	$ -	$ -	$ (91,488)	$ (58,623)	$ (282,803)
Total Funds Balances	$ (96,581)	$ 292,443	$ 103,052	$ (91,488)	$ 137,263	$ 344,689

The committed and assigned fund balances include approximately $208.2 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.

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. As of September 30, 2021, 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 6,008 government workers, approximately 4,444 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.

In accordance with Title 24, Section 374(h) of the Virgin Islands Code, the Government may not make payments of retroactive salaries until there is an appropriation of funds by the Legislature. In December 2020, the Legislature appropriated $10.0 million in Act No. 8411 for retroactive payments to retirees over 65. During the year ended September 30, 2021, $7.0 million of this appropriation was paid. As of September 30, 2021, the contractual liability for retroactive union arbitration salary amounted to $188.3 million.

(b) Federal Assistance Programs

The Government receives financial assistance from the federal government in the form of loans, grants, and entitlements. Monetary and nonmonetary federal financial assistance to governmental funds amounted to approximately $840.4 million and $67.6 million, respectively, for the year ended September 30, 2021.

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.

During the year ended September 30, 2021, the Government received unrestricted federal grants due to the COVID-19 pandemic in the amount of $143.7 million. In accordance with federal guidelines, these grants are reported as an "other financing source" of COVID-19 pandemic relief assistance. The Government also reported federal cancellation of Community Disaster Loans amounting to $150.1 million as special item.

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.

(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 U.S. 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 $12.5 million for awarded and anticipated unfavorable judgments as of September 30, 2021.

Changes in the reported provision for legal claims during September 30, 2021, resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2020	New Claims	Claims Payments and Changes in Estimates	Ending Balance on September 30, 2021
Provision for legal claims	$ 18,058	$ 547	$ (6,067)	$ 12,538

The breakdown of the provision for legal claims on September 30, 2021, as reflected in governmental activities, is as follows (expressed in thousands):

Current portion	$ 4,665
Long-term portion	7,873
	$ 12,538

(f) 8.0% Salary Reduction

On August 21, 2021, the Legislature of the Virgin Islands enacted Act. No. 8469, allowing the restoration of Government wages reduced by 8.0% during the years 2011-2013. Wage reductions were a cost-cutting measure due to the economic downturn following the 2008 recession. Repayments to restore the wage reductions began in November 2021 to covered employees.

(g) 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 $118.8 million reported as landfill compliance, closure, and post-closure care liability on September 30, 2021, 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, 2021.

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

Landfill	Estimated Used capacity	Estimated Closure date
Bovoni	97%	2025
Anguilla	95%	2025
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.

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.

(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. 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 U.S. 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 risks 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.

Changes in the worker's compensation liability amount in fiscal year 2021, as recorded in the Government Insurance Fund, are as follows (expressed in thousands):

September 30,	2021
Claims payable, beginning of year	$ 57,927
Incurred claims and changes in estimates	2,887
Payments for claims and adjustments expenses	(7,625)
Claims payable, end of year	$ 53,189

(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.

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. Most recently, Moody's had served as a reference rating for WAPA. The ratings for WAPA were withdrawn on March 1, 2023, because of insufficient information to support the maintenance of bond ratings.

(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.

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. As part of the operating agreement Limetree receives exemption from property taxes, income taxes, and local taxes. Limetree will be subject to a concession payment of 10.0% of terminal revenues. 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, 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 years from November 30, 2017, and provisions for the parties to extend the contract in two-year increments by mutual agreement.

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. In December 2018, the 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 the $80.0 million as specified in the second amendment. As of September 30, 2021, the amount due to the disaster recovery consultants related to these contracts was $117.6 million.

On May 4, 2018, PFA entered into Memorandums of Understanding (MOU) with WAPA and with 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 WAPA and VIHFA for approval, and remitted back to PFA for submittal to federal grantors and payment.

(n) 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 Virgin Islands rum producers to ensure the competitive pricing of rum produced in the Virgin Islands. The effect of the molasses payments is to maintain the competitive position of the 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 therefore result in a reduction of the federal excise taxes returned to the Government by the United States Government.

On December 18, 2015, Congress retroactively extended the $13.25 per proof gallon rum excise tax rate from January 1, 2015, through December 31, 2016, with the Protecting Americans from Tax Hikes (PATH) Act. The Tax Cuts and Jobs Act passed by Congress in December 2017 retroactively extended the $13.25 per proof gallon rum excise tax rate from January 1, 2017, to December 31, 2021. Effective January 1, 2022, the per proof gallon rate returned to the original $10.50 per proof gallon amount.

Pension Trust Fund

(a) Pension Reform

In 2011, in response to a recommendation from 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 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 again increased employer contributions to the pension plan by 3.0%, from 20.5% to 23.5%.

In March 2016, the Office of the Virgin Islands Inspector General issued a report on the alternative investment program administered by GERS. The report concluded that the non-traditional investments of the retirement system were subject to higher risks than other GERS assets. In September 2016, GERS sponsored a public summit to present projections of investment returns and future benefit payments for the system. The actuarial valuation and review of the pension plan as of October 1, 2021, projected the assets of GERS will be depleted by March 2025, without receiving payments on the GERS Funding Note. If payments to the GERS Funding Note are received as scheduled, the System is projected to remain solvent through 2038. Also see Note 19.

Component Units

(a) Virgin Islands Waste Management Authority

On October 26, 2016, the VIWMA entered into 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, 2021, the amount remaining in the escrow account was $418,000.

(b) Virgin Islands Water and Power Authority – Electric System (unaudited)

In connection with certain FEMA overpayments related to the 1989 Hurricane Hugo, the Electric System recorded a liability of $4.1 million. Currently FEMA and its subrecipient, the PG, do not have a mechanism for recovering overpayment of disaster-related funds. FEMA has not made a request for repayment of the funds and in the Electric System's management's opinion, the matter will not have a material effect on the Electric System's changes in financial position or cash flows.

In the aftermath of Hurricanes Irma and Maria in September 2017, catastrophic damage to the Electric System rendered 90% of the system destroyed. The Electric System had purchased commercial insurance to cover the risk of loss from destruction of assets. The commercial insurance carried a $5.0 million deductible per event. The transmission and distribution system which sustained the most damage is not covered under this policy.

Initially, the Electric System did not file a claim as the estimated damage to insurable assets was less than the $5.0 million deductible. However, on September 6, 2019, the Electric System filed suit against the insurers for damages related to the storms, including compensatory and punitive damages. As of the date of the basic financial statements, the resolution of the suit remains pending.

In 2012, the Electric System leased a temporary 22-megawatt mobile power plant for $14.6 million for eighteen (18) months through October 2013. The lease has since been reevaluated and extended for short term periods (between 2 to 12 months) with the final extension through December 31, 2020. Also in May 2019, another temporary unit was leased from a different vendor for an initial period of 104 weeks and starting in June 2020, an additional unit was leased for a period of two (2) years. Total lease payments for the fiscal year ended June 30, 2021, was $12.9 million.

WAPA 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. WAPA 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.

(c) Virgin Islands Water and Power Authority – Water System (unaudited)

In 2011, the Water System of WAPA 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 WAPA. The agreements both have twenty (20) year terms expiring through 2032. The amount paid to Seven Seas Corporation by the Water System for the fiscal year ended June 30, 2021, amounted to $6.2 million.

(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. 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.

Global Pandemic

In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to the coronavirus pandemic known as COVID-19. The state of emergency was approved by the President of the United States under the provisions of the Stafford Act and the National Emergencies Act. A Federally approved state of emergency activates federal assistance to states in the form of financial, logistical, and technical assistance. The state of emergency also activates other emergency response protocols and systems to protect citizenry such as stay-at-home orders, travel restrictions, and social distancing requirements.

As the emergency measures are eased, management continues to actively monitor the evolving impact of the COVID-19 outbreak on its financial condition, including the duration of the closings, speed of recovery, and impact on demand. Management further continues to identify and implement various additional mitigation efforts to minimize the impact on results of operations, financial position, and liquidity.

Also, in March 2020, the President of the United States signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to state, territorial, local, and tribal governments. For the fiscal year ended September 30, 2021, the Government reported $143.7 million as an other item in the accompanying Statement of Activities. Also see Note 19.

15. Retirement Systems

Primary Government

Following is a description of the pension plan and accounting for pension expenses, liabilities, and deferred outflows/inflows of resources.

(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), 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. 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 Government Employees' Retirement System 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 member's annual salary during the fiscal year ended September 30, 2021.

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2021:

	Tier 1	Tier 2
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%

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

Valuation Date:	October 1, 2020
Measurement Date:	September 30, 2020
Measurement Period:	October 1, 2019 – September 30, 2020

The PG is considered an employer of the plan with a proportionate share of 78.38% as of September 30, 2020, which was a decrease of 0.55% from its proportionate share measured as of September 30, 2019. The PG's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2015, through September 30, 2020. The PG's proportionate share of employer contributions recognized by GERS was $74.8 million for the plan's fiscal year ended September 30, 2020.

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

As of September 30, 2021, the actuarially calculated net pension liability of the PG was $4.5 billion. The net pension liability is measured as of September 30, 2020, and the total pension liability is actuarially computed as of October 1, 2020.

For the year ended September 30, 2021, the Government recognized $370.9 million of pension expense, inclusive of amortization of deferred outflows of 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, 2021, (expressed in thousands):

Governmental Activities	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 38,674	$ 1,543
Net difference between projected and actual investment earnings on pension plan investments	-	5,384
Changes in assumptions	878,803	258,037
Changes in proportion and differences between contributions and proportional share of contributions	79,440	29,978
Contributions made after measurement date	74,817	-
Total	$ 1,071,734	$ 294,942

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,	
2022	$ 173,168
2023	174,528
2024	113,231
2025	152,248
2026	44,400
Thereafter	44,400
Total	$ 701,975

(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, 2020, is provided below.

Refer to the October 1, 2020, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

Inflation Rate	2.00%
Salary Increases	3.25% including inflation
Actuarial Cost Method	Entry age normal
Expected Rate of Return	4.00%
Municipal Bond Yield	2.21%
Discount Rate	2.23%
Mortality Table	RP-2014 Blue Collar

The demographic assumptions for the 2020 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2011, through September 30, 2015, with the net investment return assumption updated for the October 1, 2020, valuation.

(e) Investment Rate of Return

The long-term expected rate of return of 4.00% on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	9%	6.23%
Fixed income	60%	0.98%
Real Estate	10%	4.33%
Cash	12%	0.48%
Private Equities (Alternatives)	9%	10.23%
Total	100%	

(f) Discount Rate

The discount rate used to measure total pension liability was 2.23% as of September 30, 2020, which was a decrease of 0.44% from the discount rate of 2.67% as of September 30, 2019. 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 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 4.0% 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, 2020, that rate was 2.21%.

(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 2.23%, 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, 2021, (expressed in thousands):

	1.00% Decrease (1.23%)	Current Discount (2.23%)	1.00% Increase (3.23%)
Net pension liability	$ 5,252,869	$ 4,527,445	$ 3,934,979

(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. 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 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. Also see Note 19.

(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.usvigers.com. Actuarial reports of GERS are available at http://www.usvigers.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.usvigers.com/Reports/Audited FinancialReports.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 $48,000 for the year ended September 30, 2021. 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 2.0% of the eligible employee's compensation. viNGN contributed $37,225 in matching employer contributions for the year ended September 30, 2021. viNGN does not offer other post-retirement benefits to its employees.

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

Primary Government

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.

(a) 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 of the Virgin Islands. 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 the 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.

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 reaching 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 and 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

(b) 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 Division of Personnel. Active and retired employees are responsible for 35.0% of the cost of group insurance costs. 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.

(c) Employees Covered by the Plan

As of October 1, 2019, the following employees were covered by the Government's postemployment benefits plan:

Valuation Date of October 1, 2019	Primary Government	Component Units	Total
Active employees	7,945	750	8,695
Retired employees	7,755	147	7,902
Deferred vested retirees	102	6	108
Disability retirees	301	9	310
Total	16,103	912	17,015

Primary Government	14,632
Component units included in Primary Government's OPEB expense under special funding arrangement	1,471
Total	16,103

(d) OPEB Liability

The PG's proportionate share of the total liability was 95.115% as of October 1, 2020, which was a decrease of 0.22% from its proportionate share measured as of October 1, 2019, The PG's percentage was determined based on its respective census information provided to the actuary. The PG's total OPEB liability amounted to $992.3 million which includes the PG's share of the component unit liabilities under the special funding arrangement of $79.6 million.

Following is the total OPEB liability at September 30,2021 (expressed in thousands):

	September 30, 2021
Primary Government	$ 992,301
Component units	48,554
Total OPEB Liability	$ 1,040,855

(e) 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, 2019
Measurement date:	October 1, 2020
Report date:	September 30, 2021
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Recognition Period of 6 Years
Salary increases:	Payroll Growth of 3.25% per year
Discount rate:	Beginning of Year Rate of 3.58% End of Year Rate of 2.14% S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2020
Healthcare cost trend rates:	Pre-Medicare Increases of 5.50% in 2021 to 4.50% in 2021 Medicare Increases of 4.75% in 2021 to 4.50% in 2022 Dental Increases of 4.75% in 2021 to 4.50% in 2023
Inflation:	2.0% Implicit Rate in Healthcare Trend Analysis
Retirees share of costs:	35.0% of Medical and Dental Premiums and Noncontributory Life Insurance Coverage. Retirees of UVI 403(b) plan pay 100% of coverage
Mortality:	RP-2014 Blue Collar Mortality Generational Table Adjusted 110.0% with Scale MP-2015 for Healthy Lives. For Disability Retirees, RP-2014 Disabled Mortality Generational Table Adjusted 125.0% with Scale MP-2015
Marital status:	Assumed 50.0% of Future Male Retirees and 25.0% of Future Female Retirees Cover Spouses in Retirement Husbands Assumed to be 3 Years Older Than Spouse Subsidized Coverage of Spouses and Dependents Ceases Upon Death
Actuarial Experience Study	The actuarial assumptions used in the October 1, 2019, valuation are based on the results of an actuarial data experience study for the period October 1, 2011 – September 30, 2015

(f) Changes in Assumptions

The discount rate changed from 3.58% in the prior valuation to 2.14% as of September 30, 2020.

(g) Changes in Total OPEB Liability

Following are the components of change in the proportionate OPEB liability for the year ended September 30, 2021 (expressed in thousands):

	Primary Government	Component Units	Total
Beginning balances	$ 786,756	$ 36,616	$ 823,372
Changes for the year:			
Service cost	25,885	1,716	27,601
Interest	28,508	1,357	29,865
Changes in assumptions or other input	184,091	9,728	193,819
Expected benefit payments	(32,939)	(863)	(33,802)
Net changes	205,545	11,938	217,483
Ending balances	$ 992,301	$ 48,554	$ 1,040,855

Primary Government	$ 912,700
Component Units Included in Primary Government's OPEB liability under special funding arrangement	79,601
Total OPEB Liability on September 30, 2021	$ 992,301

(h) OPEB Expense, Deferred Inflows of Resources, and Deferred Outflows of Resources

For the fiscal year ended September 30, 2021, the OPEB expense of the PG amounted to $68.9 million as follows (expressed in thousands):

	Primary Government	Component Units	Total
Service cost	$ 25,885	$ 1,716	$ 27,601
Interest on the total OPEB liability and net cash flow	28,508	1,357	29,865
Current period effect in change in assumptions	14,529	902	15,431
Total OPEB Expense	$ 68,922	$ 3,975	$ 72,897

Primary Government	$ 61,177
Component Units Included in Primary Government's OPEB expense under special funding arrangement	7,745
Total OPEB Expense	$ 68,922

As of September 30, 2021, 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	$ 168,590	$ 8,844	$ 177,434

Primary Government	$ 151,145
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement	17,445
Total	$ 168,590

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
2022	$ 32,738	$ 1,715	$ 34,453
2023	32,738	1,715	34,453
2024	32,738	1,715	34,453
2025	32,737	1,714	34,451
2026	30,275	1,596	31,871
2027 and after	7,364	389	7,753
Total	$ 168,590	$ 8,844	$ 177,434

As of September 30, 2021, 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	$ 57,889	$ 2,510	$ 60,399

Primary Government	$ 6,928
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement	50,961
Total	$ 57,889

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
2022	$ 18,209	$ 813	$ 19,022
2023	18,209	813	19,022
2024	13,292	576	13,868
2025	6,950	266	7,216
2026 and after	1,229	42	1,271
Total	$ 57,889	$ 2,510	$ 60,399

(i) 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 one percentage point higher or one percentage point lower than the current discount rate (expressed in thousands):

	1.00% Decrease (1.14%)	Current Discount (2.14%)	1.00% Increase (3.14%)
Primary Government	$ 1,172,208	$ 992,301	$ 849,961
Component Units	58,069	48,554	41,067
Total OPEB Liability	$ 1,230,277	$ 1,040,855	$ 891,028

(j) 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 one percentage point higher or one percentage point lower than the current healthcare cost trend rate:

	1.00% Decrease - Health Cost Trend Rate (4.50%)	Current Health Cost Trend Rate (5.50%)	1.00% Increase - Health Cost Trend rate (6.50%)
Primary Government	$ 839,240	$ 992,301	$ 1,191,956
Component Units	40,169	48,554	59,608
Total OPEB Liability	$ 879,409	$ 1,040,855	$ 1,251,564

Component Units

WAPA OPEB Plan *(unaudited)*

WAPA offers a medical, dental, and vision benefit plan, and reported a net OPEB liability of $54.8 million, deferred outflows of resources of $0.5 million, and deferred inflows of resources of $9.6 million as of June 30, 2021.

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. VIHA reported a net OPEB obligation of $27.9 million as of December 31, 2020.

17. Liquidity and Management's Plan

Primary Government

On September 30, 2021, the Government reported a total net deficit in governmental activities amounting to $5.2 billion. The net deficit is mainly due to the adoption of accounting standards that required the reporting of pension and other post-employment liabilities and related expenses based on actuarial computations.

Following is a summary of the Government's unrestricted net deficit for governmental activities for fiscal years 2019 through 2021:

Fiscal Year	Governmental Unrestricted Net Deficit	(Increase)/ Decrease
2019	$ (5,751,631)	$ (399,060)
2020	(5,889,273)	(137,642)
2021	(6,090,454)	(201,181)

General Fund

Following is a summary of the General Fund balance (deficit). On September 30, 2021, the Government reported a deficit fund balance in the General Fund of $109.4 million. This fund balance represents a decrease of $131.2 million from the preceding fiscal year.

Fiscal Year	Committed	Assigned	Unassigned	Total
2019	$ 20,270	$ 716	$ (115,068)	$ (94,082)
2020	31,374	1,425	(11,032)	21,767
2021	34,669	1,442	(145,507)	(109,396)

Non-major Funds Deficit

Primary Government

The following non-major funds have a net fund deficit as of September 30, 2021, (expressed in thousands):

Governmental Funds

Rural Library Extension	$ 572	Water & Electric System Projects	$ 1,698
Employment Security Administration	2,109	Sewer System Fund	175
Federally Aided Education Program	9,599	District Potable Water Fund	4,962
Air & Water Pollution Control	7,060	Paternity and Child Support	11,403
Virgin Islands Planning Board Projects	3,000	District Street Light Fund	47,998
Highway Safety	4,600	Virgin Islands Law Enforcement	4,042
Virgin Islands Energy Office	3,655	Forensic Science	74
Virgin Islands National Guard Federal and State Agreement	2,760	Vocational Rehabilitation	1,848
Food Stamp Welfare	2,434	Hurricane Hugo Insurance Claims	3,908
Federal Programs/Department Conservation	3,867	Virgin Islands Army National Guard	2,266
Federal Aided Community Action Agency	187	Emergency Drought Relief	139
Commission on Aging	50	Outdoor Recreation Program	32
Elementary/Secondary Education	19	Section 12 Bond Proceeds	24,547
Job Training Partnership Act Of 1983-1984	8,614	Road Fund	6,330
Civil Defense Protection	849	Major Repair and Improvement	58
Health Information Council Assistance	18	Technical Assistance	8
Drug Education Training Program	123	Juvenile Detention Center Fund Non-Lapsing	14
Federal Health Program Not on Federal Letter of Credit System	489	Natural Resource Reclamation	2,205
PFA/Office of Economic Opportunity	331	Boating Safety Program	584
		Fishery and Wildlife Projects	27
		The Motorcycle Safety Ed. Prog.	17
		Net fund deficit	$ 162,671

Proprietary Funds

Frederiksted Small Business Fund	$ 164
Altona Community Development Fund	3
Housing Construction Revolving Fund	7,653
Emergency Housing Fund	82
Virgin Islands ID Registration Fund	20
Virgin Islands Elections Fund	183
Consumer Protection Fund	200
Virgin Islands Housing Finance Authority	2,898
Homestead and Home Revolving Fund	344
Net fund deficit	$ 11,547

The Government expects structural deficits following the 2017 hurricanes to be offset by the economic activity related to construction, federal recovery assistance, and COVID-19 pandemic relief assistance. The Government has experienced an increase in tax collections reported by the Virgin Islands Bureau of Internal Revenue. The Government has also continued to receive its annual matching fund rum excise tax advance from the U.S. Department of Interior.

The Government expects to receive approximately $8.0 billion in federal assistance through fiscal year 2025 and an additional $1.6 billion in COVID-19 pandemic relief assistance. The Government has also participated in FEMA's Community Disaster Loans (CDL) program. The CDL program provides operational funding for local governments to continue to operate after a substantial revenue loss (greater than 5.0%) caused by a disaster. The term of the CDL loans is five (5) years and can be extended to ten (10) years. The Government's ability to access the CDL facility allowed it to remain current in its obligations. The Government has pledged gross receipts taxes for the timely payment of the CDLs and entered into a bond agreement with FEMA in July 2018. Also see Note 19. The Government has also been the recipient of insurance recoveries and private donations.

The Government has pledged certain revenues for debt service on various bonds and notes. To date, revenues pledged for debt service have not been significantly impacted by the economic effect of the hurricanes or the pandemic.

As of September 30, 2021, all payments on the bonds and notes have been made as required and the Government is in compliance with all related covenants; however, as a result of the disruption to the Government's operations from Hurricanes Irma and Maria along with the impact of the COVID-19 global pandemic, the Government did not comply with certain reporting requirements. As per the Government's bonds' indentures and notes and loan agreements, this noncompliance event does not constitute an event of default and the Government continues to work diligently to monitor such requirements.

Other significant liabilities of the Government, mainly consisting of benefits due to the Government's workforce and landfill closure costs, represent obligations of the Government that do not require the use of current resources.

Business-Type Activities

WICO

WICO is a component unit of PFA. WICO is in a negative working capital position as of September 30, 2021, 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, 2021, WICO owed the primary Government $9.3 million in PILOT payments.

Also, WICO's revenues were negatively impacted due to "No Sail Orders" issued by the Centers of Disease Control (CDC) in March 2020. The No Sail Orders were subsequently replaced by Conditional Sail Orders and cruise lines returned to WICO's port in September 2021. The Conditional Sailing Orders expired in January 2022.

WICO observed a resurgence in cruise passengers as cruise lines gradually lifted pandemic-related restrictions in response to the subsiding pandemic. Notably, during the latter part of fiscal year 2022, there was a notable upswing in cruise ship passenger occupancy and ship arrivals. This positive trend persisted throughout fiscal year 2023, with cruise ship passenger occupancy surpassing 90.0%. Looking ahead to fiscal year 2024, WICO foresees a continuation of this upward trajectory. WICO anticipates that passenger occupancy will surpass 95.0% and expect a further increase in cruise calls and passenger volume, extending well into fiscal year 2025.

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, 2021, no repayments of the loan advance have been made by viNGN.

Component Units

(a) Virgin Islands Water and Power Authority – Electric System *(unaudited)*

Management of the 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 from 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.

(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, 2021, the Schneider Regional Medical Center's current liabilities exceeded current assets by $11.0 million. The hospital is economically dependent on the continued financial support of the Government. In fiscal year 2021, tax appropriations from the PG amounted to $25.0 million and other noncapital grants and contributions amounted to $708,000. On September 30, 2021, Congress enacted H.R. 5305, *Extending Government Funding and Delivering Emergency Assistance Act* including cancellation of $19.3 million in Community Disaster Loans (CDLs) of the Schneider Regional Medical Center.

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, 2021, the Juan F. Luis Hospital and Medical Center's current liabilities exceeded current assets by $77.1 million. The hospital reported an unrestricted net deficit of $208.5 million. The hospital is economically dependent on the continued financial support of the Government. On September 30, 2021, the Juan F. Luis Hospital and Medical Center's outstanding CDLs and outstanding related interest in the amount of $42.0 million were also cancelled by H.R. 5305.

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. Management of Juan F. Luis Hospital and Medical Center is also developing plans for cost containment, seeking concessions for vendors, and seeking an increase in financial support from the Government.

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

As of September 30, 2021, the fiduciary net position of GERS amounting to $475.1 million represents only 8.2% of the plan's actuarially determined total pension liability of $5.8 billion at September 30, 2020, the measurement date. Employer contributions were significantly less than actuarially determined amounts for fiscal year 2021.

(e) Virgin Islands Housing Finance Authority

As of September 30, 2021, VIHFA has recorded substantial receivables from the Federal government amounting to $302.3 million. Receipt of grant funds is generally conditioned on compliance with the grantor's terms and agreements and applicable federal regulations. Any disallowance of these cost could become liabilities for the Authority. Also, VIHFA is indebted to contractors and vendors for significantly all of the expected payments from the Federal government.

18. Adjustments to Component Unit Financial Statements

The September 30, 2020 stand-alone financial statements of a number of component units have been adjusted in the accompanying aggregate discretely presented component units as follows (expressed in thousands):

	Net Position		
Component Unit	As Previously Reported	Adjustments	As Adjusted
Virgin Islands Port Authority*	$ 100,937	$ 1,162	$ 102,099
University of the Virgin Islands Research and Technology Park Corporation*	8,317	2,874	11,191

**Unaudited*

19. Subsequent Events

Primary Government

(a) Hurricane Recovery

Through qualification for substantial federal disaster assistance from FEMA and other federal agencies, the Government and its component units have made significant progress towards restoring their assets which were damaged by Hurricanes Irma and Maria in September 2017. To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, to maximize its recovery from all available sources, subject to any sub-limits and retentions.

Through December 2023, federal assistance awarded to the Territory included $7.4 billion in FEMA Public Assistance grants, $66.3 million in Federal Highway grants, $187.5 million in FEMA Hazard Mitigation grants, $1.1 billion in Community Development Block Grants, and $208.0 million in other grants for a total of approximately 9.0 billion dollars.

The Government has received notices from FEMA of potential debt as a result of audits related to the Public Assistance Grant Program awards for fiscal years 2018 and 2019. In response to the notices, both in February 2021 and January 2023, the Government exercised its option to appeal and provided additional clarification and documentation. As of March 2023, FEMA has questioned costs of $42.1 million.

The questioned costs are in the process of being reviewed by FEMA and until the appeal review is completed, questioned costs identified do not represent final monies owed to FEMA. Management believes that any such claims or actions by FEMA will be resolved and will not have a material impact to the awards or the financial position of the Government.

(b) Contractual Agreements - Professional Services for Recovery Efforts

Subsequent to September 30, 2021, and through September 30, 2023, PFA reported outstanding invoices from the two professional consulting services firms amounting to $57.7 million and $4.0 million, respectively.

Invoices submitted by the consultants are reviewed by PFA and submitted to the Government, Office of Disaster Recovery, the Virgin Islands Housing Finance Authority, or the Virgin Islands Water and Power Authority for approval. Upon completion of the review and approval process, invoices are then submitted for reimbursement to the appropriate federal grantor.

(c) Global Pandemic and Economic Relief Legislation

Through December 2023, federal grants and assistance received by the PG related to COVID-19 amounted to $686.0 million. Federal grants and assistance received by component units of the Government amounted to $84.8 million.

In November 2021, “The Infrastructure Investment and Jobs (IIJ) Act” was signed into Law.

i. Through the Territorial Highway Program, the U.S. Virgin Islands would expect to receive more than $95.0 million over five years to rebuild its roads and bridges. The U.S. Virgin Islands can also compete for $7.5 billion in funding over five years for major projects that will deliver substantial economic benefits to communities.
ii. Based on formula funding alone, the U.S. Virgin Islands would expect to receive nearly $30.0 million over five years to improve public transportation options across the islands.
iii. The Territory will receive a minimum allocation of $25.0 million to help improve broadband service and to promote broadband adoption and affordability.
iv. Based on historical formula funding levels, the U.S. Virgin Islands will expect to receive $2.5 million to protect against cyberattacks and the Territory will also benefit from the bill’s historic $3.5 billion national investment in weatherization which will reduce energy costs for families.
v. Based on the traditional revolving fund formula, the U.S. Virgin Islands will expect to receive more than $45.0 million over five years to improve water infrastructure in the region and ensure that clean, safe drinking water is a right in all communities.
vi. Airports in the U.S. Virgin Islands would receive approximately $30.0 million for infrastructure development over five years.

The Government and its component units continue to examine the impact that the IIJ Act may have on their operations.

(d) Bankruptcy and Auction of St. Croix Oil Refinery

Following several flaring events, the release of oil particles into the atmosphere, Limetree Bay Refinery, LLC (Refinery), the owner of an oil refinery on the island of St. Croix, ceased operations. The Refinery subsequently declaring bankruptcy and in December 2021, a bid of $62.0 million was accepted at auction from a new owner, Port Hamilton Refining and Transportation.

In October 2022, the Environmental Protection Agency (EPA) raised concerns regarding hazardous substances stored at the facility. On December 5, 2022, EPA ordered the removal of thousands of pounds of chemicals from the oil refinery before the refinery may recommence operations. 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.

(e) Other

In December 2022, a settlement was announced between the Attorney General of the U.S. Virgin Islands, an estate, and related entities. The defendant will pay the Government $105.0 million in cash plus one-half of the proceeds from the sale of certain property.

Component Units

(a) Matching Fund Special Purpose Securitization Corporation

In February 2022, the Legislature of the Virgin Islands passed Act 8540 authorizing the formation of the Matching Fund Special Purpose Securitization Corporation (Securitization Corporation or the Corporation). The Corporation was formed to (i) purchase the Government's right, title, and interest in the Matching Fund Receipts, (ii) refund or refinance existing matching bonds held by PFA through the issuance of securitized bonds, and (iii) to free up funds of the Government to provide financial stability and liquidity to GERS. The Corporation is a special purpose, independent and autonomous public corporation with a board of five members, four private members, and the Governor of the U.S. Virgin Islands.

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. In April 2022, a payment was made to GERS in the amount of $89.2 million as part of the Securitization Bonds issuance.

In April 2022, the Corporation issued the Series 2022 A Bonds in the amount of $930.3 million and the Series 2022 B Bonds in the amount of $22.5 million. The proceeds of the Securitization Bonds were used to: (i) purchase from the PG, the Matching Fund Receipts to be received from the U.S. Treasury and the related rights, (ii) pay capitalized interest on the bonds, (iii) establish certain debt service reserves and establish certain residual receipts, and (iv) to pay the costs of issuing the bonds.

The Corporation has no taxing power, and the Securitization Bonds are payable solely from the Matching Fund Receipts and certain other collateral pledged under the indenture for the issuance.

The Series 2022 A Bonds were issued at an interest rate of 5.0% with interest payable on April 1st and October 1st, and principal amounts due beginning October 1, 2025, through October 1, 2039. The Series 2022 B Bonds were issued at an interest rate of 6.0%, with interest payable on April 1st and October 1st, and the principal amount due on October 1, 2025.

(b) Virgin Island Public Finance Authority

In February 2022, PFA launched a tender offer to purchase $165.7 million of certain outstanding matching fund revenue bonds. PFA accepted $124.6 million tendered, and the purchase was completed in April 2022. In April 2022, PFA also refunded $766.1 million of matching fund bonds outstanding with a settlement date of April 25, 2022. Funding for these transactions was provided by the Matching Fund Special Purpose Securitization Corporation.

In March 2022, PFA sold the King's Alley Hotel and adjoining property in the amount of $3.7 million. The King's Alley Hotel was managed by the King's Alley Management, Inc. (KAMI), a wholly owned subsidiary of the PFA, which acquired the property through foreclosure. The adjoining property was purchased by PFA in 2011 and consisted of a vacant lot with historical structures.

In April 2022, PFA made a payment to GERS in the amount of $89.2 million in connection with the issuance of the Series 2022 A and 2022 B Bonds issued by the Securitization Corporation. The Virgin Islands Act No. 8540 authorized the GERS Funding Note as an in-kind contribution to GERS secured by a portion of the residual receipts received by the Government in connection with the sale of Matching Fund Rights to the Securitization Corporation. The GERS funding amount is computed as follows: $158.0 million of Matching Fund Receipts less debt service on the Series 2022 A and Series 2022 B securitized matching fund bonds and required payments under the trust indenture for the Series 2022 A and 2022 B bonds. As a condition of the GERS Funding Note, GERS released all pending claims including outstanding employer contributions, and dismissed pending litigation against the Government.

In September 2022, PFA received $125.5 million from the matching fund receipts Securitization Corporation. In October 2022, PFA made a payment to GERS amounting $158.0 million in accordance with the required debt service payments of the GERS Funding Note.

In October 2023, PFA made a payment to GERS in the amount of $124.0 million. The full funding amount of $158.0 million was not achieved as the rum excise cover-over rate of $13.25 per proof gallon was not extended by Congress and returned to $10.50 per proof gallon on January 1, 2022.

In March 2023, PFA acquired 69 acres of beachfront property in Frederiksted, St. Croix, known as the HNS Hesselberg property for $1.2 million. The land was acquired to preserve environmentally significant wetlands and cultural resources. The property will be vested in the Virgin Islands Park System, an organization created in 2022 to ensure that lands held by the local government will be preserved and protected for current and future generations. Funds for the acquisition were part of the $3.7 million received from the sale of the King's Alley Hotel. Those funds are designated for reinvestment in the island of St. Croix.

In April 2023, the Legislature of the Virgin Islands passed Act 8701, authorizing PFA to enter into a line of credit in the maximum amount of $100.0 million to provide for the disbursement of funds needed to advance disaster related recovery projects that are reimbursable through federal funding, and to provide $45.0 million for the buyout of LPG facilities at the Virgin Islands Water and Power Authority.

On June 15, 2023, PFA and Government entered into the Revenue Anticipation Note Purchase Agreement (Series 2023 Note) with FirstBank Puerto Rico. The Series 2023 Note is in the amount of $100.0 million and is secured by a pledge of a certificate of deposit in the amount of $134.0 million held by FirstBank Puerto Rico. Additional payment sources for the Series 2023 Note include: (i) the General Fund of the Government, and (ii) federal stimulus appropriations that are legally available to be used for debt servicing purposes. Interest on the Series 2023 Note is 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 4.50% and the interest on the loan is 6.50%. Interest will be computed by applying a daily periodic interest rate divided by actual days divided by 365. 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. 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 may be taken in any amount, but not less than $5.0 million. The first advance on the Series 2023 Note was dated June 15, 2023, in the amount of $47.1 million. The proceeds of the Series 2023 Note will be loaned to the Government in accordance with a loan agreement dated June 15, 2023.

(c) Virgin Islands Water and Power Authority *(unaudited)*

As of March 31, 2022, the Electric System has been approved for approximately $1.5 billion in grant funding for emergency restoration work, and permanent and hazard mitigation projects and the U.S. Department of Housing & Urban Development (HUD), through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated $95.9 million to the Electric System for the Harley Expansion Project. The CDBG project will add 36MW of generation (plus battery storage) to the Randolph Harley Power Plant on St. Thomas. The Electric System has been approved for approximately $84.2 million in local match funding from HUD.

The U.S. Department of Housing and Urban Development (HUD), through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated $84.2 million to WAPA for the Harley Expansion Project. The project will add 36-megawatts of generation (plus battery storage) to the Randolph Harley Power Plant on St. Thomas. Additionally, as of April 2023, WAPA has been approved for approximately $87.9 million in local cost match funding from HUD for the Public Assistance Grant Program along with $104.3 million in ARP Act grant funding.

In April 2023, the Legislature of the Virgin Islands approved Bill 35-0070 authorizing the Governor to establish a line of credit in the maximum amount of $100.0 million to provide for the disbursement of funds needed to advance disaster related recovery projects that are reimbursable through federal funding and other disaster-related projects and provide funding to advance payment of $45.0 million towards the buyout of the infrastructure agreement between WAPA and a major vendor, and the acquisition of Liquefied Petroleum Gas facilities.

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

In November 2021, the University repaid in full its general obligation with First Bank in the amount of $23.2 million.

In March 2023, the University received an alert notification from the U.S. Department of Education for lack of submission of various annual reports which may result in, amongst other things, provisional decertification, and placement on a heightened cash monitoring payment method. The University continues to diligently monitor such requirements as it continues to recover from the disruption to its operations from Hurricanes Irma and Maria along with the impact of the COVID-19 global pandemic.

In April 2023, the Legislature of the U.S. Virgin Islands approved the conveyance of a tract of land on St. Thomas to the University by the Virgin Islands Port Authority, in exchange for the University's conveyance to the Virgin Islands Port Authority of a similar sized parcel of land, also on St. Thomas. The land swap is deemed more applicable to the intended use of the parcels by both entities.

(e) The West Indian Company Limited

In March 2022, WICO was granted moratorium on principal payments due February 1, 2022, March 1, 2022, and April 1, 2022. Moratorium payments, if not paid sooner, are due in full on the maturity date of the loan in July 2022.

In June 2022, WICO prepaid the loan, including outstanding moratorium payments, in the amount of $41.4 million. WICO also paid accrued interest of $265,626 and a prepayment penalty of $122,335. WICO entered into loan termination, pledge termination, and guaranty termination agreements with the Bank, documenting the close of the loan payable. Also in June 2022, WICO issued the Port Facilities Revenue Bonds, Series 2022A and Series 2022B. The Series 2022 Bonds were issued at a nominal value of $52.6 million and a discounted value of $51.6 million.

The Series 2022 A and 2022 B Bonds were privately placed and offered exclusively to qualified institutional buyers and were not required to be registered under the Securities Act, or any state securities laws. The bonds are limited obligations of WICO and are not the debts or guarantees of PFA or the Government.

The Series 2022 Bonds were issued to: (i) prepay the Bank 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, 2032, to April 1, 2052, with interest rates ranging between 5.9% to 6.5%. Interest is payable semiannually in April and October, commencing October 1, 2022.

In the first quarter of fiscal year 2023, WICO notified cruise lines of a planned tariff increase per passenger of $1.24 of which WICO received a $1 increase on January 1, 2023. The $1 increase in tariff will amount to a 15% increase in passenger fee revenue.

In October 2022, as authorized by the CARES Act, SBA remitted to Banco Popular $717,200 in principal and $10,579 in interest in forgiveness of the WICO Paycheck Protection Program loan. Under the terms of the loan forgiveness, WICO must retain all records relating to the loan for six years from the date the loan is forgiven.

In May 2023, WICO entered into a Limited Release and Settlement Agreement with GERS, to settle claims each entity had made against the other in connection with a management agreement that terminated March 1, 2020. Under the terms of the Settlement Agreement, WICO released claims against GERS in the amount of $370,532, and GERS released claims against WICO in the amount of $706,357.

In May 2023, WICO and GERS entered into a Shared Cost Agreement to split equally the shared utility, maintenance, water, and certain other costs at Havensight Mall. As part of the agreement, GERS paid WICO a catch-up payment of $249,541 for costs incurred from March 2020 through December 2022.

Management's Evaluation

Management has evaluated events and transactions occurring after September 30, 2021, the statement of net position date, and through February 16, 2024, the date the financial statements were available to be issued and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Government's financial statements for the year ended September 30, 2021.

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement year ended September 30,	2021 Primary Government	2020 Primary Government	2019 Primary Government	2018 Primary Government
Total OPEB Liability:				
Service cost	$ 25,885	$ 25,358	$ 26,147	$ 28,216
Interest	28,508	28,548	26,623	23,904
Difference between expected/actual experience	-	(27,043)	-	-
Changes in assumptions or other inputs	184,091	16,827	(31,772)	(53,422)
Expected benefit payments	(32,939)	(31,441)	(29,864)	(28,280)
Net Change in Total OPEB Liability	$ 205,545	$ 12,249	$ (8,866)	$ (29,582)
Total OPEB Liability – Beginning of Fiscal Year	786,756	774,507	783,373	812,955
Total OPEB Liability – End of Fiscal Year	$ 992,301	$ 786,756	$ 774,507	$ 783,373
Covered-Employee Payroll	$ 364,038	$ 350,528	$ 350,409	$ 323,158
Total OPEB Liability as a Percentage of Covered-Employee Payroll	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.

1. Other Postemployment Benefits

The Government does not have assets accumulated in a trust that meets the criteria of Paragraph 4 of GASB Statement No. 75 to pay related benefits.

The Primary Government, by statute, pays 100% of the employer cost-share of the postemployment health, dental, and life insurance of the retirees of the following semi-autonomous agencies: 1) Government Employee's Retirement System 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.

The total OPEB liability increased due to changes in the discount rate as noted below:

Year	Discount Rate
2017	3.35%
2018	3.64%
2019	3.58%
2020	2.14%

The base mortality tables and mortality improvement sales were updated to RP-2014 Blue Collar Mortality table (110% adjustment) projected forward using the MP-2015 scale.

Future participation in the retiree health plan is projected to be 85%.

Government of the United States Virgin Islands

Schedule of Net Pension Liability

September 30, (in thousands)	2021	2020	2019	2018	2017	2016	2015
Primary Government's proportion of the NPL	**78.3800%**	78.9300%	77.8087%	76.5852%	76.4171%	75.2916%	75.2803%
Primary Government's proportionate share of the NPL	**$ 4,527,445**	$ 4,194,852	$ 3,246,789	$ 3,354,768	$ 3,535,517	$ 3,065,617	$ 2,323,163
Primary Government's covered payroll	**$ 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	**1,393%**	1,350%	1,047%	1,092%	1,175%	1,106%	686%
Plan fiduciary net position as a percentage of the total pension liability	**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 are as of the measurement date (September 30 of the previous year).

Schedule of Pension Contributions

September 30, (in thousands)	2021	2020	2019	2018	2017	2016	2015
Primary Government's actuarially required contributions	**$ 292,944**	$ 289,507	$ 215,937	$ 205,052	$ 191,481	$ 186,089	$ 150,628
Primary Government's contributions in relation to the actuarially required contributions	**$ 74,817**	$ 72,301	$ 84,005	$ 77,840	$ 61,759	$ 68,291	$ 64,357
Contribution deficiency	**$ 218,127**	$ 217,206	$ 131,932	$ 127,212	$ 129,722	$ 117,798	$ 86,271
Primary Government's covered payroll	**$ 336,625**	$ 325,000	$ 310,758	$ 309,998	$ 307,132	$ 300,909	$ 277,091
Contributions as a percentage of covered payroll	**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

Schedule of Revenues and Expenditures - Budget and Actual
Budgetary Basis – General Fund

(in thousands)

Year Ended September 30, 2021	**Original Budget**	**Revised Budget**	**Actual**	**Variance**
Revenues				
Taxes	$ 669,877	$ 669,877	$ 814,862	$ 144,985
Federal grants and contributions	-	-	52,546	52,546
Charges for services	60,194	60,194	14,314	(45,880)
Interest and other	27,546	27,546	12,470	(15,076)
Total revenues	757,617	757,617	894,192	136,575
Expenditures				
Current:				
General government	497,857	512,794	347,247	165,547
Public safety	64,053	64,053	69,782	(5,729)
Health, public housing and welfare	94,739	94,769	91,529	3,240
Education	160,964	164,035	169,690	(5,655)
Transportation and communication	31,772	31,812	19,950	11,862
Culture and recreation	15,691	18,088	6,531	11,557
Total expenditures	865,076	885,551	704,729	180,822
Excess (deficiency) of revenues over expenditures	(107,459)	(127,934)	189,463	317,397
Other financing sources (uses)				
Transfers from other funds	61,798	61,798	54,650	(7,148)
Transfer to other funds	(12,500)	(76,635)	(66,240)	10,395
Transfers to component units	(154,418)	(154,418)	(138,926)	15,492
Total other financing sources, net	(105,120)	(169,255)	(150,516)	18,739
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (212,579)	$ (297,189)	$ 38,947	$ 336,136

See accompanying notes to the Schedule.

Notes to Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis – General Fund

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 Office of Management and Budget (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.

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, 2021, is presented below (expressed in thousands):

Excess of revenues and net other financing sources over expenditures	$ 336,136
Entity difference – deficiency of revenues and net other financing sources over expenditures – activities with budgets not legally adopted	(445,532)
Deficiency of revenues and net other financing sources over expenditures – GAAP basis (net change in fund balance)	$ (109,396)

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.