

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, 2023**

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



Government of the United States Virgin Islands

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Year Ended September 30, 2023

Government of the United States Virgin Islands

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Independent Auditor's Report

To the Honorable Governor
Government of the United States Virgin Islands

Report on the Audit of the Financial Statements

Adverse, Disclaimer, Qualified and Unmodified Opinions

We have audited or were engaged to audit the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

Summary of Opinions

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

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Government of the United States Virgin Islands as of September 30, 2023, or the changes in financial position and, where applicable, cash flows and disclosures thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Disclaimer of Opinions

Based on our audit and the reports of other auditors, we do not express an opinion on the accompanying financial statements of the Governmental Activities, Business-Type Activities, Federal Grants Fund, Unemployment Insurance Enterprise Fund, and the Aggregate Remaining Fund Information of the Government. Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Governmental Activities, Business-type Activities, Federal Grants Fund, Unemployment Insurance—Enterprise Fund, and Aggregate Remaining Fund Information of the Government.

Qualified Opinion on the General Fund

In our opinion, except for the effects of the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Government, as of September 30, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, other than the General Fund, Federal Grants Fund and Unemployment Insurance-Enterprise Fund of the Government as of September 30, 2023, 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 Waste Management Authority (VIWMA), and Virgin Islands Public Broadcasting System (VIPBS), discretely presented component units, which collectively represent 7.0%, (1.4%), and 10.6%, respectively, of the assets, net position (deficit), and revenues of the Aggregate Discretely Presented Component Units as of September 30, 2023.
- Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 53.4%, 61.9%, and 74.4%, respectively, of the assets, net position/fund balance, and revenues/additions of the Aggregate Remaining Fund Information as of September 30, 2023.

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



Basis for Adverse, Qualified, and Unmodified Opinions

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

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

The Government's basic financial statements do not include the current fiscal year financial activity of the following discretely presented component units, the University of the Virgin Islands Research and Technology Park Corporation (RTPark), the University of the Virgin Islands (UVI), The Virgin Islands Housing Finance Authority (VIHFA), the Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Juan F. Luis Hospital and Medical Center), the Virgin Islands Water and Power Authority (VIWAPA), the Virgin Islands Economic Development Authority (VIEDA), the Magen's Bay Authority (MBA), and the Virgin Islands Port Authority (VIPA). These component Unit's have not been audited and we were not engaged to audit the financial statements of RTPark, UVI, VIHFA, Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F Luis Hospital and Medical Center), VI WAPA, MBA and VIPA, nor was the information available as part of our audit of the Government's basic financial statements. This represents an approximately, 89.8%, 100.0 % and 48.8% of the assets, net position, and revenues, respectively, of the Aggregate Discretely Presented Component Units.

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

The report of other auditors on the financial statements of the Virgin Islands Waste Management Authority (VIWMA), a discretely presented component unit, included a qualified opinion because the auditors were unable to obtain sufficient appropriate audit evidence to determine whether capital assets and accounts payable were properly classified. Accordingly, the other auditors were unable to determine whether adjustments were necessary.

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



Matters Giving Rise to Qualified Opinion on the General Fund

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

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, 2023, may have been affected by this condition.

In addition, the Government did not obtain the requisite valuation for the Workers' compensation liability as required by generally accepted accounting standards to support the measurement of the workers' compensation liability and the related expense and disclosures for the year ended September 30, 2023. As such, we were unable to determine whether adjustments are required to the Business-Type Activities and Aggregate Remaining Fund Information.

The Virgin Islands Lottery, a nonmajor enterprise fund, has not been audited, and we were not engaged to audit the fund's financial statements, nor was the information available as part of our audit of the Government's basic financial statements. As such, the Government's records do not permit, nor is it practical to extend our auditing procedures sufficiently to determine the extent to which the Business-Type Activities and Aggregate Remaining Fund Information as of and for the year ended September 30, 2023, may have been affected by this condition.

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

The Government's records were either not available or contained incomplete information. As such, the records do not permit it, nor is it practical to extend, our auditing procedures sufficiently to determine the extent by which the Unemployment Insurance-Enterprise Fund and Business-Type Activities as of and for the year ended September 30, 2023, may have been affected by this condition.

Basis for Disclaimer of Opinion on Governmental Activities

The Government did not maintain the requisite documentation to support its accrued retroactive union arbitration liability as of and for the year ended September 30, 2023. As such, we are unable to determine whether adjustments were required in the Governmental Activities.

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



The Government did not maintain the requisite documentation to support the opening balance for capital asset activities recording in the prior year. Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances of capital assets and accumulated depreciation as of October 1, 2022. Because these balances affect the determination of capital assets, accumulated depreciation, depreciation expense, and net position, we are unable to determine whether adjustments were required to the Governmental Activities as of and for the year ended September 30, 2023.

The Government did not obtain the requisite valuation for the Other Post-employment Employment Benefits (OPEB) as required by generally accepted accounting standards for the liability of \$976.6 million, the related deferred outflows of \$135.9 million and deferred inflows of \$75.9 million and related required supplemental information as of and for the year ended September 30, 2023. As such, we are unable to determine whether adjustments are required to the recorded balances and disclosures for Government Activities and the required supplementary information.

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

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

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

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

Basis for Disclaimer of Opinion on the Governmental Activities and Federal Grants Fund

The Government did not maintain the requisite documentation to support its due from federal government and federal grants and contributions revenues in the amount of \$54.0 million as of the year ended September 30, 2023. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to the Federal Grants Fund and Governmental Activities.



The Government did not maintain the requisite documentation to support its federal grants and contributions revenues in the amount of \$754.1 million as of and for the year ended September 30, 2023. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments are required to 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

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

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

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

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



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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Government's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in total OPEB liability and related ratios, net pension liability, pension contributions and related notes, and revenue and expenditures - budget and actual budgetary basis - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.



We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Although our opinions on the financial statements are not affected, material departures from the prescribed guidelines exist. The schedules of changes in total OPEB liability and related ratio were not updated based on the required actuarial valuation for the year ended September 30, 2023, as required by accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

BDO USA, P.C.

January 27, 2026

Management's Discussion and Analysis

Government of the United States Virgin Islands

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, 2023 and 2022.

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Government of the United States Virgin Islands

Management's Discussion and Analysis

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

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

Governmental Funds

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

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

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

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

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

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

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

Government of the United States Virgin Islands

Management's Discussion and Analysis

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. The Government anticipates receiving \$10.0 billion through various federal disaster programs over the next 5-8 years. In February 2024, the federal government reduced the 10% matching requirement for federal funds to 2.0% if construction is completed by 2026.

During the fiscal year ended September 30, 2023, the Government reached settlements with several parties related to the case against Jeffrey Epstein and certain co-defendants. The Estate of Jeffrey Epstein will pay \$105.0 million to the Government plus \$30.0 million representing one-half of the proceeds of the sale of the island Little St. James on which many of the crimes occurred. The estate also paid approximately \$0.5 million to remediate environmental damage on the island, and returned more than \$80.0 million in economic development tax benefits to the Government.

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Management's Discussion and Analysis

In September 2023, the Government reached a settlement with JP Morgan Chase in the amount of \$75.0 million, in a lawsuit brought against the bank alleging the bank had enabled Epstein's criminal activities. The Government also entered into a settlement of \$62.5 million in August 2023 with Leon Black related to certain financial transactions and communications with Epstein.

Financial Analysis of the Primary Government

Total assets and deferred outflows of resources of the Government as of September 30, 2023, and 2022, were approximately \$3.6 billion and \$3.8 billion, respectively. Total liabilities and deferred inflows were approximately \$8.9 billion and \$9.2 billion, respectively, over the same period. Liabilities exceed assets mainly due to unfunded pension and postemployment benefits such as health insurance due to retired Government employees amounting to \$4.1 billion and \$5.1 billion at September 30, 2023 and 2022.

On September 30, 2023, the Government's net deficit of \$5.3 billion consisted of a \$907.1 million net investment in capital assets; \$393.3 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of \$6.6 billion. On September 30, 2022, the Government's net deficit of \$5.5 billion consisted of a \$798.4 million net investment in capital assets; \$447.3 million restricted by statute or other legal requirements that were not available to finance day-to-day operations; and an unrestricted net deficit of \$6.7 billion.

For the fiscal year ended September 30, 2023, the primary government earned program and general revenue amounting to \$2.4 billion and reported expenses of \$2.3 billion, resulting in a decrease in net deficit of approximately \$122.3 million. For the fiscal year ended September 30, 2022, the primary government earned program and general revenue amounting to \$2.5 billion and reported expenses of \$2.6 billion, resulting in an increase in net deficit of approximately \$101.9 million.

Overall revenue decreased in fiscal 2023 by approximately \$189.2 million, when compared to fiscal year 2022, mainly due to a decrease in operating grants and contributions of \$13.7 million, a decrease in taxes of \$127.9 million, a decrease in interest and other revenue of \$65.5 million, a decrease in COVID-19 pandemic relief assistance of \$1.9 million, a decrease in payment in lieu of taxes of \$11.2 million, offset by an increase in charges for services of \$17.0 million, an increase of \$14.0 million in capital grants and contributions.

Overall expenses decreased in fiscal 2023 by \$315.8 million when compared to fiscal 2022, mainly due to a decrease in general government expense of \$336.1 million, , a decrease in health expense of \$2.7 million, a decrease in culture and recreation expense of \$0.6 million, a decrease in unemployment insurance expense of \$36.9 million, a decrease in other business program expense of \$5.3 million, a decrease in WICO expenses of \$1.7 million and a decrease in interest expense on long-term debt of \$3.4 million. These decreases were offset by an increase in public safety of \$3.1 million, an increase in public housing and welfare expense of \$7.1 million, an increase in transportation and communication of \$5.0 million, an increase in education expense of \$54.7 million, and an increase in viNGN expenses of \$1.0 million.

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Management's Discussion and Analysis

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

September 30,	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets and Deferred Outflows						
Current assets	\$ 1,367,936	\$ 1,512,898	\$ 83,636	\$ 63,824	\$ 1,451,572	\$ 1,576,722
Internal balances	50,294	49,662	(50,294)	(49,662)	-	-
Capital assets	1,135,668	1,041,331	98,867	98,806	1,234,535	1,140,137
Leases receivable	-	-	7,458	6,663	7,458	6,663
Other assets	5,044	5,187	1,681	1,602	6,725	6,789
Deferred outflows of resources	878,458	1,036,403	-	-	878,458	1,036,403
Total assets and deferred outflows	3,437,400	3,645,481	141,348	121,233	3,578,748	3,766,714
Liabilities and Deferred Inflows						
Long-term liabilities	6,059,707	7,011,835	93,830	97,375	6,153,537	7,109,210
Other liabilities	1,229,221	1,261,974	113,886	123,901	1,343,107	1,385,875
Deferred inflows of resources	1,413,149	725,424	3,205	2,729	1,416,354	728,153
Total liabilities and deferred inflows	8,702,077	8,999,233	210,921	224,005	8,912,998	9,223,238
Net Position						
Net investment in capital assets	889,370	779,374	17,754	19,036	907,124	798,410
Restricted	368,700	437,074	24,608	10,228	393,308	447,302
Unrestricted deficit	(6,522,747)	(6,570,200)	(111,935)	(132,036)	(6,634,682)	(6,702,236)
Total net deficit	\$ (5,264,677)	\$ (5,353,752)	\$ (69,573)	\$ (102,772)	\$ (5,334,250)	\$ (5,456,524)

Government of the United States Virgin Islands

Management's Discussion and Analysis

September 30,	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenue:						
Charges for services	\$ 36,830	\$ 34,068	\$ 61,161	\$ 46,862	\$ 97,991	\$ 80,930
Operating grants and contributions	1,002,859	995,122	497	21,983	1,003,356	1,017,105
Capital grants and contributions	24,650	16,344	6,676	906	31,326	17,250
General revenue:						
Taxes	1,044,579	1,172,506	-	-	1,044,579	1,172,506
Interest and other	76,019	130,824	12,395	23,054	88,414	153,878
COVID-19 pandemic relief assistance	-	1,932	-	-	-	1,932
Payment in lieu of taxes	10,593	21,821	-	-	10,593	21,821
Tobacco settlement rights	1,090	1,193	-	-	1,090	1,193
Total revenues	2,196,620	2,373,810	80,729	92,805	2,277,349	2,466,615
Expenses						
General government	1,212,486	1,548,620	-	-	1,212,486	1,548,620
Public safety	93,845	90,713	-	-	93,845	90,713
Health	72,676	75,404	-	-	72,676	75,404
Public housing and welfare	340,707	333,613	-	-	340,707	333,613
Education	339,546	284,798	-	-	339,546	284,798
Transportation and communication	54,445	49,376	-	-	54,445	49,376
Culture and recreation	9,207	9,796	-	-	9,207	9,796
Interest on long-term debt	80,591	84,020	-	-	80,591	84,020
WICO	-	-	13,417	15,112	13,417	15,112
Unemployment insurance	-	-	5,346	42,208	5,346	42,208
viNGN	-	-	10,487	9,532	10,487	9,532
Other	-	-	19,997	25,336	19,997	25,336
Total expenses	2,203,503	2,476,340	49,247	92,188	2,252,750	2,568,528
Changes in net position (deficit) before transfers and special item	90,075	(102,530)	31,482	617	121,557	(101,913)
Transfers	(1,000)	(10,000)	1,000	10,000	-	-
Special item - settlement proceeds	96,958	-	-	-	96,958	-
Special item - debt cancellation	-	-	717	-	717	-
Changes in net deficit	89,075	(112,530)	33,199	10,617	122,274	(101,913)
Net deficit, beginning of year	(5,353,752)	(5,241,222)	(102,772)	(113,389)	(5,456,524)	(5,354,611)
Net deficit, end of year	\$ (5,264,677)	\$ (5,353,752)	\$ (69,573)	\$ (102,772)	\$ (5,334,250)	\$ (5,456,524)

Government of the United States Virgin Islands

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

Governmental Funds

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

On September 30, 2023, the Government's governmental funds reported a combined fund balance of \$207.8 million, a decrease of \$65.2 million when compared to the prior year combined fund balance of \$273.0 million. Approximately \$656.8 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 (\$482.5 million), ii) committed for particular purposes (\$98.4 million), or iii) assigned for particular purposes (\$283.7 million).

The General Fund is the chief operating fund of the primary Government. On September 30, 2023, the unassigned fund deficit of the General Fund was \$529.3 million while the total fund deficit of the General Fund increased by \$93.3 million to \$470.0 million. The increase in fund deficit was mainly due to total expenditures of the General Fund of \$1.3 billion exceeding General Fund revenues of \$1.1 billion, offset by loans issued of \$55.9 million.

The PFA Debt Service Fund accounts for the resources accumulated, and payments made, for principal and interest on long-term general obligation debt issued by PFA on behalf of the Government. On September 30, 2023, the restricted fund balance of the PFA Debt Service Fund was \$274.2 million, a decrease of \$29.5 million from the prior fiscal year fund balance of \$303.7 million. This decrease is mainly due to debt service payments of principal and interest of \$70.2 million, contributions to GERS on the GERS Funding Note of \$158.0 million and transfers to other funds of \$141.0 million exceeding tax revenues of \$204.8 million, federal grants of \$6.5 million, interest and other revenues of \$3.8 million and transfers from other funds of \$124.6 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, 2023, the restricted fund balance of the PFA Capital Projects Fund was \$107.6 million, a decrease of \$5.5 million from the prior fiscal year fund balance of \$113.1 million. This decrease was mainly due to transfers to other funds of \$4.0 million, general government expenses of \$2.1 million and capital outlays of \$1.1 million exceeding interest and other income of \$1.8 million.

The Matching Fund Special Purpose Securitization Corporation (MFSPSC) accounts for the resources accumulated, and payments made, for debt service requirements of bonds issued by MFSPSC. On September 30, 2023, the restricted fund balance of MFSPSC was \$77.9 million, a decrease of \$34.3 million from the prior fiscal year balance of \$112.2 million. The decrease is mainly due to bond interest payments of \$47.2 million exceeding tax revenues of \$10.1 million and interest and other revenue of \$2.8 million.

Government of the United States Virgin Islands

Management's Discussion and Analysis

The Federal Grants Fund accounts for payments that are restricted to expenditures for specified purposes. On September 30, 2023, the fund deficit of \$71.6 million increased by \$18.9 million from the prior year fund deficit of \$52.7 million. The increase in fund deficit was due to federal grant expenditures exceeding federal grant revenues.

Proprietary Funds

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

On September 30, 2023, the primary Government's proprietary funds reported a combined net deficit of \$69.6 million, a decrease in deficit of \$33.2 million when compared to the prior year combined net deficit of \$102.8 million. The deficit is the result of an unrestricted deficit in the proprietary funds of \$111.9 million, offset by net investment in capital assets of \$17.7 million and restricted net position of \$24.6 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, 2023, the net deficit of WICO was \$17.3 million, an increase in fund deficit of \$1.8 million from the prior fiscal year. This increase was mainly due to interest expense of \$3.4 million and payment in lieu of taxes of \$652,000, offset by operating income of \$74,000, loan forgiveness of \$717,000 and interest and other income of \$1.5 million.

The Unemployment Insurance Fund is a federally mandated program to manage unemployment insurance. On September 30, 2023, the net deficit of the fund was \$59.3 million, a decrease in deficit of \$25.1 million from the prior fiscal year. The decrease in deficit is mainly due to charges of services of \$29.8 million, grant revenue of \$391,000 and interest and other revenue of \$341,000 exceeding cost of services of \$5.3 million.

viNGN designs, develops, and manages a middle mile wholesale fiber optic network in order to make available reliable high-speed internet connections to retail internet service providers. On September 30, 2023, viNGN, reported net position of \$16.6 million, an increase of \$1.2 million from the prior fiscal year. This increase was mainly due to grant revenue of \$6.7 million offset by an operating loss of \$5.5 million.

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.

Government of the United States Virgin Islands

Management's Discussion and Analysis

A summary of the budgetary report for the General Fund of the Government, for the fiscal year ended September 30, 2023, follows (expressed in thousands):

September 30, 2023	Original Budget	Amended Budget	Actual	Variance
Total revenues	\$ 920,163	\$ 920,163	\$ 1,009,571	\$ 89,408
Total expenditures	782,229	865,263	1,134,198	(268,935)
(Deficiency) excess of revenues over expenditures	137,934	54,900	(124,627)	(179,527)
Other financing sources (uses), net	(144,265)	(144,265)	(165,279)	(21,014)
Excess (deficiency) of revenues and net other financing sources over expenditures	\$ (6,331)	\$ (89,365)	\$ (289,906)	\$ (200,541)

For fiscal year 2023, the General Fund realized an unfavorable budgetary variance of \$200.5 million mainly due to a favorable revenue variance of \$89.4 million and an unfavorable expenditure variance of \$268.9 million and an unfavorable other financing sources (uses) variance of \$21.0 million.

The General Fund realized a favorable revenue variance of \$89.4 million mainly due to tax revenues exceeding budgeted amounts by \$35.3 million, federal grant revenue received of \$10.5 million, loan proceeds received of \$45.0 million, charges for services revenues being under budget by \$41.5 million and interest and other revenues exceeding budget by \$40.1 million during the fiscal year. The General Fund realized an unfavorable expenditures variance of \$268.9 million due to spending exceeding the budgeted amounts.

Capital Assets

Capital assets additions during fiscal year 2023 amounted to \$94.3 million for governmental activities, net of adjustments. Business-type activities capital assets increased by \$61,000 net of adjustments. Capital assets additions during fiscal year 2022 amounted to \$120.4 million for governmental activities net of adjustments. Business-type activities assets decreased by \$7.7 million, net of adjustments.

Government of the United States Virgin Islands

Management's Discussion and Analysis

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

September 30,	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land and land improvements	\$ 237,373	\$ 230,610	\$ 7,083	\$ 5,883	\$ 244,456	\$ 236,493
Building and improvements	668,983	654,013	82,440	80,864	751,423	734,877
Machinery and equipment	311,971	285,138	84,250	83,108	396,221	368,246
Right-to-use building and improvement	-	-	1,329	2,139	1,329	2,139
Infrastructure	365,687	284,641	-	-	365,687	284,641
Intangible assets	-	-	30,774	30,774	30,774	30,774
Construction in progress	248,347	220,218	11,071	6,936	259,418	227,154
 Total capital assets	 1,832,361	 1,674,620	 216,947	 209,704	 2,049,308	 1,884,324
Less accumulated depreciation and amortization	(696,693)	(633,289)	(118,080)	(110,898)	(814,773)	(744,187)
 Total capital assets, net	 \$ 1,135,668	 \$ 1,041,331	 \$ 98,867	 \$ 98,806	 \$ 1,234,535	 \$ 1,140,137

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, 2023, (expressed in thousands):

Bond Issue	Maturity	Rates (%)	Balance
2022 Series A Securitization Bonds	2039	4.05 - 4.73	\$ 930,315
2022 Series B Securitization Bonds	2025	6.00	22,510
2019 Series A TIF Revenue and Refunding Bonds	2029	6.88	6,411
2015 Series Federal Highway Bonds	2016 - 2033	3.00 - 5.00	58,475
2014 Series D Revenue Bonds	2015 - 2033	6.03	4,100
2014 Series C Revenue and Refunding Bonds	2015 - 2044	4.50-5.00	201,805
2014 Series A Revenue Bonds	2015 - 2034	5.00	35,435
2012 Series C Revenue Bonds	2017 - 2042	3.00 - 5.00	19,260
2012 Series A & B Revenue & Refunding Bonds	2017 - 2032	2.25 - 5.25	130,615
2006 Series A Revenue Bonds	2007 - 2029	3.50 - 5.00	137,075
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 - 8.00	4,827
 Total bonds outstanding			1,550,828
Plus (less):			
Bonds premium			42,057
Bonds discount			(189)
Bonds accretion			14,750
 Net bonds outstanding			\$ 1,607,446

Government of the United States Virgin Islands

Management's Discussion and Analysis

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 \$42.9 million during fiscal year 2023 and \$95.0 million during fiscal year 2022.

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

In March 2023, Moody's Investor Services withdrew the Government of the U.S. Virgin Islands issuer rating. At the time of withdrawal, the Government's issuer rating was Caa3 and the outlook was stable. Moody's withdrew the rating as debt obligations for which it served as a reference rating no longer had outstanding ratings. Most recently, Moody's had served as a reference rating for 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 liabilities of the Government include the following (expressed in thousands):

September 30,	2023	2022
Governmental activities:		
Accrued compensated absences	\$ 47,583	\$ 38,944
Retroactive union arbitration	146,518	151,064
Accrued 8.0% salary reduction	-	1,583
Litigation	6,685	7,873
Landfill closure and post closure	165,244	129,542
Business-type activities:		
Worker's compensation	41,961	46,387
Lease liability - viNGN	680	559
Lease liability - WICO	49	-
WAPA utilities - WICO	183	-
Compensated absences - WICO	1,372	1,338
Note payable - viNGN	450	-
Loan payable - U.S. Treasury	87,406	95,744
Loan payable - WICO	-	717
Bonds payable - WICO	51,631	51,586
Total other liabilities	\$ 549,762	\$ 525,337

Net Pension Liabilities

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

Government of the United States Virgin Islands

Management's Discussion and Analysis

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

Following is the net pension liability reported in fiscal years 2023 and 2022 (expressed in thousands):

<u>September 30,</u>	<u>2023</u>	<u>2022</u>
Net pension liability	\$ 3,125,580	\$ 4,091,016

Net Other Postemployment Benefit (OPEB) Liabilities

During fiscal year 2018, the Government 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.

During the fiscal year 2023, the census data necessary to prepare the biannual actuarial valuation of the OPEB liability was not available.

Following is the OPEB liability reported in fiscal year 2022 (expressed in thousands):

<u>September 30,</u>	<u>2022</u>
OPEB liability	\$ 976,613

Significant Currently Known Facts

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

Revenue and Compliance Initiatives

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

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

Government of the United States Virgin Islands

Management's Discussion and Analysis

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, 2023 and 2022, long-term liabilities for pension and other postemployment benefits to retired government employees amounted to \$4.1 billion and \$5.1 billion, respectively. The Government's defined benefit pension plan was 8.91% and 8.23% funded as of the measurement dates of September 30, 2023, and 2022, respectively.

Based on the most recent actuarial projection of November 2024, the Government's retirement system is expected to remain solvent in coming years. The retirement system increased the contribution rates of participating employers by 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, and in September 2024, the rate increased by another 3.0% bringing the contribution rate to 26.5%, effective January 1, 2025 which has been postponed to October 1, 2025. In September 2025, 36th Legislature of V.I. passed a measure that removed the GERS board's authority to increase the contribution rates and future changes requires the legislative approval. This overturns the GERS board's decision to increase the employer contribution rate by 3.0% effective October 1.

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 and an initial payment was made to GERS in the amount of \$89.2 million. In October 2022, 2023, 2024 and 2025, payments were made to GERS in the amounts of \$158.0 million, \$124.0 million, \$101.6 million and \$56.4 million respectively under the GERS Funding Note.

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, 2023	Primary Government			Component Units
	Governmental Activities		Business-type Activities	
			Total	
Assets				
Cash and cash equivalents	\$ 701,335	\$ 41,609	\$ 742,944	\$ 156,947
Investments, at fair value	367,785	1,680	369,465	9,645
Receivables, net	198,409	5,658	204,067	219,118
Internal balances	50,294	(50,294)	-	-
Due from federal government	53,964	1,352	55,316	38,734
Due from component units	36,769	-	36,769	111
Due from primary government	-	-	-	33,834
Inventories	-	-	-	17,949
Prepayments and other assets	-	-	-	34,970
Restricted:				
Cash and cash equivalents	-	33,337	33,337	53,804
Investments	-	-	-	86,495
Other	-	-	-	15,873
Capital assets, net	1,135,668	98,867	1,234,535	2,432,274
Leases receivable	-	7,458	7,458	615
Notes receivable	9,674	-	9,674	9,991
Other assets	5,044	1,681	6,725	123,338
Total assets	2,558,942	141,348	2,700,290	3,233,698
Deferred Outflows of Resources				
Deferred amounts related to pension	735,927	-	735,927	288,830
Deferred charges on bond refunding	6,679	-	6,679	7,377
Deferred amounts related to OPEB	135,852	-	135,852	13,264
Total deferred outflows of resources	878,458	-	878,458	309,471
Total assets and deferred outflows of resources	\$ 3,437,400	\$ 141,348	\$ 3,578,748	\$ 3,543,169

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position (in thousands)

September 30, 2023	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities				
Accounts payable and accrued liabilities	\$ 539,087	\$ 10,162	\$ 549,249	\$ 689,223
Unemployment insurance benefits	-	3,257	3,257	-
Customer deposits	-	-	-	30,553
Due to primary government	-	-	-	32,818
Due to component units	26,491	-	26,491	-
Due to federal government	-	-	-	5,042
Refundable advance	218,366	-	218,366	-
Interest payable	38,413	1,669	40,082	10,470
Other current liabilities:				
Unearned revenues	212,039	8,417	220,456	36,715
Tax refunds payable	117,332	-	117,332	-
Line of credit	-	-	-	33,262
Loans and notes payable	16	87,417	87,433	9,303
Bonds payable	56,670	-	56,670	57,799
Other liabilities	20,807	2,964	23,771	13,327
Noncurrent liabilities:				
Line of credit	-	-	-	2,740
Tax refunds payable	4,085	-	4,085	-
Loans and notes payable	57,430	439	57,869	6,197
Bonds payable	1,550,776	51,631	1,602,407	207,415
Net pension liability	3,125,580	-	3,125,580	1,091,292
Other postemployment benefits liability (OPEB)	976,613	-	976,613	124,304
Unearned revenues	-	662	662	13,735
Other liabilities	345,223	41,098	386,321	128,853
Total liabilities	7,288,928	207,716	7,496,644	2,493,048
Deferred Inflows of Resources				
Deferred amounts related to OPEB	75,883	-	75,883	26,971
Deferred amounts related to pension	1,337,266	-	1,337,266	210,117
Deferred amounts related to leases	-	3,205	3,205	2,333
Total liabilities and deferred inflows of resources	\$ 8,702,077	\$ 210,921	\$ 8,912,998	\$ 2,732,469
Net Position (Deficit)				
Net investment in capital assets	\$ 889,370	\$ 17,754	\$ 907,124	\$ 2,079,248
Restricted:				
Unemployment insurance	-	24,546	24,546	-
Debt service	352,115	62	352,177	-
Capital projects	16,585	-	16,585	-
Other purposes	-	-	-	195,919
Unrestricted deficit	(6,522,747)	(111,935)	(6,634,682)	(1,464,467)
Total net deficit	\$ (5,264,677)	\$ (69,573)	\$ (5,334,250)	\$ 810,700

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Activities
(in thousands)

Year Ended September 30, 2023	Expenses	Program Revenues				Net Revenue (Expense) and Changes in Net Position				Component Units					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government										
					Governmental Activities	Business-type Activities	Total								
Functions:															
Primary government:															
Governmental activities:															
General government	\$ 1,212,486	\$ 35,255	\$ 583,976	\$ 7,722	\$ (585,533)	\$ -	\$ (585,533)	\$ -	\$ -	\$ -					
Public safety	93,845	439	5,101	-	(88,305)	-	(88,305)	-	-	-					
Health	72,676	287	29,610	-	(42,779)	-	(42,779)	-	-	-					
Public housing and welfare	340,707	131	293,195	-	(47,381)	-	(47,381)	-	-	-					
Education	339,546	2	77,895	-	(261,649)	-	(261,649)	-	-	-					
Transportation and communication	54,445	543	13,027	16,928	(23,947)	-	(23,947)	-	-	-					
Culture and recreation	9,207	173	55	-	(8,979)	-	(8,979)	-	-	-					
Interest on long-term debt	80,591	-	-	-	(80,591)	-	(80,591)	-	-	-					
Total governmental activities	2,203,503	36,830	1,002,859	24,650	(1,139,164)	-	(1,139,164)	-	-	-					
Business-type activities:															
WICO	13,417	9,424	-	-	-	-	(3,993)	(3,993)	-	-					
Unemployment insurance	5,346	29,761	391	-	-	-	24,806	24,806	-	-					
viNGN	10,487	4,965	-	6,676	-	-	1,154	1,154	-	-					
Other	19,997	17,011	106	-	-	-	(2,880)	(2,880)	-	-					
Total business-type activities	49,247	61,161	497	6,676	-	-	19,087	19,087	-	-					
Total primary government	\$ 2,252,750	\$ 97,991	\$ 1,003,356	\$ 31,326	\$ (1,139,164)	\$ 19,087	\$ (1,120,077)	\$ -	\$ -	\$ -					
Component units :															
Virgin Islands Housing Authority	\$ 59,136	\$ 8,051	\$ 45,742	\$ 10,631	\$ -	\$ -	\$ -	\$ 5,288	\$ -	\$ 5,288					
Virgin Islands Port Authority*	79,431	61,557	-	35,678	-	-	-	-	-	17,804					
Virgin Islands Water and Power Authority:															
Electric System*	338,725	317,383	-	289,675	-	-	-	-	-	268,333					
Water System*	33,058	35,375	-	2,786	-	-	-	-	-	5,103					
Virgin Islands Government Hospital and Health Facilities Corporation:															
Roy L. Schneider Hospital*	98,347	73,513	35,772	4,656	-	-	-	-	-	15,594					
Juan F. Luis Hospital*	69,681	36,620	26,771	10,878	-	-	-	-	-	4,588					
University of the Virgin Islands*	114,368	14,062	89,728	4,607	-	-	-	-	-	(5,971)					
Virgin Islands Housing Finance Authority*	94,106	5,311	88,118	-	-	-	-	-	-	(677)					
Other component units*^	76,647	17,468	68,623	75	-	-	-	-	-	9,519					
Total component units	\$ 963,499	\$ 569,340	\$ 354,754	\$ 358,986	\$ -	\$ -	\$ -	\$ 319,581	\$ -	\$ -					
Total primary government and component units									\$ 319,581						

*Unaudited

See accompanying notes to financial statements.

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

Government of the United States Virgin Islands

Statement of Activities

(in thousands)

<i>Year Ended September 30, 2023</i>	Net Revenue (Expense) and Changes in Net Position			
	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
General revenue:				
Taxes	\$ 1,044,579	\$ -	\$ 1,044,579	\$ -
Payment in lieu of taxes	10,593	-	10,593	-
Interest and other	76,019	12,395	88,414	31,590
Tobacco settlement rights	1,090	-	1,090	-
Special item - settlement proceeds	96,958	-	96,958	-
Special item - insurance recoveries on capital assets, net	-	-	-	113
Special item - debt cancellation	-	717	717	-
Transfers - internal activities of primary government	(1,000)	1,000	-	-
Total general revenue and other items	1,228,239	14,112	1,242,351	31,703
Changes in net position (deficit)	89,075	33,199	122,274	351,284
Net position (deficit), beginning of year	(5,353,752)	(102,772)	(5,456,524)	459,416
Net position (deficit), end of year	\$ (5,264,677)	\$ (69,573)	\$ (5,334,250)	\$ 810,700

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Balance Sheet - Governmental Funds
(in thousands)

September 30, 2023	PFA		PFA		Matching Fund		Federal Grants	Other Governmental	Total Governmental
	General	Debt Service	Capital Projects	Special Purpose Securitization Corporation					
Assets									
Cash and cash equivalents	\$ 173,516	\$ 138,157	\$ 36,562	\$ 29,855	\$ -	\$ 323,245	\$ 701,335		
Investments, at fair value	149,566	121,167	36,357	58,340	-	2,355	367,785		
Receivables:									
Taxes, net	168,839	28,408	-	-	-	-	197,247		
Other	250	-	-	-	-	116	366		
Due from federal government	-	-	-	-	53,964	-	53,964		
Due from:									
Other funds	62,420	-	37,128	-	-	35,226	134,774		
Component units, net	29,393	-	-	-	-	7,376	36,769		
Total assets	583,984	287,732	110,047	88,195	53,964	368,318	1,492,240		
Liabilities									
Accounts payable and accrued liabilities	391,457	-	2,005	-	125,610	20,015	539,087		
Tax refunds payable	75,441	-	-	-	-	-	75,441		
Refundable advance	211,049	-	-	-	-	7,317	218,366		
Unearned revenues	201,760	-	-	10,279	-	-	212,039		
Due to:									
Other funds	33,107	-	-	-	-	51,373	84,480		
Component units	26,073	-	418	-	-	-	26,491		
Total liabilities	938,887	-	2,423	10,279	125,610	78,705	1,155,904		
Deferred Inflows of Resources									
Unavailable revenues	114,989	13,533	-	-	-	-	128,522		
Total liabilities and deferred inflows of resources	1,053,876	13,533	2,423	10,279	125,610	78,705	1,284,426		
Fund balances (deficit)									
Restricted	-	274,199	107,624	77,916	2,693	20,101	482,533		
Committed	56,853	-	-	-	-	41,517	98,370		
Assigned	2,581	-	-	-	-	281,152	283,733		
Unassigned	(529,326)	-	-	-	(74,339)	(53,157)	(656,822)		
Total fund balances (deficit)	(469,892)	274,199	107,624	77,916	(71,646)	289,613	207,814		
Total liabilities, deferred inflows of resources and fund balances (deficit)	\$ 583,984	\$ 287,732	\$ 110,047	\$ 88,195	\$ 53,964	\$ 368,318			
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.							1,135,668		
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.							5,044		
Note receivable related to the sale of capital assets therefore, not reported in the funds.							9,674		
Deferred costs of refunding bonds are not financial resources and are therefore, not reported in the funds.							6,679		
Other long-term assets, primarily taxes receivable, will not be available to pay for current period expenditures and therefore, are deferred in the funds.							129,318		
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.							(541,370)		
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.							(38,413)		
Long-term pension liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(3,125,580)		
Long-term postemployment benefit liabilities are not due and payable in the current period and therefore, are not reported in the funds.							(976,613)		
Long-term liabilities, including bonds and tax refunds payable, are not due and payable in the current period and therefore, are not reported in the funds.							(2,076,898)		
Net deficit of governmental activities							\$ (5,264,677)		

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, 2023	PFA		PFA		Matching Fund		Federal Grants	Other Governmental	Total Governmental
	General	Debt Service	Capital Projects	Special Purpose Securitization Corporation					
Revenues									
Taxes	\$ 820,616	\$ 204,788	\$ -	\$ 10,138	\$ -	\$ 18,120	\$ 1,053,662		
Payment in lieu of taxes	10,593	-	-	-	-	-	-		10,593
Federal grants and contributions	247,352	6,548	-	-	754,127	19,482	1,027,509		
Charges for services	18,091	-	-	-	-	18,739	36,830		
Tobacco settlement rights	-	-	-	-	-	1,180	1,180		
Interest and other	31,945	3,775	1,804	2,814	156	40,032	80,526		
Total revenues	1,128,597	215,111	1,804	12,952	754,283	97,553	2,210,300		
Expenditures									
Current:									
General government	788,191	28	2,088	69	307,711	44,732	1,142,819		
Public safety	80,240	-	-	-	4,087	482	84,809		
Health	37,961	-	-	-	29,576	900	68,437		
Public housing and welfare	65,880	-	-	-	268,902	1,981	336,763		
Education	227,655	-	-	-	73,102	3,121	303,878		
Transportation and communication	22,624	-	-	-	4,366	13,287	40,277		
Culture and recreation	7,913	-	-	-	142	15	8,070		
Capital outlays	44,818	-	1,146	-	85,288	28,215	159,467		
Debt service:									
Principal	-	39,237	-	-	-	-	3,678	42,915	
Interest	1,525	31,051	-	47,201	-	-	61	79,838	
Total expenditures	1,276,807	70,316	3,234	47,270	773,174	96,472	2,267,273		
Excess (deficiency) of revenue over expenditures	(148,210)	144,795	(1,430)	(34,318)	(18,891)	1,081		(56,973)	
Other financing sources (uses)									
Loans issued	55,909	-	-	-	-	-	-	55,909	
Cost of issuance of debt	(2,122)	-	-	-	-	-	-	(2,122)	
Settlement proceeds	-	-	-	-	-	96,957	96,957		
GERS Funding Note payment	-	(157,997)	-	-	-	-	-	(157,997)	
Transfers from other funds	143,359	124,639	-	-	-	20,677	288,675		
Transfers to other funds	(142,279)	(140,964)	(4,037)	-	-	(2,395)	(289,675)		
Total other financing sources (uses), net	54,867	(174,322)	(4,037)	-	-	115,239	(8,253)		
Net change in fund balances	(93,343)	(29,527)	(5,467)	(34,318)	(18,891)	116,320		(65,226)	
Fund balances (deficit), beginning of year	(376,549)	303,726	113,091	112,234	(52,755)	173,293		273,040	
Fund balances (deficit), end of year	\$ (469,892)	\$ 274,199	\$ 107,624	\$ 77,916	\$ (71,646)	\$ 289,613	\$ 207,814		

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, 2023

Net change in fund balances - total governmental funds	\$	(65,226)
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.	94,337	
Expense (net of interest) reported from note receivables not producing current resources.	(4,509)	
Tax revenue in the statement of activities, which provide current financial resources, are reported as revenue in the funds.	(23,834)	
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 amount of debt repayments were less than the amount of debt issued in the current year.	(12,994)	
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 a decrease in certain liabilities reported in the statement of net position of the previous year decreased expenses reported in the statement of activities that do not require the use of current financial resources.	(22,362)	
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.	(147)	
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 accrued interest reported in the statement of activities related to the amortization of premiums, discounts, deferred refunding, and accrued interest on capital appreciation bonds during the current year.	3,623	
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 increase in interest payable reported in the statement of net position.	(753)	
Certain pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the decrease in pension liabilities for the allocable share of pension expense reported in statement of net position.	120,940	
Change in net deficit of governmental activities	\$	89,075

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position - Proprietary Funds

(in thousands)

September 30, 2023	Business-type Activities					
	WICO	Unemployment Insurance		viNGN	Other Enterprise	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 823	\$ 5,553	\$ 206	\$ 35,027	\$ 41,609	
Investments, at fair value	-	-	-	1,680	1,680	
Receivables, net:						
Grants receivable	152	-	1,200	-	-	1,352
Leases receivable	446	-	-	-	-	446
Premiums receivable	-	1,277	-	-	-	1,277
Other receivables	2,797	-	567	1,017	4,381	
Due from other funds	-	-	-	300	300	
Other assets	1,286	-	215	180	1,681	
Total current assets	5,504	6,830	2,188	38,204	52,726	
Noncurrent assets:						
Restricted cash and cash equivalents	8,791	24,546	-	-	-	33,337
Leases receivable	7,012	-	-	-	-	7,012
Capital assets	31,253	-	54,104	13,510	98,867	
Total noncurrent assets	47,056	24,546	54,104	13,510	139,216	
Total assets	\$ 52,560	\$ 31,376	\$ 56,292	\$ 51,714	\$ 191,942	
Liabilities						
Current liabilities:						
Accounts payable and accrued liabilities	\$ 1,195	\$ -	\$ 950	\$ 7,834	\$ 9,979	
Lease liability	49	-	219	-	268	
Due to other funds	10,588	-	36,804	3,202	50,594	
Unemployment insurance benefits	-	3,257	-	-	3,257	
Workers compensation	-	-	-	2,632	2,632	
Note payable	-	-	11	-	11	
Loan payable to U.S. Treasury	-	87,406	-	-	87,406	
Interest payable	1,669	-	-	-	1,669	
Unearned revenue	-	-	135	8,282	8,417	
Compensated absences payable	64	-	-	-	64	
Total current liabilities	13,565	90,663	38,119	21,950	164,297	
Noncurrent liabilities:						
Accounts payable and accrued liabilities	183	-	-	-	-	183
Workers compensation	-	-	-	39,329	39,329	
Compensated absences payable	1,308	-	-	-	-	1,308
Lease liability	-	-	461	-	461	
Unearned revenue	-	-	662	-	662	
Note payable	-	-	439	-	439	
Bonds payable	51,631	-	-	-	-	51,631
Total noncurrent liabilities	53,122	-	1,562	39,329	94,013	
Total liabilities	66,687	90,663	39,681	61,279	258,310	
Deferred Inflows of Resources						
Deferred amount related to leases	3,205	-	-	-	-	3,205
Total liabilities and deferred inflows of resources	\$ 69,892	\$ 90,663	\$ 39,681	\$ 61,279	\$ 261,515	
Net Position (Deficit)						
Net investment in capital assets	\$ (11,925)	\$ -	\$ 16,169	\$ 13,510	\$ 17,754	
Restricted:						
Unemployment insurance	-	24,546	-	-	24,546	
Debt service	62	-	-	-	62	
Unrestricted (deficit)	(5,469)	(83,833)	442	(23,075)	(111,935)	
Total net position (deficit)	\$ (17,332)	\$ (59,287)	\$ 16,611	\$ (9,565)	\$ (69,573)	

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (in thousands)

Year Ended September 30, 2023	Business-type Activities				
	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Operating revenues					
Charges for services	\$ 9,424	\$ 29,761	\$ 4,965	\$ 17,011	\$ 61,161
Operating expenses					
Cost of services	6,230	5,346	5,917	19,166	36,659
Depreciation and amortization	3,120	-	4,473	831	8,424
Total operating expenses	9,350	5,346	10,390	19,997	45,083
Operating (loss) income	74	24,415	(5,425)	(2,986)	16,078
Non-operating revenues (expenses)					
Grants revenue	-	391	6,676	106	7,173
Interest and other income	1,504	341	8	10,542	12,395
Loan forgiveness	717	-	-	-	717
Bond issuance cost	(15)	-	-	-	(15)
Payment in lieu of taxes	(652)	-	-	-	(652)
Interest and other expense	(3,400)	-	(97)	-	(3,497)
Total non-operating (expenses) revenues, net	(1,846)	732	6,587	10,648	16,121
(Loss) income before operating transfers and special item	(1,772)	25,147	1,162	7,662	32,199
Transfers from other funds	-	-	-	1,000	1,000
Change in net position	(1,772)	25,147	1,162	8,662	33,199
Net position (deficit), beginning of year	(15,560)	(84,434)	15,449	(18,227)	(102,772)
Net position (deficit), end of year	\$ (17,332)	\$ (59,287)	\$ 16,611	\$ (9,565)	\$ (69,573)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds (in thousands)

Year Ended September 30, 2023	Business-type Activities				
	WICO	Unemployment Insurance	viNGN	Other Enterprise	Total
Cash flows from operating activities					
Cash received from customers and users	\$ 7,275	\$ 29,761	\$ 4,769	\$ 16,762	\$ 58,567
Cash paid to beneficiaries and suppliers	(3,238)	(5,346)	(2,960)	(22,752)	(34,296)
Cash paid to employees	(2,743)	-	(2,515)	-	(5,258)
Net cash provided by (used in) operating activities	1,294	24,415	(706)	(5,990)	19,013
Cash flows from noncapital financing activities					
Other income (expense)	653	341	(49)	10,542	11,487
Transfer from other funds	-	-	-	1,000	1,000
Federal grants	-	391	3,462	106	3,959
Contribution to the Government	(69)	-	-	-	(69)
Principal paid on debt issuances, including interest	-	(8,338)	-	-	(8,338)
Net cash provided by (used in) noncapital financing activities	584	(7,606)	3,413	11,648	8,039
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(311)	-	(6,020)	(1,855)	(8,186)
Proceeds from sale of capital assets	3	-	-	-	3
Proceeds from issuance of loans	-	-	450	-	450
Costs of issuing bonds	(15)	-	-	-	(15)
Principal payments on lease liability	-	-	(177)	-	(177)
Interest paid	(2,631)	-	(49)	-	(2,680)
Net cash used in capital and related financing activities	(2,954)	-	(5,796)	(1,855)	(10,605)
Cash flows from investing activities					
Interest income	290	-	8	-	298
Purchase of investments	-	-	-	(1)	(1)
Net cash provided by (used in) investing activities	290	-	8	(1)	297
Net increase (decrease) in cash and cash equivalents	(786)	16,809	(3,081)	3,802	16,744
Cash and cash equivalents, beginning of year	10,400	13,290	3,287	31,225	58,202
Cash and cash equivalents, end of year	\$ 9,614	\$ 30,099	\$ 206	\$ 35,027	\$ 74,946
Reconciliation of operating (loss) income to net cash provided by (used in) operating activities					
Operating (loss) income	\$ 74	\$ 24,415	\$ (5,425)	\$ (2,986)	\$ 16,078
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities:					
Provision for doubtful accounts	118	-	-	-	118
Depreciation and amortization	3,120	-	4,473	831	8,424
Other income	176	-	-	-	176
Change in operating assets and liabilities:					
Receivables, net	(2,348)	-	(196)	77	(2,467)
Unearned revenue	-	-	-	(327)	(327)
Other assets	(197)	-	164	(45)	(78)
Accounts payable and other accrued liabilities	317	-	278	886	1,481
Compensated absences payable	34	-	-	-	34
Workers compensation	-	-	-	(4,426)	(4,426)
Net cash provided by (used in) operating activities	\$ 1,294	\$ 24,415	\$ (706)	\$ (5,990)	\$ 19,013

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

Year Ended September 30, 2023	Business-type Activities					Total	
	WICO	Unemployment Insurance		Ving	Other Enterprise		
Reconciliation of cash and cash equivalents to the statement of net position							
Cash and cash equivalents - current	\$ 823	\$ 5,553	\$ 206	\$ 35,027	\$ 41,609		
Cash and cash equivalents - restricted	8,791	24,546	-	-	33,337		
Total cash and cash equivalents, end of year	\$ 9,614	\$ 30,099	\$ 206	\$ 35,027	\$ 74,946		

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Fiduciary Net Position

(in thousands)

	Pension Trust
September 30, 2023	
Assets	
Cash and cash equivalents:	
Unrestricted	\$ 35,309
Restricted	4
Investments, at fair value:	
Corporate obligations	1
Commingled and mutual funds	344,520
Limited partnerships	7,618
Real estate	62,894
Receivables, net:	
Loans and advances	7,693
Accrued interest	79
Due from other agencies of the Government	20,755
Other assets	3,052
Total assets	\$ 481,925
Liabilities	
Retirement benefits in process of payment	\$ 3,531
Other liabilities	23,010
Total liabilities	26,541
Net position restricted for pension benefits	\$ 455,384

Government of the United States Virgin Islands

Statement of Changes in Fiduciary Net Position
(in thousands)

	Pension Trust
<i>Year Ended September 30, 2023</i>	
Additions	
Contributions:	
Employer	\$ 107,398
Plan members	54,757
Total contributions	162,155
Investment income:	
Net appreciation in fair value of investments	36,028
Interest, dividends, and other, net	2,689
GERS Funding Note	157,997
Rental income	493
Total investment income	197,207
Less investment management fees and custodian fees	171
Investment income, net	197,036
Other income	4,758
Total additions	363,949
Deductions	
Benefits paid directly to members	282,209
Refunds of members' contributions	10,112
Administrative and operational expenses	16,575
Total deductions	308,896
Change in net position	55,053
Net position restricted for pensions, beginning of year	400,331
Net position restricted for pensions, end of year	\$ 455,384

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Notes to Basic 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:

Virgin Islands Public Finance Authority (PFA)

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

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

Matching Fund Special Purpose Securitization Corporation (MFSPSC)

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

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

Administrative Offices of Blended Component Units

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

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

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

(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 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 (VIWAPA)

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

Virgin Islands Government Hospital and Health Facilities Corporation (VIGHFC)

VIGHFC 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.

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The powers of VIGHFC 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 VIGHFC is composed of the Schneider Regional Medical Center located in St. Thomas, the Governor Juan F. Luis Hospital and Medical Center located in St. Croix, and the Schneider Regional Medical Center Foundation (the Foundation). The hospitals issue separately audited financial statements.

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

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

University of the Virgin Islands (the University or UVI)

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

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

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.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

(d) Other Component Units (Nonmajor)

Virgin Islands Economic Development Authority (VIEDA)

VIEDA was created by Act No. 6390 on December 21, 2000, as a public corporation and semiautonomous instrumentality of the Government. VIEDA was created as an umbrella authority of the Economic Development Commission, the Small Business Development Agency, the Government Development Bank, 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 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.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Virgin Islands Waste Management Authority (VIWMA)

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

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

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

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

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

Administrative Offices

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

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

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

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

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

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

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Notes to Basic Financial Statements

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

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

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

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

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

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

Employees' Retirement System of the Government 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.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(a) Government-wide Financial Statements

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

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

(b) Governmental Fund Financial Statements

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

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

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

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

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

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

Fund Accounting

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

(a) Governmental Funds

The Government reports the following major governmental funds:

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

(b) Proprietary Funds

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

- The West Indian Company Limited - WICO, a blended component unit of PFA, accounts for the activities of a cruise ship pier, land and warehouses 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 reports the following fiduciary fund:

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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, 2023, the Government had \$417.7 million in collateral with Banco Popular de Puerto Rico consisting of U.S. Treasury Notes, and \$497.3 million in collateral with First Bank consisting of municipal letters of credit, mortgage-backed securities with the Government National Mortgage Association (GNMA), and deposits insured by FDIC insurance.

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

Investments

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

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

- *Primary Government Investment Policies* – Title 33, Chapter 117 of the Virgin Islands Code (V.I. Code) authorizes the Government to invest in U.S. Government and its agencies' obligations, mortgage-backed securities, repurchase agreements, commercial paper, local government obligations, and corporate debt and equity obligations. As of September 30, 2023, the General Fund and the Virgin Islands Lottery had invested in certificates of deposit with two local banks. Investments are reported at fair value as of September 30, 2023.
- *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.

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PFA has retained investment managers and investments are held in trust by a commercial bank on behalf of PFA. PFA handles investments for two major governmental funds of the Government: PFA Debt Service Fund and PFA Capital Projects Fund.

- *TSFC 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.
- *MFSPSC Investment Policies* - The bylaws of MFSPSC allow the investment of funds or other moneys under the control of MFSPSC in eligible investments pursuant to the terms of the Master Trust Indenture between MFSPSC and its trustee, the Bank of New York Mellon Trust Company. Eligible investments include direct obligations of the United States, or obligations guaranteed as to principal and interest by the United States; general obligations or pre-funded obligations of any state, territory, possession or commonwealth of the United States with a rating at the time of purchase in one of the two highest rating categories as designated by any rating service; obligations issued, or the principal of and interest on which are unconditionally guaranteed by any agency or instrumentality of or a corporation wholly owned by the United States with a rating at the time of purchase of one of the two highest rating categories by any rating service: repurchase agreements with banks, savings and loan associations or trust companies organized under the laws of the Virgin Islands, the United States, or any state, territory or possession of the United States, provided the combined capital and surplus is at least equal to \$200.0 million and the obligations are secured by obligations that are not subject to claims and liens of third parties; investment agreements, guaranteed investment contracts or similar funding agreements provided the collateral for such agreements is at least equal to 102% of the amount invested; U.S. dollar denominated bankers acceptances with domestic commercial banks with the highest short-term rating category by a national rating agency; certificates of deposit with domestic commercial banks maturing no more than 360 days after the date of purchase, which have a rating in the two highest rating categories; investments in money market funds in the two highest rating categories; and commercial paper issued by U.S. corporations rated in the two highest rating categories which mature no more than 270 days after the date of purchase.
- *VIHA Investment Policies* - This major component unit is required by the U.S. Department of Housing and Urban Development (HUD) to invest excess funds in obligations of the United States, certificates of deposit, or any other federally insured investment. HUD requires that deposits be fully collateralized and may be held by an unaffiliated bank or trust company for the account of the VIHA.
- *VIWAPA and VIPA Investment Policies* - These major component units are authorized under bond resolutions and the V.I. Code to invest in open accounts, time deposits, non-negotiable certificates of deposit, repurchase agreements, obligations of the U.S. government, and obligations of any state within the United States, mutual funds, and corporate commercial paper. Investments are reported at fair value.
- *VIGHFC Investment Policies* - The board of trustees of this major component unit has not developed a formal investment policy.

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- *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 2.0% of the GERS investment portfolio. Investments in stock of a single corporation may not exceed 1.0% of the market value of the fund or exceed 1% of the outstanding stock of the corporation. The aggregate investments in stock may not exceed 60% of the market value of total investments of GERS. Investment in foreign stock should be limited to 10% of the market value of the total investments of GERS. The aggregate amount to be invested in common and preferred stock should be limited to 20.0% of the book value of the total investments of GERS on the date the investment is made.

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 has invested in Havensight Mall, a shopping and pier complex on the island of St. Thomas with an appraised value of \$41.0 million as of September 30, 2023.

GERS invested in two funds of the Mesirow Financial Private Equity Partnership. The funds reported a fair market value of \$7.4 million as of September 30, 2023.

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 \$1.3 million was reported net of depreciation as of September 30, 2023.

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.

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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 acquisition value at the time of donation.

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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.

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

Deferred Outflows/Inflows of Resources

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

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

- Deferred amounts related to pension represent 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.

Government of the United States Virgin Islands

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

Tax Refunds Payable

During the calendar year, the Government collects individual income taxes through withholdings and payments from taxpayers. 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 current and prior years but not paid at year-end are recorded as tax refunds payable and as a reduction of tax revenue.

Compensated Absences

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position

Net position is reported in three categories:

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

Fund Balance

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

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

Budgetary authority of the Office of Management and Budget is provided by Title 2, Sections 22, 23, 26 and 27 VIC, and Executive Order No. 371-1997. The Government's policy is to expend assigned or committed amounts, before unassigned amounts, when an expenditure is incurred.

- ***Unassigned Fund Balance*** - Unassigned fund balance is the residual classification for the General Fund. This classification represents a fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The residual deficit of the Federal Grants Fund and other governmental funds are also reported as unassigned fund balance.

Risk Management

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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 September 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement provides a single method of reporting conduit debt obligations by issuers of bonds and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for the Government's financial statements for periods beginning after December 15, 2021. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period in an exchange or exchange-like transaction. The requirements of this Statement are effective for the Government's financial statements for fiscal years beginning after June 15, 2022. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users. The requirements of this Statement are effective for the Government's financial statements for fiscal year beginning after June 15, 2022. The Government is in the process of implementing this Statement for future fiscal years.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation of certain GASB Statements, and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for the Government's financial statements during various fiscal years beginning after June 15, 2022. The Government has evaluated this Statement and has determined there is no impact on the financial statements.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

GASB Statement No.		Adoption in Fiscal Year
100	Accounting Changes and Error Corrections - an amendment of GASB Statement 62	2024
101	Compensated Absences	2025
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2026
104	Disclosure of Certain Capital Assets	2026
105	Subsequent Events	2027

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

2. Component Units

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

Major Component Units

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

Other Component Units (Nonmajor)

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

For fiscal year ended September 30, 2023, the Virgin Islands Housing Authority has provided financial information as of December 31, 2022, and the Virgin Islands Public Broadcasting System and Virgin Islands Waste Management Authority have provided financial information September 30, 2023. Accordingly, condensed financial information (expressed in thousands) for these component units is presented on the following page as of those respective dates. For all other discretely presented, prior-year condensed financial information (expressed in thousands) is presented on the following page.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

September 30, 2023			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
	Virgin Islands Housing Authority	Virgin Islands Port Authority*	Electric System	Water System	Schneider Regional Medical	Juan F. Luis Hospital						
Assets and deferred outflows												
Current assets	\$ 32,690	\$ 56,965	\$ 59,593	\$ 13,053	\$ 19,593	\$ 9,218	\$ 36,019	\$ 164,593	\$ 47,016	\$ 438,740		
Due from primary government	-	-	21,923	3,645	1,556	2	-	-	6,509	33,834		
Due from federal government	-	19,652	12,244	359	-	-	-	-	6,479	38,734		
Restricted assets	586	10,428	52,291	870	211	-	24,198	48,383	19,205	156,172		
Capital assets, net	58,692	328,256	1,548,775	80,246	31,258	122,106	99,102	46,476	117,363	2,432,274		
Lease assets, net	-	-	-	-	-	-	-	-	615	615		
Other noncurrent assets	5,879	-	88,726	-	-	-	-	-	38,686	38	133,329	
Deferred outflows of resources	19,994	31,525	51,920	10,489	42,526	81,797	29,247	22,498	19,475	309,471		
Total assets and deferred outflows of resources	117,841	446,826	1,835,472	108,662	95,144	213,123	188,566	320,835	216,700	3,543,169		
Liabilities and deferred inflows												
Current liabilities	6,011	39,661	493,668	1,088	44,169	77,809	4,553	151,216	62,477	880,652		
Due to primary government	21	-	20,322	-	5,077	377	-	6,386	635	32,818		
Due to Federal government	-	-	4,142	-	375	525	-	-	-	5,042		
Bonds payable - long-term	-	26,239	181,176	-	-	-	-	-	-	207,415		
Notes payable - long-term	-	-	-	-	-	-	2,295	525	3,377	6,197		
Line of credit - long-term	-	-	-	2,740	-	-	-	-	-	2,740		
Net pension liability	79,967	156,226	243,071	49,786	153,062	197,173	87,799	43,426	80,782	1,091,292		
Other postemployment benefits	21,641	32,647	48,281	9,724	-	-	12,011	-	-	124,304		
Other noncurrent liabilities	625	1,171	109,200	-	-	-	5,701	9,351	2,805	128,853		
Unearned revenue - long-term	-	-	-	-	-	-	-	3,490	10,245	13,735		
Deferred inflows of resources	28,186	23,786	72,050	14,757	33,114	16,868	17,808	6,491	26,361	239,421		
Total liabilities and deferred inflows of resources	136,451	279,730	1,171,910	78,095	235,797	292,752	130,167	220,885	186,682	2,732,469		
Net assets (deficit):												
Net investment in capital assets	58,692	357,560	1,310,947	102,313	35,550	90,490	(17,628)	23,962	117,362	2,079,248		
Restricted	147	16,348	60,991	(126)	920	-	41,562	58,063	18,014	195,919		
Unrestricted deficit	(77,449)	(206,812)	(708,376)	(71,620)	(177,123)	(170,119)	34,465	17,925	(105,358)	(1,464,467)		
Total net position (deficit)	\$ (18,610)	\$ 167,096	\$ 663,562	\$ 30,567	\$ (140,653)	\$ (79,629)	\$ 58,399	\$ 99,950	\$ 30,018	\$ 810,700		

*Unaudited

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Information on Statement of Activities	Program revenue Year Ended September 30, 2023					Total Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Virgin Islands Port Authority*	\$ 79,431	\$ 61,557	\$ -	\$ 35,678	\$ 17,804	
Virgin Islands Housing Authority	59,136	8,051	45,742	10,631	5,288	
Virgin Islands Water and Power Authority:						
Electric System*	338,725	317,383	-	289,675	268,333	
Water System*	33,058	35,375	-	2,786	5,103	
Virgin Islands Government						
Hospital and Health Facilities Corporation:						
Roy L. Schneider Hospital*	98,347	73,513	35,772	4,656	15,594	
Juan F. Luis Hospital*	69,681	36,620	26,771	10,878	4,588	
University of the Virgin Islands*	114,368	14,062	89,728	4,607	(5,971)	
Virgin Islands Housing Finance Authority*	94,106	5,311	88,118	-	(677)	
Other component units**	76,647	17,468	68,623	75	9,519	
Total activities	\$ 963,499	\$ 569,340	\$ 354,754	\$ 358,986	\$ 319,581	
General revenue:						
Interest and other					31,590	
Special item - insurance recoveries					113	
Changes in net position					351,284	
Net position, beginning of year, as restated					459,416	
Net position, end of year					\$ 810,700	

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

The summary of due to/due from primary government and component units as of September 30, 2023, is as follows (expressed in thousands):

	Due from PG/ Component Units	Due to PG/ Component Units
Governmental funds:		
General fund	\$ 29,393	\$ 26,073
PFA capital projects	-	418
Other governmental funds	7,376	-
Discretely presented component units:		
WAPA - Electric System*	21,923	20,322
WAPA - Water System*	3,645	-
Hospital and Health Facilities Corporation*	1,558	5,454
Virgin Islands Housing Finance Authority*	199	6,386
Virgin Islands Housing Authority	-	21
Other component units**	6,509	635
	\$ 70,603	\$ 59,309

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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, 2023, the PG reported \$742.9 million in unrestricted cash and cash equivalents and \$33.3 million in restricted cash and cash equivalents. All bank balances were fully collateralized, except for \$7.9 million held in various bank accounts for WICO that exceeded FDIC coverage or were not insured.

Pension Trust Fund

GERS considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. As of September 30, 2023, GERS held \$35.3 million in cash and cash equivalents consisting of: \$1.6 million in money market accounts and \$33.7 million in operational accounts.

Component Units

As of September 30, 2023, discretely presented component units reported \$156.9 million in unrestricted cash and cash equivalents and \$53.8 million in restricted cash and cash equivalents. Bank balances not insured or collateralized amounted to \$61.2 million, including unaudited information for the fiscal year ended September 30, 2023.

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.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is based on the lowest level input that is significant to the entire measurement.

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

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

Level 2: Investments classified within Level 2 are valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. The 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 2023, the Government's investment included a non-negotiable certificate of deposit, commercial papers, money market investments and advances for securities, which are not subject to fair value hierarchy.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Primary Government

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

	September 30, 2023	(In thousands)		
		Level 1	Level 2	Level 3
Investments with contractual maturities:				
Certificates of deposit	\$ 137,509	\$ -	\$ 137,509	\$ -
U.S. government, agency, and state obligations	103,636	-	103,636	-
Subtotal	241,145	\$ -	\$ 241,145	\$ -
Investments, at cost:				
Money market funds	114,967			
Commercial Paper	2,987			
Non-negotiable certificate of deposit	10,345			
Other	21			
Total	\$ 369,465			

Following is a summary of the investments of the PG categorized by investment type and weighted average maturity, as of September 30, 2023, (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	\$ 147,854	\$ 147,854	\$ -	\$ -
U.S. government, agency, and state obligations	103,636	57,783	42,828	3,025
Portfolio investments				
Commercial paper	2,987	2,987	-	-
Other investments	21	21	-	-
Total investments with contractual maturities	254,498	\$ 208,645	\$ 42,828	\$ 3,025
Investments without contractual maturities				
Money market funds	114,967			
Total	\$ 369,465			

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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, 2023, the PG's investments in money market funds were rated AAA by Standard & Poor's, and Aaa-mf by Moody's Investors Service. The PG's investments in commercial paper were rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The PG's investments in government, agency and state obligations were rated AAA to AA- by Standard & Poor's and Aaa to Aa3 by Moody's Investors Service. The PG's investments in certificates of deposit in the amount of \$147.9 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, 2023, more than 5% of the PG's investments were invested in: Certificates of Deposit issued by First Bank (36.65%), Federated Government Obligation No. 5 (17.74%), Federal Home Loan Mortgage Corporation (9.24%), Federal Home Loan Bank (7.74%), Goldman Financial Square No. 465 (5.84%) and Invesco Treasury No. 1931 (5.22%).

Custodial Credit Risk - The PG does not have a custodial risk policy. The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the PG will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of September 30, 2023, \$221.6 million of investments were held in the name of the Bank of New York Trust Company, N.A. as trustee for the Government, \$135.4 million of certificates of deposit were issued by First Bank, and \$12.4 million of certificates of deposit were issued by Banco Popular de Puerto Rico.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Pension Trust Fund

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

	September 30, 2023	(In thousands)		
		Level 1	Level 2	Level 3
Debt securities:				
Corporate bond	\$ 1	\$ -	\$ 1	\$ -
Limited partnerships-private fund of funds	7,618	-	-	7,618
Private lending	7,693	-	-	7,693
Real estate/other real assets	64,223	-	-	64,223
Subtotal	79,535	\$ -	\$ 1	\$ 79,534
Investment, as cost:				
Money market funds	1,632			
System cash	24,354			
Havensight cash	9,324			
Investments measured at net asset value (NAV):				
Commingled equity funds	231,777			
Commingled bond funds	112,743			
Total	\$ 459,365			

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at net asset value (NAV):				
Commingled equity funds	\$ 231,777	\$ -	Daily	None
Commingled bond funds	112,743	-	Daily	None
Total	\$ 344,520	\$ -		

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 funds can be liquidated daily. All the underlying securities within the commingled funds carry a recurring fair value measurement Level of 2. There are no unfunded commitments to commingled funds as of September 30, 2023.

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

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Notes to Basic Financial Statements

Following is a summary of the investments of the pension trust fund, categorized by investment type and weighted average maturity, as of September 30, 2023, (expressed in thousands):

	Fair Value	Maturity (in years)					No Stated Maturity
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years		
Investments with contractual maturities							
Cummiled and mutual funds	\$ 344,520	\$ -	\$ -	\$ -	\$ -	\$ 344,520	
Corporate obligations	1	1	-	-	-	-	-
Limited partnerships	7,618	-	-	-	-	-	7,618
Total investments with contractual maturities	352,139	\$ 1	\$ -	\$ -	\$ -	\$ 352,138	
Investments without contractual maturities							
Money market funds	1,632						
System cash	24,354						
Havensight cash	9,324						
Real estate investments:							
Havensight Mall - U.S. Virgin Islands	41,000						
GERS Complex - U.S. Virgin Islands and other real estate	21,895						
Debt lending - member loans	7,693						
Other real assets	1,328						
Total	\$ 459,365						

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.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

The credit ratings of GERS' debt securities as of September 30, 2023, include (expressed in thousands):

	Standard & Poor's Credit Ratings		Moody's Investors Service Credit Ratings	
	Fair Value	Credit Ratings	Fair Value	Credit Ratings
Corporate obligations	\$ 1	Not Rated	\$ 1	Not Rated
U.S. equity commingled and mutual funds	161,049	Not Rated	161,049	Not Rated
International equity commingled and mutual funds		Not Rated		Not Rated
Domestic fixed income commingled and mutual funds	70,728	Not Rated	70,728	Not Rated
	112,743		112,743	Not Rated
Total	\$ 344,521		\$ 344,521	

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, the System's entire investment portfolio was held with a single third-party custodian in the System's name as of September 30, 2023. As of September 30, 2023, the System had no underlying securities on loan secured by noncash collateral.

Stock and 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, 2023, 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.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

GERS does not have the ability to pledge or sell collateral securities delivered absent a borrower default. No restrictions were imposed during 2023 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 fiscal year 2023, 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% 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% 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% of the market value of the security for all borrowers throughout the outstanding period of the loans.

As of September 30, 2023, GERS had no risk exposure to borrowers because the amounts GERS owed the borrowers exceeded the amounts the borrower's owed GERS. Loans through securities lending transactions were insignificant, and the difference between the fair value of the securities on loan and collateral held was insignificant.

Component Units

Following are the investments of the discretely presented component units categorized within the fair value hierarchy presented as of the prior fiscal year. The component units have not provided information for the fiscal year ended September 30, 2023.

	September 30, 2022	(In thousands)		
		Level 1	Level 2	Level 3
Investments, at fair value:				
U.S. Government agencies and notes	\$ 46,275	\$ 46,275	\$ -	\$ -
Mutual funds	116	116	-	-
Subtotal	46,391	\$ 46,391	\$ -	\$ -
Investments, at cost:				
Certificate of deposits	26,269			
Investments measured at net asset value (NAV):				
Alternative investments	23,480			
Total*	\$ 96,140			

*Include balances of unaudited component units - see Note 2

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Following is a summary of the investments of the discretely presented component units, categorized by investment type, and weighted average maturity (expressed in thousands) for the prior fiscal year:

September 30, 2022	Fair Value	Maturity (in years)			
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Investments with contractual maturities					
Certificates of deposit	\$ 26,269	\$ 20,073	\$ 6,196	\$ -	\$ -
U.S. Government agencies and notes	46,275	46,275	-	-	-
Total investments with contractual maturities	72,544	\$ 66,348	\$ 6,196	\$ -	\$ -
Investments without contractual maturities					
Mutual funds	116				
Other investments	23,480				
Total*	\$ 96,140				

*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.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

5. Receivables

Primary Government

Receivables for governmental funds on September 30, 2023, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	\$ 265,323	\$ -	\$ -	\$ 265,323
Real property taxes	134,692	-	-	134,692
Hotel occupancy taxes	4,693	-	-	4,693
Gross receipts taxes	-	291,113	-	291,113
Subtotal taxes receivables	404,708	291,113	-	695,821
Less allowance for doubtful accounts	(235,869)	(262,705)	-	(498,574)
Taxes receivables, net	168,839	28,408	-	197,247
Other	\$ 250	\$ -	\$ 116	366
Tobacco settlement rights				796
Total				\$ 198,409

(a) Tax Receivables

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

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

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

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

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

Property taxes are to be levied by May 15 of each year in the name of the record owner on January 15 of the same year. The taxes are due on June 30 and become delinquent if not paid by August 31st in fiscal year 2023.

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

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

(b) Other Receivables

In addition to tax receivables, the PG receives tobacco settlement right payments in connection with a Master Settlement Agreement with certain participating cigarette manufacturers. Under the terms of the agreement, the U.S. Virgin Islands receives .0173593% of annual payments made under the agreement. As of September 30, 2023, the PG reported a receivable of \$796,000 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) for the year ended September 30, 2023:

Utility service charges	\$	23,415
Patients		7,275
Students		18,453
Port fees		7,470
Other		162,505
Total*	\$	219,118

*Includes balances of unaudited component units - See Note 2

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Pension Trust Fund

Loans and advances to members of GERS as of September 30, 2023, consist of the following (expressed in thousands):

Personal loans	\$	5,403
<u>Mortgage loans</u>		<u>3,242</u>
<hr/>		
Less allowance for losses		(952)
<u>Total</u>	\$	<u>7,693</u>

(c) Notes Receivable

On July 30, 2018, the Government under an amended Terminal agreement entered a 10-year nontransferable promissory note receivable with Limetree Bay Terminals, LLC (Limetree) for \$10.0 million secured by a purchase money lien on land, buildings, and other properties at the terminal in St. Croix. The note maturity is November 30, 2028, with an interest rate of 10.0% due on June 30 and December 31 of each year, beginning June 30, 2019. Prior to the restart of the refinery, the interest to be added to the principal amount due. At September 30, 2023, principal, and interest amounted to \$9.7 million.

Component Units

Notes receivables for the discretely presented component units as of September 30, 2023, consist of the following (expressed in thousands):

Land and mortgage*	\$	1,632
Moderate income*		2,479
Loan made to homeowners		3
Loan with Louis E. Brown I, Ltd.		3,629
<u>Loan with Louis E. Brown II, Ltd.</u>		<u>2,250</u>
<hr/>		
Less: current portion		2
<u>Total</u>	\$	<u>9,991</u>

*Includes balances of unaudited component units - See Note 2

Government of the United States Virgin Islands

Notes to Basic Financial Statements

6. Unavailable Revenues

The components of unavailable revenues of the general fund and PFA debt service fund as of September 30, 2023, consist of the following (expressed in thousands):

	General	PFA Debt Service	Total
Property taxes	\$ 24,862	\$ -	\$ 24,862
Income taxes	90,127	-	90,127
Gross receipts taxes		13,533	13,533
Total	\$ 114,989	\$ 13,533	\$ 128,522

7. Interfund Transfers

Interfund transfers for the year ended September 30, 2023, consist of the following (expressed in thousands):

Transfer from/to	General	PFA Debt Service	PFA Capital Projects	Other Governmental	Total
General	\$ -	\$ 140,964	\$ -	\$ 2,395	\$ 143,359
PFA Debt Service	123,997	-	642	-	124,639
Other Governmental	17,282	-	3,395	-	20,677
Other Business-Type	1,000	-	-	-	1,000
Total	\$ 142,279	\$ 140,964	\$ 4,037	\$ 2,395	\$ 289,675

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 \$141.0 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 \$124.0 million to PFA Debt Service Fund (a major governmental fund); a transfer of \$5.0 million to Budget Stabilization Fund (a non-major governmental fund); a transfer of \$9.5 million to PFA Operating Fund (a non-major governmental fund); and a transfer of \$2.0 million to the PFA Office of Disaster Recovery (a non-major governmental fund).

The PFA capital projects fund (a major governmental fund) made a transfer of \$3.4 million to the Communities Facilities Trust (a non-major governmental fund). The Communities Facilities Trust made a transfer of \$2.4 million to the General Fund.

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Due From/To Other Funds

Due from/to other funds	General	PFA Capital Projects	Other Governmental	Other Business-Type	Total
General	\$ -	\$ -	\$ 32,807	\$ 300	\$ 33,107
Other Governmental Funds	51,373	-	-	-	51,373
Total Governmental	51,373	-	32,807	300	84,480
WICO	10,588	-	-	-	10,588
viNGN	-	36,804	-	-	36,804
Other Business-Type	459	324	2,419	-	3,202
Total Proprietary Funds	11,047	37,128	2,419	-	50,594
Total	\$ 62,420	\$ 37,128	\$ 35,226	\$ 300	\$ 135,074

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, \$7.8 million due to PFA operating fund (a non-major governmental fund) for unpaid transfers from gross receipts collections; \$4.9 million due to the Emergency Molasses Fund (a non-major governmental fund) for unpaid appropriations, 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), \$6.0 million due from the Recovery Grant Management program for an ARPA grant returned, 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 consisting primarily of 15.0% of revenue derived from lottery games under contract between the Virgin Islands Lottery and private contractors be transferred to these funds.

8. Restricted Assets

Primary Government

Restricted assets of proprietary funds and business-type activities as of September 30, 2023, include cash and cash equivalents as follows (expressed in thousands):

Unemployment insurance funds	\$ 24,546
WICO debt service funds	8,791
Total	\$ 33,337

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Component Units

Restricted assets of discretely presented component units as of September 30, 2023, including cash and cash equivalents, investments, and receivables as follows (expressed in thousands), including prior year data for certain component units:

Cash and cash equivalents:		
Debt service and sinking fund requirements	\$	6,886
Endowment funds		680
HUD project funds		586
Revolving loan funds		40,858
Other		4,794
Total restricted cash and cash equivalents		53,804
Investments:		
Debt service and sinking fund requirements		56,703
Endowment funds		23,480
Revolving loan funds		6,312
Total restricted investments		86,495
Other:		
Pledged funds		15,873
Total*	\$	156,172

*Includes balances of unaudited component units - See Note 2

Government of the United States Virgin Islands

Notes to Basic Financial Statements

9. Capital Assets

Primary Government

Capital assets activity for governmental activities for the year ended September 30, 2023, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 216,024	\$ -	\$ -	\$ -	\$ 216,024
Construction in progress	220,218	138,976	(109,173)	(1,674)	248,347
Total capital assets not being depreciated	436,242	138,976	(109,173)	(1,674)	464,371
Capital assets being depreciated and amortized:					
Land improvements	14,586	-	6,763	-	21,349
Infrastructure	284,641	1,844	79,202	-	365,687
Buildings and improvements	654,013	-	14,970	-	668,983
Machinery and equipment	285,138	18,647	8,238	(52)	311,971
Total capital assets being depreciated, and amortized	1,238,378	20,491	109,173	(52)	1,367,990
Land improvements	(7,030)	(853)	-	-	(7,883)
Infrastructure	(69,902)	(11,716)	-	-	(81,618)
Buildings and improvements	(321,183)	(30,708)	-	-	(351,891)
Machinery and equipment	(235,174)	(20,179)	-	52	(255,301)
Total accumulated depreciation and amortization	(633,289)	(63,456)	-	52	(696,693)
Total capital assets being depreciated and amortized, net	605,089	(42,965)	109,173	-	671,297
Total Governmental activities capital assets, net	\$ 1,041,331	\$ 96,011	\$ -	\$ (1,674)	\$ 1,135,668

Depreciation and amortization expense are charged to functions of the PG for the year ended September 30, 2023, as follows (expressed in thousands):

Governmental Activities:

General government	\$	17,143
Public safety		4,502
Health		2,492
Education		24,433
Public housing and welfare		1,038
Culture and recreation		700
Transportation and communication		13,148
Total	\$	63,456

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Capital assets activity for business-type activities for the year ended September 30, 2023, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers/ Adjustment	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 5,178	\$ 1,200	\$ -	\$ -	\$ 6,378
Construction in progress	6,936	5,687	(1,552)	-	11,071
Total capital assets not being depreciated	12,114	6,887	(1,552)	-	17,449
Capital assets being depreciated and amortized:					
Land improvements	705	-	-	-	705
Buildings and improvements	80,864	665	911	-	82,440
Machinery and equipment	83,108	540	641	(39)	84,250
Right-to-use building and improvements	2,139	393	-	(1,203)	1,329
Intangible assets	30,774	-	-	-	30,774
Total capital assets being depreciated and amortized	197,590	1,598	1,552	(1,242)	199,498
Less accumulated depreciation and amortization for:					
Land improvements	(442)	(34)	-	-	(476)
Buildings and improvements	(53,691)	(3,093)	-	-	(56,784)
Machinery and equipment	(43,978)	(4,021)	-	39	(47,960)
Right-to-use building and improvements	(1,620)	(264)	-	1,203	(681)
Intangible assets	(11,167)	(1,012)	-	-	(12,179)
Total accumulated depreciation and amortization	(110,898)	(8,424)	-	1,242	(118,080)
Total capital assets being depreciated and amortized, net	86,692	(6,826)	1,552	-	81,418
Total Business-type activities capital assets, net	\$ 98,806	\$ 61	\$ -	\$ -	\$ 98,867

Depreciation and amortization expense are charged for the year ended September 30, 2023, as follows (expressed in thousands)

Business-type Activities:

WICO	\$ 3,120
viNGN	4,473
Other enterprise funds	831
Total	\$ 8,424

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Notes to Basic Financial Statements

Component Units

Capital assets activity for discretely presented component units for the year ended September 30, 2023, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers	Impairment/ Disposals	Ending Balance
Capital assets not being depreciated:					
Land	\$ 129,911	\$ 773	\$	-	\$ 130,684
Construction in progress	584,453	1,292	-	-	585,745
Total capital assets not being depreciated	714,364	2,065	-	-	716,429
Capital assets being depreciated and amortized:					
Buildings and improvements	2,840,813	13,675	-	-	2,854,488
Airport and marine terminal facilities	193,449	-	-	-	193,449
Personal property and equipment	163,983	4,651	-	-	168,634
Right to use lease assets	226	-	-	226	-
Intangible assets	2,919	-	-	-	2,919
Total capital assets being depreciated and amortized	3,201,390	18,326	-	226	3,219,490
Less accumulated depreciation and amortization for:					
Buildings and improvements	(1,201,965)	(11,870)	-	-	(1,213,835)
Airport and marine terminal facilities	(168,369)	-	-	-	(168,369)
Personal property and equipment	(116,295)	(2,541)	-	-	(118,836)
Right to use lease assets	(57)	-	-	(57)	-
Intangible assets	(2,605)	-	-	-	(2,605)
Total accumulated depreciation and amortization	(1,489,291)	(14,411)	-	(57)	(1,503,645)
Total capital assets being depreciated and amortized, net	1,712,099	3,915	-	169	1,715,845
Total component units' capital assets, net*	\$ 2,426,463	\$ 5,980	\$	\$ 169	\$ 2,432,274

*Includes balances of unaudited component units - See Note 2

Depreciation and amortization expense (expressed in thousands):

Virgin Islands Housing Authority		\$	6,894
Other component units*			7,517
Total		\$	14,411
*Includes balances of unaudited component units - See Note 2			

Government of the United States Virgin Islands

Notes to Basic Financial Statements

10. Long-Term Liabilities

Primary Government

The change in long-term bonds and loans for governmental activities is as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Gross Receipts Revenue Bonds						
Series 2014 D Revenue Bonds	\$ 4,355	\$ -	\$ 255	\$ 4,100	\$ 270	\$ 3,830
Series 2014 C Revenue and Refunding Bonds	208,510	-	6,705	201,805	7,045	194,760
Series 2014 A Revenue Bonds	37,535	-	2,100	35,435	2,210	33,225
Series 2012 A and B Revenue and Refunding Bonds	134,335	-	3,720	130,615	9,195	121,420
Series 2012 C Revenue Bonds	21,215	-	1,955	19,260	430	18,830
Series 2006 A Revenue Bonds	153,970	-	16,895	137,075	17,515	119,560
Total	559,920	-	31,630	528,290	36,665	491,625
Tobacco Settlement Bonds						
Series 2006 A, B, C and D Tobacco Turbo and Capital Appreciation Bonds	7,290	-	2,463	4,827	-	4,827
Series 2001 A Tobacco Bonds	1,215	-	1,215	-	-	-
Total	8,505	-	3,678	4,827	-	4,827
Matching Fund Special Purpose Securitization Corporation						
Series 2022 A Securitization Bonds	930,315	-	-	930,315	-	930,315
Series 2022 B Securitization Bonds	22,510	-	-	22,510	-	22,510
Total	952,825	-	-	952,825	-	952,825
Federal-Aid Highway Bonds						
Series 2015 Bonds	62,905	-	4,430	58,475	4,650	53,825
Other Direct Placement Bonds						
Series 2019 A TIF Revenue and Refunding Bonds	9,573	-	3,162	6,411	605	5,806
Total bonds payable	1,593,728	-	42,900	1,550,828	41,920	1,508,908
Plus (less):						
Bond premium	47,773	-	5,716	42,057	-	42,057
Bond discount	(234)	-	(45)	(189)	-	(189)
Bond accretion	13,876	874		14,750	14,750	-
Total bonds payable, net	\$ 1,655,143	\$ 874	\$ 48,571	\$ 1,607,446	\$ 56,670	\$ 1,550,776

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Loans, Lines of Credit, and Notes Payable	Beginning Balance	Reductions		Ending Balance	Due Within One Year	Due Thereafter
		Additions	14			
2019 A TIF Project Developer Note Series 2023 Note	\$ 1,551	\$ -	\$ 55,909	\$ 1,537	\$ 16	\$ 1,521
Total	1,551	55,909	14	57,446	16	57,430
Total governmental activities bonds and direct borrowings and placements	\$ 1,656,694	\$ 56,783	\$ 48,585	\$ 1,664,892	\$ 56,686	\$ 1,608,206

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	\$ 38,944	\$ 8,639	\$ -	\$ 47,583	\$ 16,735	\$ 30,848
Retroactive union arbitration	151,064	-	4,546	146,518	2,408	144,110
Accrued 8.0% salary reduction	1,583	-	1,583	-	-	-
Litigation	7,873	-	1,188	6,685	1,664	5,021
Landfill closure and post closure	129,542	35,702	-	165,244	-	165,244
Total	\$ 329,006	\$ 44,341	\$ 7,317	\$ 366,030	\$ 20,807	\$ 345,223

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

The change in tax refunds payable for governmental activities is as follows for the year ended September 30, 2023 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Tax refunds payable	\$ 114,370	\$ 45,632	\$ 38,585	\$ 121,417	\$ 117,332	\$ 4,085

On September 30, 2023, the PG reported other post-employment benefits (OPEB) to retirees such as health insurance liability of \$976.6 million. The OPEB liability is valued by an actuarial valuation as of October 1, 2019, with a roll forward through October 1, 2021.

The change in OPEB liabilities for governmental activities is as follows for the fiscal year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Total OPEB liability	\$ 976,613	\$ -	\$ -	\$ 976,613	\$ -	\$ 976,613

Government of the United States Virgin Islands

Notes to Basic Financial Statements

Due to the delays in receiving census data necessary to prepare actuarial valuations, the PG is not in compliance with governmental accounting standards requiring a full valuation of OPEB every other year.

As of September 30, 2023, the PG reported a net pension liability of \$3.1 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, 2022, determined by an actuarial valuation as of that date.

The change in pension liabilities for governmental activities is as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	\$ 4,091,016	\$ -	\$ 965,436	\$ 3,125,580	\$ -	\$ 3,125,580

The changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2023, (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
WAPA utilities - WICO	\$ -	\$ 183	\$ -	\$ 183	\$ -	\$ 183
Workers' compensation claims	46,387	-	4,426	41,961	2,632	39,329
Lease liability - viNGN	559	298	177	680	219	461
Note payable - viNGN	-	450	-	450	11	439
Compensated absences - WICO	1,338	372	338	1,372	64	1,308
WICO Port Facilities Revenue Bonds	51,586	45	-	51,631	-	51,631
Total	\$ 99,870	\$ 1,348	\$ 4,941	\$ 96,277	\$ 2,926	\$ 93,351

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

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

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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, 2023, are comprised of the following (expressed in thousands):

	Maturity	Interest Rate (%)	Balance
Gross Receipts Revenue Bonds			
Series 2014 D Revenue Bonds	2015 - 2033	6.03	\$ 4,100
Series 2014 C Revenue and Refunding Bonds	2015 - 2044	4.50 - 5.00	201,805
Series 2014 A Revenue Bonds	2015 - 2034	5.00	35,435
Series 2012 A and B Revenue and Refunding Bonds	2017 - 2032	2.25 - 5.25	130,615
Series 2012 C Revenue Bonds	2017 - 2042	3.00 - 5.00	19,260
Series 2006 A Revenue Bonds	2007 - 2029	3.50 - 5.00	137,075
Total			528,290
Tobacco Settlement Bonds			
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 - 8.00	4,827
Matching Fund Special Purpose Securitization Bonds			
Series 2022 A Securitization Bonds	2039	4.05 - 4.73	930,315
Series 2022 B Securitization Bonds	2025	6.00	22,510
Total			952,825
Federal-Aid Highway Bonds			
Series 2015 Bonds	2016 - 2033	3.00 - 5.00	58,475
Other Direct Placement Bonds or Borrowings			
Series 2019 A TIF Revenue and Refunding Bonds	2029	6.88	6,411
Total bonds payable			1,550,828
Plus (Less):			
Bonds premium			42,057
Bonds discount			(189)
Bonds accretion			14,750
Total bonds payable, net			\$ 1,607,446

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Notes to Basic Financial Statements

Gross Receipts Revenue Bonds

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.

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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%.

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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:

<u>Series 2012 A and B Revenue and Refunding Bonds</u>	<u>Price</u>
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.

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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 are fully defeased.

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

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

Series 2006 A Revenue Bonds	Price
October 1, 2016, and thereafter	100%

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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 2019A TIF Revenue and Refunding Bonds, Series 2019A TIF Project Developer Loan Note, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 A Revenue Bonds, Series 2012 C Revenue Bonds, Series 2012 A and B Revenue and Refunding Bonds, and the Series 2006 A Revenue Bonds.

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

In fiscal year 2023, pledged gross receipts tax revenues represented 29.86% of total gross receipt tax revenues. Payment of Gross Receipts Revenue Bonds and Notes principal and interest from pledged gross receipts taxes amounted to \$58.7 million for bonds and \$4.0 million for notes, respectively.

Tobacco Settlement Bonds

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

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

Interest on the Series 2006 Bonds is not paid currently but accretes from the date of delivery, compounded every May 15 and November 15, commencing May 15, 2006, and is paid at maturity or upon prior redemption, provided however that the 2001 Series Bonds have been paid in full.

2001 Series 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 were 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 were 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.

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TSFC 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. The bonds were fully defeased through turbo redemptions during the fiscal year ended September 30, 2023.

2022 Matching Fund Special Purpose Securitization Bonds

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

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

Interest on the Series 2022 A and Series 2022 B bonds is payable semi-annually on April 1 and October 1, beginning October 1, 2022, with principal payments due October 1, beginning October 1, 2025. Capitalized interest was funded as part of the issuance of the bonds in the amount of \$112.2 million. Capitalized interest is applied to semi-annual interest payments with an initial payment of \$18.8 million on October 1, 2022. Transfers of capitalized interest during the current fiscal year amounted to \$37.7 million.

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

Series 2022 A Securitization Bonds	Price
October 1, 2032, and thereafter	100%

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

Federal-Aid Highway Bonds

On December 15, 2015, PFA issued the Series 2015 Federal-Aid Highway Bonds (Series 2015 Bonds), the proceeds of which amounted to \$89,880,000.

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

Other Direct Placement Bonds or Borrowings - Series 2019 A TIF Revenue and Refunding Bonds

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

Interest on the Series 2019 A TIF Revenue and Refunding Bonds is payable monthly, and the principal is payable commencing December 1, 2019. The Government is responsible for all principal and interest payments on the Series 2019 A Bonds.

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The monthly principal and interest payments are funded by pledged Gross Receipts Taxes. In the year ended September 30, 2023, the Government made an additional principal redemption of \$2.6 million.

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

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 2019A TIF Project Developer Note. No payments may be made on the 2019 A TIF Project Developer Note until the DSCR and LTV requirements have been met. For the year ended September 30, 2023, the DSCR amounted to 2.12 and the LTV was 36%, 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.

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Notes to Basic Financial Statements

WICO Port Facilities Revenue Bonds

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

The Series 2022 Bonds were issued to: (i) prepay the WICO's loan (ii) fund a capitalized interest fund in an amount equal to interest accrued through December 31, 2022, (iii) fund the debt service reserve fund, (iv) finance certain capital improvements to docks, wharves, and ancillary facilities, (v) acquire a twenty-foot skiff for port operations, and (vi) pay certain costs of issuing the bonds. The Series 2022 Bonds are due from October 1, 2033, to October 1, 2052, with interest rates from 5.875% to 6.500%. Interest is payable annually on April 1st.

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

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

Pledged Funds, Covenants, and Collateral

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

WICO entered into a continuing disclosure agreement with the Trustee requiring audited financial statements to be provided within 120 days of the fiscal year-end and unaudited financial information, and operating data, to be provided within 45 days of the close of each fiscal quarter.

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

Governmental Activities - Gross Receipts Revenue Bonds													
2006 Series A Revenue Bonds		2012 Series A Revenue Bonds		2012 Series B Revenue Bonds		2012 Series C Revenue Bonds		2014 Series A Revenue Bonds		2014 Series C Revenue Bonds			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:													
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	4,949	2,680	375	475	907	2,440	1,484	6,595	9,145	
2027	19,530	3,476	8,735	4,529	2,825	231	500	883	2,565	1,359	6,920	8,807	
2028	20,250	2,482	9,470	4,074	2,980	78	525	857	2,700	1,227	7,270	8,452	
2029-2033	42,775	1,913	76,750	10,078	-	-	3,680	3,820	15,720	3,912	112,645	31,116	
2034-2038	-	-	-	-	-	-	5,775	2,606	7,475	378	39,340	4,905	
2039-2043	-	-	-	-	-	-	7,420	964	-	-	7,555	2,482	
2044-2048	-	-	-	-	-	-	-	-	-	-	7,050	321	
Total	\$ 137,075	\$ 23,920	\$ 117,170	\$ 34,654	\$ 13,445	\$ 1,838	\$ 19,260	\$ 11,919	\$ 35,435	\$ 11,680	\$ 201,805	\$ 84,577	

2014 Series D Revenue Bonds				Total Gross Receipts Tax Bonds			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:							
2024	\$ 270	\$ 239	\$ 36,665	\$ 25,347			
2025	290	222	38,560	23,457			
2026	305	204	39,375	21,499			
2027	325	185	41,400	19,470			
2028	345	165	43,540	17,335			
2029-2033	2,075	476	253,645	51,315			
2034-2038	490	15	53,080	7,904			
2039-2043	-	-	14,975	3,446			
2044-2048	-	-	7,050	321			
Total	\$ 4,100	\$ 1,506	\$ 528,290	\$ 170,094			

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Notes to Basic Financial Statements

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

<u>Maturity Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,059	\$ -
2025	-	-
2026	-	-
2027	-	-
2028	-	-
2029-2033	-	-
2034-2035	44,622	-
Plus Accretion:	(26,104)	-
 Total	 \$ 19,577	 \$ -

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

<u>Maturity Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ -	\$ 47,866
2025	-	47,866
2026	39,985	46,754
2027	54,710	44,274
2028	57,515	41,469
2029-2033	334,930	159,960
2034-2038	417,700	65,124
2039-2040	47,985	1,356
 Total	 \$ 952,825	 \$ 454,669

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

<u>Maturity Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,650	\$ 2,924
2025	4,880	2,691
2026	5,125	2,447
2027	5,380	2,191
2028	5,650	1,922
2029-2033	32,790	5,079
 Total	 \$ 58,475	 \$ 17,254

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

Maturity Year	Principal	Interest
2024	\$ 604	\$ 680
2025	650	634
2026	697	588
2027	747	537
2028	799	485
<u>2029-2033</u>	<u>2,914</u>	<u>492</u>
Total	\$ 6,411	\$ 3,416

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

Maturity Year	Principal	Interest
2024	\$ -	\$ 3,338
2025	-	3,338
2026	185	3,338
2027	360	3,327
2028	380	3,306
<u>2029-2033</u>	<u>3,620</u>	<u>16,052</u>
2034-2038	5,230	14,742
2039-2043	7,070	12,902
2044-2048	9,605	10,367
<u>2049-2053</u>	<u>26,175</u>	<u>6,319</u>
Total	\$ 52,625	\$ 77,029
Less:		
Bond discount		(994)
Total bonds payable, net	\$ 51,631	

(b) Loans and Notes Payable

Series 2023 Note

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

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Notes to Basic Financial Statements

At the date of the Revenue Anticipation Note Purchase Agreement the certificate of deposit rate was 4.500% and the interest on the loan is 6.500%. Interest will be computed by applying a daily periodic interest rate divided by actual days divided by 365. 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 taken as of September 30, 2023 amounted to \$55.9 million. On October 10, 2023, the Legislature amended Act 8701 to authorize an increase in the amount of the Series 2023 Note to \$150.0 million, to provide \$50.0 million for the payment of vendors, retroactive wage payments, and address other critical needs of the territory.

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

Maturity Year	Principal
2024	\$ -
2025	-
2026	<u>55,909</u>
Total	\$ 55,909

2022 GERS Funding Note, Taxable

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

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

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

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

Maturity Year	Principal
2024	\$ 157,997
2025	157,996
2026	81,537
2027	73,616
2028	82,424
2029-2033	412,142
2034-2038	424,199
2039-2043	746,220
2044-2048	789,982
2049-2052	631,986
Total	\$ 3,558,099

2019 A TIF Project Developer Note

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

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

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

Maturity Year	Principal	Interest
2024	\$ 16	\$ 131
2025	18	129
2026	19	128
2027	21	126
2028	22	124
2029-2033	145	590
2034-2038	217	517
2039-2043	327	407
2044-2048	492	242
2049-2050	260	34
Total	\$ 1,537	\$ 2,428

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Notes to Basic Financial Statements

(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, 2023, the PG owed \$87.4 million to the U.S. Treasury.

States and territories with outstanding loans from the UTF must repay them fully by the November 10 following the second consecutive January 1 on which the state or territory has an outstanding loan. If a state or territory does not repay a UTF loan by November 10 of the second year, it becomes subject to a reduction in the amount of state unemployment tax credit applied against the federal unemployment tax beginning with the preceding January 1 until the state repays the loan fully. For 2023, the credit reduction rate increased from 3.6% to 3.9%.

During the year ended September 30, 2023, the PG paid \$1.5 million in interest on the loan. The interest rate charged on the loan was 1.59% from October 1, 2022, through December 31, 2022, and 1.68% from January 1, 2023, through September 30, 2023.

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

In September 2023, viNGN entered into a term loan agreement with a local bank in the amount of \$450,000 to purchase an office building for \$625,000 on the island of St. Croix. Interest on the loan is the Wall Street Journal prime rate plus 125 basis points. The loan is payable in monthly installments over a term of five years based on a fifteen-year amortization period with a maturity date of October 5, 2028, or earlier if the local bank accelerates payment due to an event of default.

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

Maturity Year	Principal
2024	\$ 11
2025	18
2026	19
2027	21
2028	23
2029	358
Total	\$ 450

(e) Loans Payable - The West Indian Company Limited

Paycheck Protection Program Loans

In April 2021, WICO received a Paycheck Protection Program loan in the amount of \$717,000, subject to a fixed interest rate of 1.0%. In October 2022, the loan was forgiven by the Small Business Administration and the bank was paid the principal amount of \$717,000 plus interest of \$10,000. 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.

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Notes to Basic Financial Statements

(f) Insurance Guaranty Fund Minimum Balance Requirement

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

Component Units

Bonds payable of discretely presented component units are those liabilities that are paid out of resources pledged by such entities. Bonds payable, outstanding on September 30, 2023, (expressed in thousands), including certain component units presenting prior year data include:

	Maturity	Interest Rate (%)	Balance
Bonds Payable			
Virgin Islands Water and Power Authority (Electric System): Bonds and Bond Anticipation Notes*	2025-2035	1.62 - 6.85	\$ 235,910
Virgin Islands Port Authority: Series A Revenue Bonds of 2014* Series B Revenue Bonds of 2014* Series C Revenue Bonds of 2014*	2033 2044 2025	4.00 - 5.00 3.00 - 5.00 2.00 - 5.00	14,400 10,370 3,920
Subtotal			264,600
Plus, unamortized premium			614
Bonds payable, net			265,214
Less amount due within one year			(57,799)
<u>Bonds payable, due in more than one year*</u>			\$ 207,415

**Unaudited*

The changes in bonds payable for discretely presented component units for are as follows for the year ended September 30, 2023 (expressed in thousands):

Component Unit	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Virgin Islands Water and Power Authority: Electric System*	\$ 233,953	\$ 1,957	\$ -	\$ 235,910	\$ 54,734	\$ 181,176
Water System*	75,000	-	75,000	-	-	-
Virgin Islands Port Authority*	32,674	-	3,370	29,304	3,065	26,239
Total	\$ 341,627	\$ 1,957	\$ 78,370	\$ 265,214	\$ 57,799	\$ 207,415

**Unaudited*

Government of the United States Virgin Islands

Notes to Basic Financial Statements

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

September 30, 2023	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Notes payable						
Virgin Islands Port Authority*	\$ 7,381	\$ 1,228	\$ -	\$ 8,609	\$ 8,609	\$ -
University of the Virgin Islands*	21,686	-	19,391	2,295	-	2,295
Virgin Islands Housing Finance Authority*	694	84	610	85	525	
Other component units*	4,012	-	26	3,986	609	3,377
Total notes payable:	\$ 33,773	\$ 1,228	\$ 19,501	\$ 15,500	\$ 9,303	\$ 6,197
Line of credit payable						
Virgin Islands Water and Power Authority:						
Electric System*	\$ 33,262	\$ -	\$ -	\$ 33,262	\$ 33,262	\$ -
Water System*	2,740	-	-	2,740	-	2,740
Total line of credit payable	\$ 36,002	\$ -	\$ -	\$ 36,002	\$ 33,262	\$ 2,740
Other long-term liabilities:						
Virgin Islands Housing Authority	\$ 3,470	\$ 4,246	\$ 2,696	\$ 5,020	\$ 4,395	\$ 625
Virgin Islands Port Authority*	2,538	-	-	2,538	1,367	1,171
Virgin Islands Water and Power Authority:						
Electric System*	109,200	-	-	109,200	-	109,200
Hospital and Health Facilities Corporation:						
Schneider Regional Medical*	4,653	-	-	4,653	4,653	-
University of the Virgin Islands*	5,701	-	-	5,701	-	5,701
Virgin Islands Housing Finance Authority*	10,353	-	-	10,353	1,002	9,351
Other component units**	4,490	516	291	4,715	1,910	2,805
Total	\$ 140,405	\$ 4,762	\$ 2,987	\$ 142,180	\$ 13,327	\$ 128,853

*Unaudited

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

(a) Bonds Payable

Virgin Islands Water and Power Authority - Electric System Bond Anticipation Note of 2018C & 2020A (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. 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.

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Notes to Basic Financial Statements

The Community Disaster Loans made through FEMA were subsequently 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 2018 B 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 2012A Bonds were used to (1) refund the Electric System’s Electric System Revenue Refunding Bonds, Series 1998 and (2) pay certain costs of issuance of the Series 2012 A Bonds. The proceeds of the Series 2012 B Bonds were used to (1) refinance a portion of the Electric System’s Electric System Term Loan, (2) make a deposit into the Subordinated Debt Service Reserve Fund sufficient to satisfy the Series 2012 B Subordinated Debt Service Reserve Fund Requirement, and (3) pay certain costs of issuance of the Series 2012 B Bonds. The proceeds of the Series 2012 C Bonds were used to (1) refinance all or a portion of the Electric System Working Capital Lines of Credit and Overdraft Credit Facility, (2) make a deposit into the Series 2012 C Subordinated Debt Service Reserve Fund sufficient to satisfy the Subordinated Debt Service Reserve Fund Requirement, and (3) pay certain costs of issuance of the Series 2012C 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.

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

In June 2007, the Electric System issued \$57.6 million in 2007A Electric System Subordinated Revenue Bonds. The proceeds of the Series 2007 A Bonds were used to (1) finance costs of certain capital improvements, (2) 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, (3) make certain required deposits to the subordinated Debt Service Reserve Fund, and (4) 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.

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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 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% will be allocated to the Water System and 83% 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 was 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."

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.

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Notes to Basic Financial Statements

Future debt service requirements for discretely presented component units' bonds payable were as follows on September 30, 2023 (expressed in thousands):

Maturity Year:	Principal	Interest
2023	\$ 57,799	\$ 14,662
2024	19,456	11,903
2025	20,374	9,228
2026	18,737	8,295
2027	12,929	7,518
2028-2032	87,091	21,020
2033-2037	44,214	8,952
2038-2042	3,500	857
2043-2044	500	38
 Total	264,600	\$ 82,473
 Plus, unamortized premium	614	
 Bonds payable, net	\$ 265,214*	

**Unaudited*

(b) Notes Payable

Virgin Islands Port Authority (unaudited)

In September 2020, VIPA closed on a loan with Banco Popular with an available drawdown limit of \$7.0 million to be used for operations due to a shortfall in its marine revenues.

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, the University repaid the outstanding note balance.

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.

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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. As of March 2022, the loan was fully repaid.

In June 2016, RTPark entered a \$1.2 million note payable arrangement with the University for repayment of administrative expenses incurred prior to 2014. The note payable has a 2.4% interest rate and is 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, 2022, 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 0.5%, or 90-day London Inter-bank Offered Rate (LIBOR) plus 3.5-4.5%. After 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 the fiscal year.

As of June 30, 2022, 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, 2022, there was \$2.7 million outstanding under the lines of credit. The lines were extended to have 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.

11. Refundable Advance

The PG received allotments from the U.S. Department of Treasury as part of “The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020,” the “Consolidated Appropriations Act of 2021,” and “The American Rescue Plan Act (ARPA) of 2021.” During fiscal year 2023, the PG incurred expenditures of \$232.9 million for eligible program activities, including subawards and payroll disbursements, and has reflected the unspent balance of \$218.3 million as a refundable advance.

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Notes to Basic Financial Statements

12. General Tax Revenue

For the year ended September 30, 2023, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	Matching Fund Special Purpose Securitization Corporation	Other Governmental	Total
Income taxes	\$ 433,201	\$ -	\$ -	\$ -	\$ 433,201
Real property taxes	47,008	-	-	5,328	52,336
Gross receipts taxes	5,000	204,788	-	250	210,038
Excise taxes	252,653	-	10,138	1,892	264,683
Other taxes	82,754	-	-	10,650	93,404
	<hr/> \$ 820,616	<hr/> \$ 204,788	<hr/> \$ 10,138	<hr/> \$ 18,120	
Tax revenue not recognized on the full accrual basis					(9,083)
<u>Total tax revenue - government-wide</u>					<u>\$ 1,044,579</u>

13. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet - Governmental Funds as of September 30, 2023, (expressed in thousands):

September 30,	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Federal Grants	Other Governmental	Total
Restricted for:							
Debt services	\$ -	\$ 274,199	\$ -	\$ 77,916	\$ -	\$ -	\$ 352,115
Capital projects	-	-	107,624	-	-	-	107,624
General government						3,907	3,907
Health	-	-	-	-	-	3,854	3,854
Public housing and welfare	-	-	-	-	-	6,277	6,277
Transportation and communication	-	-	-	-	2,693	6,052	8,745
Culture and recreation	-	-	-	-	-	11	11
Total	\$ -	\$ 274,199	\$ 107,624	\$ 77,916	\$ 2,693	\$ 20,101	\$ 482,533
Committed to:							
General government	\$ 56,853	\$ -	\$ -	\$ -	\$ -	\$ 32,349	\$ 89,202
Public safety	-	-	-	-	-	17	17
Public housing and welfare	-	-	-	-	-	177	177
Transportation and communication	-	-	-	-	-	8,647	8,647
Culture and recreation	-	-	-	-	-	327	327
Total	\$ 56,853	\$ -	\$ -	\$ -	\$ -	\$ 41,517	\$ 98,370

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September 30,	General	PFA Debt Service	PFA Capital Projects	MFSPSC Debt Service	Federal Grants	Other Governmental	Total
Assigned to:							
General government	\$ 2,581	\$ -	\$ -	\$ -	\$ -	\$ 250,554	\$ 253,135
Public safety	-	-	-	-	-	\$ 874	\$ 874
Health	-	-	-	-	-	4,800	4,800
Public housing and welfare	-	-	-	-	-	10,611	10,611
Transportation and communication	-	-	-	-	-	12,374	12,374
Culture and recreation	-	-	-	-	-	1,939	1,939
Total	\$ 2,581	\$ -	\$ -	\$ -	\$ -	\$ 281,152	\$ 283,733
Unassigned	\$ (529,326)	\$ -	\$ -	\$ -	\$ (74,339)	\$ (53,157)	\$ (656,822)
Total Fund Balances	\$ (469,892)	\$ 274,199	\$ 107,624	\$ 77,916	\$ (71,646)	\$ 289,613	\$ 207,814

The committed and assigned fund balances include approximately \$382.1 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. Nine (9) bargaining units have not negotiated a collective bargaining agreement with the Government.

Employees in the various bargaining units are not under a single pay plan. Consequently, it is common to have employees performing the same classification of work in different departments and agencies. Of the approximately 6,500 government workers, approximately 4,800 are union members. U.S. Virgin Islands statutes governing bargaining with unions requires arbitration in the event an impasse is reached in negotiations. Under this process, each side chooses an arbitrator, and a third impartial arbitrator is selected by the chosen arbitrators. The arbitration panel investigates and reviews the issues in dispute and renders a final and binding decision.

Under Title 24, Section 374(h) of the V.I. Code, the PG may not make any payments of retroactive salaries until there is an appropriation of funds by the Legislature. As of September 30, 2023, contractual liability for retroactive union arbitration salary payments amounted to \$146.5 million, accruing from fiscal years 1993 through 2010, as established by the Virgin Islands Retroactive Wage Commission.

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(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 \$691.8 million and \$81.3 million, respectively, for the year ended September 30, 2023.

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

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

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

(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.

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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 \$6.7 million for awarded and anticipated unfavorable judgments as of September 30, 2023.

Changes in the reported provision for legal claims during September 30, 2023, resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2022	New Claims	Claims Payments and Changes in Estimates	Ending Balance at September 30, 2023
Provision for legal claims	\$ 7,873	\$ -	\$ (1,188)	\$ 6,685

The breakdown of the provision for legal claims on September 30, 2023, as reflected in governmental activities, is as follows (expressed in thousands):

Current portion	\$ 1,664
Long-term portion	\$ 5,021
	\$ 6,685

(f) Act 8469 - 8% Salary Reduction

On August 21, 2022, the Legislature of the Virgin Islands enacted 8469, allowing the restoration of Government wages reduced by 8% 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 with a payout of \$52.5 million (including related taxes) to the affected workers. As of September 30, 2023, all government employee wage reductions had been repaid.

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(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 \$165.2 million reported as landfill compliance, closure, and post-closure care liability on September 30, 2023, 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, 2023.

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

Landfill	Estimated Used capacity	Estimated Closure date
Bovoni	98.5%	2025
Anguilla	96.5%	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.

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

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

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

(j) Workers' Compensation Liability

The Government is exposed to the risk of loss related to workers' compensation claims. The Government is self-insured for this risk. Self-insured risk liabilities are reported when it is probable

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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 2023, as recorded in the Government Insurance Fund, are as follows (expressed in thousands):

September 30,	2023
Claims payable, beginning of year	\$ 46,387
Incurred claims and changes in estimates	-
Payments for claims and adjustments expenses	(4,426)
Claims payable, end of year	\$ 41,961

(k) Bond Credit Ratings

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

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

In April 2022, KBRA assigned a long-term rating of BBB for the Matching Fund Securitization Bonds Series 2022A and Matching Fund Securitization Bonds Taxable Series 2022B issued in April 2022. This rating was reviewed by KBRA and affirmed in April 2024.

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

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

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

(l) Operating Agreement - Limetree Bay Terminals, LLC

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

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

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

As part of the operating agreement Limetree receives exemption from property taxes, income taxes, and local taxes. Limetree is subject to quarterly concession payments in lieu of taxes (PILOT) of 10.0% of terminal revenues. During the fiscal year ended September 30, 2023, Limetree paid \$9.9 million in PILOT.

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

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

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

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

In April 2018, the contract was amended to increase the compensation amount to \$50.0 million annually, retroactive to November 2017. The increase is described in the amendment as due to an increase in the demands of the Government's aggressive campaign to identify, access, secure and manage a larger percentage of the available federal resources and funding from FEMA and other federal agencies. In September 2018, the contract was amended a second time to increase the compensation amount to \$80.0 million annually, retroactive to November 30, 2017. The increase is described in the amendment as due to the exhaustion of the \$50.0 million, and the continuing aggressive campaign to obtain federal funding following the hurricanes. Also, in December 2018, the second professional services contract was amended a third time to increase the contract amount temporarily to \$85.0 million through November 30, 2018. Effective December 1, 2018, the contract amount returned to the \$80.0 million as specified in the second amendment. As of September 30, 2023, the amount due to the disaster recovery consultants related to these contracts was \$65.96 million.

On May 4, 2018, PFA entered into Memorandums of Understanding (MOU) with the VIWAPA 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) Settlement of Case Against Estate of Jeffrey Epstein and Co-Defendants

In December 2022, the Attorney General for the U.S. Virgin Islands announced a settlement with Jeffrey E. Epstein's estate, co-defendants Darren K. Indyke, and Richard D. Kahn (co-executors of the estate) and ten Epstein-created entities. The settlement resolved a law enforcement action filed in 2020 under the anti-criminal enterprise, trafficking, child exploitation and fraud laws of the Virgin Islands. Under the terms of the settlement, the defendants will pay the Government \$105.0 million in cash plus one-half of the proceeds of the sale of the island Little St. James on which many of the crimes occurred. The estate also agreed to pay approximately 0.5 million to remediate environmental damage around Great St. James, another island owned by the Epstein estate. The settlement also returned to the U.S. Virgin Islands more than \$80.0 million in economic development tax benefits that Epstein and his co-defendants fraudulently obtained to fuel his criminal enterprise.

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In September 2023, the Government reached a settlement with JP Morgan Chase in the amount of \$75.0 million, in a lawsuit brought against the bank alleging the bank had enabled Epstein's criminal activities. In August 2023, the Government entered into a settlement with Leon Black in the amount of \$62.5 million related to certain financial transactions and communications with Epstein.

(o) Molasses Subsidy Fund

The Government maintains a program, established pursuant to law, in which it provides a subsidy to stabilize the cost of molasses to the 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 United States 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. The collectability of the loans receivable from the Government is highly dependent on the ability of the Government in collecting these taxes.

Pension Trust Fund

(a) Pension Reform

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

The Task Force submitted recommendations to the Legislature to: (i) increase government and employee contributions towards pension benefits; (ii) raise contribution rates for senators and judges; (iii) reduce retiree current benefits by 10 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 March 2022, MFSPSC was created as a separate, independent instrumentality of the PG. One purpose of the Securitization Corporation was to free up funds of the PG through the issuance of

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

The GERS actuarial valuation and review as of September 30, 2022, issued in January 2024, projects GERS would have run out of assets by August 2025 absent Funding Note payments. However, if Funding Note payments are received as scheduled, and GERS earns a 6.0% return on investments during future years, the System is projected to remain solvent through June 2037.

Component Units

(a) Virgin Islands Waste Management Authority

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

The order by the District Court stipulates that the Fund be managed by the VIWMA through a separately established escrow account in the amount of \$3.1 million, and that all landfill projects be completed on or before September 30, 2018. As of September 30, 2023, the amount remaining in the escrow account was \$424,000.

(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, in 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 last financial statements issued by the Electric System, the resolution of the suit remains pending.

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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, 2022.

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.

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

In April 2020, the Electric System amended its Memorandum of Agreement (MOA) with viNGN, another instrumentality of the PG. As part of the original agreement, exclusive use of certain underground fiber and infrastructure owned by the Electric System was provided for use by viNGN. Following Hurricanes Irma and Maria, the Electric System obtained federal funding for the hardening of its infrastructure.

The MOA was amended to provide viNGN a continuous and exclusive right to use of future telecommunications fiber and spare underground or subsea conduit owned by Electric System.

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

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

(d) Virgin Islands Port Authority (unaudited)

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

(e) Other

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

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15. Retirement Systems

Primary Government

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

(a) Plan Description and Benefits

Full time employees of the Government are members of Government Employees' Retirement System of the U.S. Virgin Islands (GERS), 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

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service, subject to the maximum salary limitations in effect during such service. Average compensation for regular and safety Tier 2 members is based on career average salary, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation for regular and safety employees is \$65,000. For members of the legislature and judges, the average compensation varies based on the year of service.

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

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

(b) Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required contribution for Tier 1 and Tier 2 members was 23.5% of the member's annual salary effective January 1, 2020.

Employee contribution rates (as a percentage of payroll) were as follows during fiscal year 2023:

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

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, 2022
Measurement Date: September 30, 2022
Measurement Period: October 1, 2021 - September 30, 2022

The PG is considered an employer of the plan with a proportionate share of 76.41% as of September 30, 2022, a decrease of 0.84% from its proportionate share measured as of September 30, 2021. The PG's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2017, through September 30, 2022. The PG's proportionate share of employer contributions recognized by GERS was \$236.8 million for the plan's fiscal year ended September 30, 2023.

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

As of September 30, 2022, the actuarially calculated net pension liability of the PG was \$3.1 billion. The net pension liability is measured as of September 30, 2022, and the total pension liability is actuarially computed as of October 1, 2022.

For the year ended September 30, 2023, the Government recognized a \$ 37.1 million decrease in 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, 2023, (expressed in thousands):

<u>Governmental Activities</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between expected and actual experience	\$ 11,029	\$ 238,682
Net difference between projected and actual investment earnings on pension plan investments	30,166	-
Changes in assumptions	419,524	990,835
Changes in proportion and differences between contributions and proportional share of contributions	38,387	107,749
GERS Funding Note contributions	157,997	-
Contributions made after measurement date	78,824	-
 Total	 \$ 735,927	 \$ 1,337,266

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):

<u>Year Ending September 30,</u>	
2024	\$ (123,957)
2025	(85,415)
2026	(191,948)
2027	(192,032)
2028	(244,808)
Thereafter	-
 Total	 \$ (838,160)

(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, 2022, is provided below.

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Refer to the October 1, 2022, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website at: <https://www.usvigers.com/reports/>.

September 30,	2022
Inflation Rate	2.50%
Salary Increases	5.00% including inflation
Actuarial Cost Method	Entry age normal
Expected Rate of Return	6.00%
Municipal Bond Yield	4.02%
Discount Rate	4.77%
Mortality Table	Pub-2010 General Below Median Amount Weighted Employee and Healthy Annuitant Mortality Tables

The demographic assumptions for the 2022 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2017, through September 30, 2022, with the net investment return assumption updated for the October 1, 2022 valuation.

(e) Investment Rate of Return

The long-term expected rate of return of 6.00% on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.66%
Developed markets	14%	6.96%
Emerging markets	6%	8.46%
Core fixed income	20%	1.36%
High yield fixed income	10%	3.46%
Cash	5%	0.46%
Total	100%	

(f) Discount Rate

The discount rate used to measure the total pension liability was 4.77% as of September 30, 2022, which was an increase of 189.3% from the discount rate of 2.52% as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate. Projected employer contributions and annual funding note revenue that are intended to fund the service costs of future plan members and their beneficiaries are excluded, as are projected employee contributions from future plan members.

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Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

The plan's long-term expected rate of return on pension plan investments of 6.0% 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 assets, the yield on a 20-year AA Municipal Bond Index was applied. As of September 30, 2022, that rate was 4.02% as compared to 2.26% as of the prior year.

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

Following is a schedule of net pension liability for the Government calculated using the discount rate of 4.77%, 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, 2022, (expressed in thousands):

	1% Decrease (3.77%)	Current Discount (4.77%)	1% Increase (5.77%)
Net pension liability	\$ 3,528,218	\$ 3,125,580	\$ 2,788,674

(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.

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(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 may be obtained at <https://www.usvigers.com/reports/actuarial-reports/>. Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS audited financial statements available at <https://www.usvigers.com/reports/financial-reports/>.

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 \$58,000 for the year ended September 30, 2023. No assets are accumulated in a trust that meets the criteria of paragraph 4 in GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. WICO does not offer other post-retirement benefits to its employees.

viNGN Employee Retirement Plan

viNGN sponsors a defined contribution retirement plan for its employees. Employees who receive a salary of at least \$5,000 are eligible to participate in the plan. viNGN matches the employee's contribution up to a maximum of 3% of the eligible employee's compensation. viNGN contributed approximately \$36,000 in matching employer contributions for the year ended September 30, 2023. 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

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

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participate and contribute. All employees who retire from government service after attaining age fifty-five (55) with at least thirty (30) years of service, except for policemen and firemen who can retire with at least twenty (20) years of service, are eligible for these benefits.

As required, the PG follows the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For the fiscal year ended September 30, 2023, the Government was unable to obtain census files necessary to perform the actuarial valuation. Accordingly, the information presented below is for the prior fiscal year ended September 30, 2022.

Plan Description and Benefits

The Health Insurance Board of Trustees of the PG (the Board) administers the defined benefit health and life insurance plan for eligible active and retired employees of the PG, the component units of the Government, and certain nonpublic corporations that receive allotments from the PG.

The Board determines the eligibility criteria of the plan and recommends insurance contracts to the Legislature. The Group Health Insurance Office of the Department of Personnel maintains the accounting and personnel records for the health and life insurance plan. Eligible retired employees visit the Group Health Insurance Office within 30 days following retirement and complete a new insurance enrollment form. An eligible retiree is one that retires through the Government Employees Retirement System (GERS) or who is placed on disability and is eligible for retirement benefits. The Government's OPEB plan is a multiple employer defined benefit plan created in accordance with Title 3, Ch. 25, Subchapter VIII of the Virgin Islands Code.

The plan is a pay as-you-go, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75, and expenses are paid as they come due. There are five participating employers in the plan: the primary Government, University of the Virgin Islands, Virgin Islands Port Authority, East End Medical Center and Frederiksted Health Care, Inc.

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

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Contributions

Contribution percentages are enacted by the Legislature of the Virgin Islands based on recommendations of the Board. Changes in percentages are implemented by the Department of Personnel. Active and retired employees are responsible for 35% 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.

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		

OPEB Liability

The PG's proportionate share of the total liability was 95.006% as of October 1, 2021, which was a decrease of 0.11% from its proportionate share measured as of October 1, 2020. The PG's percentage was determined based on its respective census information provided to the actuary. The PG's total OPEB liability amounted to \$976.6 million which includes the PG's share of the component unit liabilities under the special funding arrangement of \$81.9 million.

Following is the total OPEB liability at the close of the prior fiscal year of September 30, 2022 (expressed in thousands):

	September 30, 2022
Primary Government	\$ 976,613
Component units	48,953
Total OPEB Liability	\$ 1,025,566

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

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events in the future. Actuarial assumptions used in the computation of the total OPEB liability for the prior year are as follows:

Valuation date:	October 1, 2019
Measurement date:	October 1, 2021
Report date:	September 30, 2022
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 2.14% End of Year Rate of 2.43% S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2021
Healthcare cost trend rates:	Pre-Medicare Increases of 5.00% in 2022 to 4.50% in 2023 Medicare Increases of 4.50% in 2022 to 4.50% in 2023 Dental Increases of 4.50% in 2022 to 4.50% in 2023
Inflation:	2.25% Implicit Rate in Healthcare Trend Analysis
Retirees share of costs:	35% of Medical and Dental Premiums and Noncontributory Life Insurance Coverage. Retirees of UVI 403(b) plan pay 100% coverage
Mortality:	RP-2014 Blue Collar Mortality Generational Table Adjusted 110% with Scale MP-2015 for Healthy Lives. For Disability Retirees, RP-2014 Disabled Mortality Generational Table Adjusted 125% with Scale MP-2015
Marital status:	Assumed 50% of Future Male Retirees and 25% 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 were based on the results of an actuarial data experience study for the period October 1, 2011 - September 30, 2015

Changes in Assumptions

- The discount rate changed from 2.14% in the prior valuation to 2.43% as of September 30, 2020, and 2021, respectively.

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Changes in Total OPEB Liability

Following are the components of change in the proportionate OPEB liability for the prior fiscal year ended September 30, 2022 (expressed in thousands):

	Primary Government	Component Units	Total
Beginning balances	\$ 992,301	\$ 48,554	\$ 1,040,855
Changes for the year:			
Service cost	39,683	2,621	42,304
Interest	21,722	1,085	22,807
Changes in assumptions or other input	(43,099)	(2,331)	(45,430)
Expected benefit payments	(33,994)	(976)	(34,970)
Net changes	(15,688)	399	(15,289)
Ending balances	\$ 976,613	\$ 48,953	\$ 1,025,566
Primary Government	\$ 894,658		
Component Units included in Primary Government's OPEB liability under special funding arrangement	81,955		
Total OPEB Liability on September 30, 2022	\$ 976,613		

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

For the prior fiscal year ended September 30, 2022, the OPEB expense of the PG amounted to \$69.0 million as follows (expressed in thousands):

	Primary Government	Component Units	Total
Service cost	\$ 39,683	\$ 2,621	\$ 42,304
Interest on the total OPEB liability and net cash flow	21,723	1,085	22,808
Current period effect in change in assumptions	7,633	529	8,162
Total OPEB Expense	\$ 69,039	\$ 4,235	\$ 73,274
Primary Government	\$ 60,193		
Component Units included in Primary Government's OPEB expense under special funding arrangement	8,846		
Total OPEB Expense	\$ 69,039		

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OPEB Deferred Inflow of Resources

As of September 30, 2022, 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	\$ 75,883	\$ 3,655	\$ 79,538
Primary Government	\$ 56,417		
Component Units included in Primary Government's deferred inflows of resources under special funding arrangement	19,466		
Total	\$ 75,883		

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
2023	\$ 25,105	\$ 1,186	\$ 26,291
2024	20,187	949	21,136
2025	13,846	640	14,486
2026	8,125	414	8,539
2027	6,896	373	7,269
2028 and after	1,724	93	1,817
Total OPEB Deferred Inflows	\$ 75,883	\$ 3,655	\$ 79,538

OPEB Deferred Outflow of Resources

As of the prior fiscal year ended September 30, 2022, 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	\$ 135,852	\$ 7,129	\$ 142,981
Primary Government	\$ 121,875		
Component Units Included in Primary Government's deferred inflows of resources under special funding arrangement	13,977		
Total	\$ 135,852		

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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
2023	\$ 32,738	\$ 1,715	\$ 34,453
2024	32,738	1,715	34,453
2025	32,738	1,714	34,452
2026	30,275	1,596	31,871
2027	7,363	389	7,752
2028 and after	-	-	-
Total OPEB Deferred Outflows	\$ 135,852	\$ 7,129	\$ 142,981

Sensitivity of OPEB Liability to Changes in the Discount Rate

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

	1% Decrease 1.43%	Current Discount 2.43%	1% Increase 3.43%
Primary Government	\$ 1,138,239	\$ 976,613	\$ 847,615
Component Units	57,708	48,953	41,997
Total OPEB Liability	\$ 1,195,947	\$ 1,025,566	\$ 889,612

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

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

	1% Decrease - Health Cost Trend Rate 4.00%	Current Health Cost Trend Rate 5.00%	1% Increase - Health Cost Trend rate 6.00%
Primary Government	\$ 821,222	\$ 976,613	\$ 1,179,503
Component Units	40,364	48,953	60,283
Total OPEB Liability	\$ 861,586	\$ 1,025,566	\$ 1,239,786

Component Units

VIWAPA OPEB Plan (*unaudited*)

VIWAPA offers a medical, dental, and vision benefit plan, and reported a net OPEB liability of \$48.3 million, deferred outflows of resources of \$443,900, and deferred inflows of resources of \$7.9 million as of June 30, 2022.

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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 \$21.6 million as of December 31, 2022.

17. Going Concern/Liquidity and Management's Plan

Primary Government

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

As of September 30, 2023, the Government reported a total net deficit in governmental activities of \$5.3 billion. The Government's reported net deficit continues to reflect the effects of the adoption of accounting standards in prior years that required the recognition of pension and other post-employment benefit liabilities, and related expenses based on actuarial valuations. In addition, the aftermath of the 2017 hurricanes, as well as the impact of the recent global Coronavirus pandemic, had a further significant negative impact on operations. The culmination of these factors has significantly affected the Government's ability to pay its vendors on a timely basis and has resulted in significant liquidity challenges.

These conditions raise substantial doubt about the Government's ability to continue operating as it has in the past.

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

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

Following is a summary of the Government's unrestricted net deficit for governmental activities for fiscal years 2021 through 2023:

Fiscal Year	Governmental Unrestricted Net Deficit	(Increase)/ Decrease
2021	\$ (6,090,454)	\$ (201,181)
2022	(6,570,200)	(479,746)
2023	(6,522,747)	47,453

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On September 30, 2023, the Government reported a fund deficit in the general fund of \$469.8 million. This fund deficit represents an increase of \$93.3 million from the preceding fiscal year.

Fiscal Year	Committed	Assigned	Unassigned	Total
2021	\$ 34,669	\$ 1,442	\$ (145,507)	\$ (109,396)
2022	42,325	452	(419,326)	(376,549)
2023	56,853	2,581	(529,326)	(469,892)

Non-major Funds Deficit

Primary Government

The following non-major funds have a net fund deficit as of September 30, 2023, (expressed in thousands):

Governmental Funds	
Rural Library Extension	\$ 572
Employment Security Administration	2,164
Federally Aided Education Program	9,599
Air & Water Pollution Control	7,037
Virgin Islands Planning Board Projects	3,000
Highway Safety	4,600
Virgin Islands Energy Office	3,655
Virgin Islands National Guard Federal and State Agreement	2,760
Food Stamp Welfare	2,434
Federal Programs/Department Conservation	3,651
Federal Aided Community Action Agency	187
Commission on Aging	50
Elementary/Secondary Education	19
Job Training Partnership Act Of 1983-1984	8,614
Civil Defense Protection	849
Health Information Council Assistance	18
Drug Education Training Program	123
Federal Health Program Not on Federal Letter of Credit System	489
Taxi Revolving Fund	302
Net fund deficit	
	\$ 179,148

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Proprietary Funds

Frederiksted Small Business Fund	\$ 164
Altona Community Development Fund	3
Housing Construction Revolving	7,653
Emergency Housing Fund	82
Virgin Islands ID Registration Fund	18
Virgin Islands Elections Fund	176
Consumer Protection Fund	200
Enterprise Zone Fund	1,000
Virgin Islands Housing Finance Authority	2,898
Business & Commercial Property Revenue Fund	1,761
Homestead and Home Revolving Fund	344
 Net fund deficit	 \$ 14,299

WICO

WICO is a component unit of PFA. WICO is in a negative working capital position as of September 30, 2023, mainly due to legislation requiring WICO to remit \$700,000 annually to the primary Government as a payment in lieu of taxes (PILOT), and due to “No Sail Orders” issued by the Centers of Disease Control (“CDC”) from March 2020 to September 2021. As of September 30, 2023, WICO owed the primary Government \$10.6 million in PILOT payments.

viNGN

viNGN is also a component unit of PFA. The start-up of viNGN was funded by a loan advance from PFA amounting to \$36.8 million. As of September 30, 2023, 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 the system to underground infrastructure where feasible.
- ii. In areas where 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.

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The U.S. Department of Housing and Urban Development (HUD), through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated \$95.0 million to WAPA for the Harley Expansion Project. The project will add 36-megawatts of generation, plus additional battery storage, to the Randolph Harley Power Plant on St. Thomas. Additionally, as of April 2023, VIWAPA has been approved for approximately \$100.0 million in American Rescue Plan Act (ARPA) 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 VIWAPA and a major vendor, and the acquisition of Liquefied Petroleum Gas facilities.

(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.

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, among 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.

(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 (*unaudited*) 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, 2022, the Schneider Regional Medical Center's current liabilities exceeded current assets by \$24.6 million. The hospital is economically dependent on the continued financial support of the Government. In fiscal year 2022, tax appropriations from the PG amounted to \$35.8 million and other contributions, FEMA grants and COVID assistance amounted to \$4.7 million.

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Notes to Basic Financial Statements

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, 2022, the Juan F. Luis Hospital and Medical Center's current liabilities exceeded current assets by \$68.6 million. The hospital reported an unrestricted net deficit of \$170.1 million. The hospital is economically dependent on the continued financial support of the Government.

Management of Juan F. Luis Hospital and Medical Center is considering several alternatives for mitigating liquidity conditions. These include an infusion of capital through several options including internal hospital operations, patient accounts receivable leveraging, affiliation or management agreements with larger hospital systems, and negotiations with vendors on past due accounts.

The hospital is also developing plans for cost containment, seeking concessions for vendors, and seeking an increase in financial support from the Government.

18. Adjustments/Restatement to Component-Unit Financial Statements

The September 30, 2022 stand-alone financial statements of a number of component units have been adjusted/restated in the accompanying aggregate discretely presented component units as follows (expressed in thousands):

Component Unit	Net Position (Deficit)			
	As Previously Reported	Adjustments	Restatement (GASB 87)	As Adjusted
Virgin Islands Housing Authority	\$ (22,785)	\$ -	\$ (1,174)	\$ (23,959)
Virgin Islands Port Authority*	167,096	(21,254)	-	145,842
Virgin Islands Water and Power Authority				
Electric System*	663,562	(268,373)	-	395,189
Water System*	30,567	(5,103)	-	25,464
Virgin Islands Government Hospital and Health Facilities Corporation				
Roy L. Schneider Hospital*	(140,653)	(15,614)	-	(156,267)
Juan F. Luis Hospital*	(79,629)	(19,185)	-	(98,814)
University of the Virgin Islands*	58,399	(3,138)	-	55,261
Virgin Islands Housing Finance Authority	99,950	(2,859)	-	97,091
Other component units**	11,323	(1,623)	-	9,700

*Unaudited

**Magens Bay Authority and Virgin Islands Economic Development Authority (unaudited)

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Notes to Basic Financial Statements

19. Subsequent Events

Primary Government

(a) Hurricane Recovery

The Government is making significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The Government continues the process of tabulating the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services.

To close potential shortfalls and to serve returning citizens, the Government continues to work closely with federal agencies, such as FEMA, HUD, SBA, etc. to maximize its recovery from all available sources, subject to any sub-limits and retentions. Through November 2025, federal assistance awarded to the Territory included \$21.6 billion in FEMA Public Assistance grants, \$77.2 million in Federal Highway grants, \$199.5 million in FEMA Hazard Mitigation grants, \$1.1 billion in Community Development Block Grants and \$215.0 million in other grants for a total of \$23.1 billion.

In February 2024, President Biden agreed to raise the cost share of all FEMA assistance grants for hurricane recovery in the Territory from 90 to 95 percent, including retroactively. In addition, President Biden agreed to raise the federal cost share to 98 percent in the case of larger critical infrastructure rebuilding projects approved before September 30, 2024 and completed before 2026.

(b) Global Pandemic and Economic Relief Legislation

Through November 2025, federal grants and assistance received by the PG related to COVID-19 amounted to \$729.7 million. Federal grants and assistance received by component units of the Government amounted to \$84.8 million.

(c) State of Emergency to Avert an Energy Crisis

In April 2024, the Governor issued Executive Order No. 537-2024 declaring a state of emergency due to the VIWAPA's inability to provide continuous power generation, due to the rising price of fuel and the inability of independent government agencies to timely pay for electrical services. The state of emergency was lifted in December 2024 as VIWAPA stabilized its operations.

(d) Improper Procurement Activities and Irregularities

The United States Department of Justice conducted an investigation resulting in the conviction of three members of the Government's management team for procurement-related criminal activities in July and December 2025, respectively. Management has evaluated the impact of these matters, as described in the indictments, and has determined that the financial statements as of and for the year ended September 30, 2023, are fairly presented.

In connection with this matter, management engaged an independent forensic review, which identified significant deficiencies in internal controls over procurement, including insufficient documentation, instances of non-compliance with established procurement policies, and potential circumvention of competitive bidding procedures.

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These deficiencies create uncertainty regarding the receipt of goods and services as invoiced and the consistency of payments with contractual terms.

No financial adjustments have been recorded in the financial statements related to these matters. Management has determined that disclosure is appropriate and is in the process of implementing corrective actions to enhance compliance and strengthen internal controls over procurement activities.

Component Units

(a) Virgin Islands Public Finance Authority (PFA)

Guaranty of VIWAPA Indebtedness

In August, 2024, the Board of Directors (Board) of the PFA ratified a prior authorization granted by poll vote on July 30, 2024, to negotiate, prepare, and deliver a guaranty of the indebtedness of VIWAPA to FirstBank Puerto Rico and Banco Popular de Puerto Rico (collectively, the Banks). As of the date of the resolution, VIWAPA had outstanding indebtedness to the Banks totaling \$52.1 million, comprised of \$30.8 million owed to FirstBank Puerto Rico and \$21.3 million owed to Banco Popular de Puerto Rico.

The guarantee was issued pursuant to the PFA's enabling legislation, which authorizes such financial support for component units, and is not subject to any statutory or contractual limits.

PFA agreed to unconditionally guarantee the payment of this indebtedness, including principal, interest, fees, and charges, in order to facilitate the extension of the maturity dates of VIWAPA credit facilities with the Banks to July 31, 2025 and August 31, 2025, respectively. Under a subsequent extension the facilities mature on January 31, 2026.

In addition to the guaranty, PFA acknowledged and continued the pledge of debt service reserve funds totaling \$6.0 million, previously deposited into interest-bearing accounts with the banks (\$3.8 million with FirstBank and \$2.3 million with Banco Popular), as enhanced security for the VIWAPA's credit facilities.

Line of Credit

In October 2024, legislation enacted under Act 8701 by the Virgin Islands Legislature authorized an increase in the territory's line of credit with a local bank from \$100.0 million to \$150.0 million. The revised credit facility allocates \$100.0 million for disaster-related projects and \$50.0 million for vendor payments, retroactive wage obligations, and other critical needs of the territory.

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Notes to Basic Financial Statements

Series 2023A Developer Note

In November 2023, PFA issued the Series 2023A Virgin Islands Public Finance Authority Hotel Occupancy Tax and Economic Recovery Fee Developer Note (Frenchman's Reef Hotel Development Project) "Series 2023A Note" in the amount of \$244.9 million. Under the Virgin Islands Hotel Development Program, Title 29, Chapter 23 of the Virgin Islands Code, the PFA is a Notes Issuer authorized to issue Hotel Development Notes to hotel developers approved for eligible hotel construction projects. The Series 2023A Note is due to hotel developer CREF3 USVI Hotel Owner, Inc. as a reimbursement grant for reconstruction to hotel properties on St. Thomas and St. John.

The Series 2023A Note is a special limited obligation, secured by a lien on designated revenues charged by hotels on hotel guest room rates. The revenues are collected by the hotel developer and remitted to the Government.

The Series 2023A Note is non-interest bearing and matures when paid in full or thirty (30) years from the date of delivery on November 15, 2053. Payments are made on the first business day of the month to the extent pledged revenues are available for such purpose.

Hotel Occupancy and Economic Recovery Fee Revenue Bonds

In November 2024, PFA issued the Series 2024A Hotel Occupancy Revenue Bonds in the amount of \$64.9 million, and the Series 2024B Economic Recovery Fee Revenue Bonds (federally taxable) in the amount of \$18.3 million. The "Series 2024 A & B Bonds" were a private and limited offering only to "qualified buyers" as defined under Rule 144A of the Securities Act of 1933. The bonds were issued to provide a grant to a hotel developer for reimbursement of costs associated with reconstruction and renovation of a hotel project knowns as Frenchman's Reef Resort located on St. Thomas. The Government has pledged Hotel Occupancy Tax Revenues and Economic Recovery Fee Revenues generated by the hotel project for the repayment of the bonds. The Series 2024 A Bonds will mature on April 1, 2053 with a yield of 5.750%. The Series 2024 B Bonds will also mature on April 1, 2053 with a yield of 9.000%.

Series 2025A Bond

In April 2025, PFA issued the Virgin Islands Public Finance Authority Tax Increment Revenue and Refunding Loan Note (Virgin Islands Tax Increment Revenue Loan Note - Island Crossings Shopping Center) "Series 2025A Bond" in the amount of \$3.5 million. The Series 2025A Bond was issued as a private placement bond with FirstBank Puerto Rico to defease the Series 2019A TIF Revenue and Refunding Bonds and the Series 2019A TIF Project Developer Note.

The Series 2025A Loan Note is a special limited obligation of the Government to which it has pledged incremental revenues from Island Crossings collected by the Government. The Series 2025A Bond is payable in fifty-four (54) installments of principal and interest with a fixed interest rate of 6.875% per annum.

Purchase and Refunding of the Federal Highway Bonds

In November 2024, the Legislature of the Virgin Islands enacted Act No. 8949, the Federal Highway Grant Anticipation Bond Act, authorizing the establishment of the Virgin Islands Transportation & Infrastructure Corporation (VITIC), an independent instrumentality of the Government, and special purpose subsidiary of PFA.

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Notes to Basic Financial Statements

On June 5, 2025, VITIC issued the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note) Series 2025 in the amount of \$150.2 million. Proceeds are being used to finance costs of certain projects of the Government of the Virgin Islands and to refund all of the Authority's Series 2015 Federal-Aid Highway Bonds.

The Bonds are special limited obligations of VITIC, payable solely from Federal Highway Grant Revenues and received a bond rating of "A" (stable outlook) from S&P Global Ratings. Interest on the bonds is 5.0% per annum, payable semiannually on March 1, and September 1, commencing September 1, 2025. The Bonds are subject to an annual redemption schedule prior to maturity with a final maturity date of September 1, 2044.

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

Effective April 22, 2024, the Governor of the Territory issued Executive Order No. 537-2024 declaring a state of emergency due to the VIWAPA's inability to provide continuous power generation, due to the rising price of fuel and the inability of independent government agencies to timely pay for electrical services.

(c) Virgin Islands Next Generation Network

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

As of July 2024, the Government acquired a property that viNGN currently leases from Queen Charlotte Hotel Corporation, under the same terms and conditions as the existing viNGN lease.

In September 2024, viNGN entered into revolving line of credit agreement with Banco Popular Bank for \$250,000. The facility carries a fixed interest rate of 3.55% and has a maturity date October 1, 2025. This line of credit is intended to assist viNGN with operational needs.

In December 2024, viNGN entered into a Memorandum of Understanding with the VI Housing Finance Authority (VIHFA) to collaborate on providing free Wi-Fi to VIHFA properties.

In December 2024, viNGN received a \$2.1 million grant under ALN 11.032, *State Digital Equity Planning* from the Department of Commerce. The grant was subsequently terminated in May 2025. viNGN appealed the termination and the U.S. Department of Commerce denied the appeal request.

(d) West Indian Company Limited

In March 2024, WICO entered into a five-year lease for the provision of car rental leasing space at a rate of \$4,200 per month beginning March 1, 2024 with an option to renew the lease for an additional five years. The lease also requires a security deposit of \$8,200.

In June 2024, WICO entered into a three-year lease for the provision for parking spaces, from August 1, 2024 to July 31, 2027 with an option to renew the lease for an additional five years. The rent is \$7,500 per month under this agreement.

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Notes to Basic Financial Statements

Management's Evaluation

Management has evaluated events and transactions occurring after September 30, 2023, the statement of net position date, and through January 27, 2026, the date the financial statements were available to be issued and noted that there have been no additional events or transactions that would require adjustments to or disclosure in the Government's financial statements for the year ended September 30, 2023.

Required Supplementary Information

Government of the United States Virgin Islands
Schedule of Changes in Total OPEB Liability and Related Ratios

Postemployment Benefits Other Than Pensions

<i>Measurement year ending September 30,</i>	2022	2021	2020	2019	2018
	Primary Government	Primary Government	Primary Government	Primary Government	Primary Government
<i>Total OPEB Liability:</i>					
Service cost	\$ 39,683	\$ 25,885	\$ 25,358	\$ 26,147	\$ 28,216
Interest	21,723	28,508	28,548	26,623	23,904
Difference between expected/actual experience	-	-	(27,043)	-	-
Changes in assumptions or other inputs	(43,099)	184,091	16,827	(31,772)	(53,422)
Expected benefit payments	(33,995)	(32,939)	(31,441)	(29,864)	(28,280)
Net Change in Total OPEB Liability	(15,688)	205,545	12,249	(8,866)	(29,582)
Total OPEB Liability - Beginning of Fiscal Year	992,301	786,756	774,507	783,373	812,955
Total OPEB Liability - End of Fiscal Year	\$ 976,613	\$ 992,301	\$ 786,756	\$ 774,507	\$ 783,373
Covered-Employee Payroll	\$ 380,466	\$ 364,038	\$ 350,528	\$ 350,409	\$ 323,158
Total OPEB Liability as a Percentage of Covered-Employee Payroll	256.69%	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.

Notes to Schedule:

1. The Government does not have assets accumulated in a trust that meets the criteria in GASB Statement No. 75, to pay related benefits.
2. The Primary Government, by statute, pays 100.0% of the employer cost-share of the postemployment health, dental, and life insurance of the retirees of the following semi-autonomous agencies: 1) Employee's Retirement System of the Government of the Virgin Islands, 2) Virgin Islands Economic Development Authority, 3) Virgin Islands Housing Finance Authority, 4) Juan F. Luis Hospital & Medical Center, 5) Magens Bay Authority, 6) Virgin Islands Public Broadcasting System, 7) Roy L. Schneider Hospital, and 8) Virgin Islands Waste Management Authority. The Primary Government also reports the OPEB liabilities associated with these benefits.
3. Change in the Discount Rate:

<i>Measurement date, September 30</i>	<i>Discount Rate</i>
2017	3.35%
2018	3.64%
2019	3.58%
2020	2.14%
2021	2.43%

4. The base mortality tables and mortality improvement sales were updated to RP-2014 Blue Collar Mortality table (110.0% adjustment) projected forward using the M-2015 scale.
5. Future participation in the retiree health plan is projected to be 85.0%.

Government of the United States Virgin Islands

Schedule of Net Pension Liability

September 30, (in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Primary Government's proportion of the Net Pension Liability (NPL)	76.4124%	77.2500%	78.3800%	78.9300%	77.8087%	76.5852%	76.4171%	75.2916%	75.2803%
Primary Government's proportionate share of the NPL	\$ 3,125,580	\$ 4,091,016	\$ 4,527,445	\$ 4,194,852	\$ 3,246,786	\$ 3,354,768	\$ 3,535,517	\$ 3,065,617	\$ 2,323,163
Primary Government's covered-employee payroll	\$ 334,650	\$ 336,625	\$ 325,000	\$ 310,758	\$ 309,998	\$ 307,132	\$ 300,909	\$ 277,091	\$ 267,698
Primary Government's proportionate share of the NPL as a percentage of its covered payroll	934%	1,215%	1,393%	1,350%	1,047%	1,092%	1,175%	1,106%	868%
Plan fiduciary net position as a percentage of the total pension liability	8.91%	8.23%	9.16%	11.32%	15.56%	16.18%	16.54%	19.58%	27.26%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous year).

Notes to Schedule:

(1) *Changes of benefit terms:*

In the year ended September 30, 2016, there were changes to the eligibility and benefit amounts for Tier 2 Regular and Public Safety Employees for service and early pensions reflected in this valuation.

(2) *Change of Assumptions:*

Amounts reported as changes in assumptions resulted from changes in the discount rates as follows:

Year ended September 30,	Discount Rate
2014	4.42%
2015	3.84%
2016	3.20%
2017	3.74%
2018	4.25%
2019	4.25%
2020	2.67%
2021	2.23%
2022	2.52%
2023	4.77%

Government of the United States Virgin Islands

Schedule of Pension Contributions

September 30 (in thousands)	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially required contributions of the Primary Government	\$ 238,367	\$ 279,469	\$ 292,944	\$ 289,507	\$ 215,937	\$ 205,052	\$ 191,481	\$ 186,089	\$ 150,628
Contributions in relation to the statutorily required contributions	236,821	163,960	74,817	72,301	84,005	77,840	61,759	68,291	64,357
Contribution deficiency	1,546	115,509	218,127	217,206	131,932	127,212	129,722	117,798	86,271
Primary Government covered payroll	345,914	334,650	336,625	325,000	310,758	309,998	307,132	300,909	277,091
Contributions as a percentage of covered payroll	68.46%	48.99%	22.23%	22.25%	27.03%	25.11%	20.11%	22.69%	23.23%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the latest fiscal year.

Government of the United States Virgin Islands

Notes to Schedule of Pension Contributions

Methods and Assumptions Used

Valuation date: Actuarially determined contributions are calculated as of October 1, 2022.

Contribution rates:

Actuarial cost method: Entry Age Normal Cost Method determined as a percentage of salary

Amortization method: Level dollar, closed group

Amortization period: 20 years open amortization

Asset valuation method: Market value

Inflation: 2.5%

Salary increases: 5.0% per year

Investment rate of return: 4.77% net of pension plan investment expense, including inflation

Mortality: Non-annuitant: Pub-2010 General Below-Median Amount-Weighted Employee Mortality Table with generational projection using Scale MP-2021.

Healthy annuitant: Pub-2010 General Below-Median Amount-Weighted Employee Mortality Table with generational projection using Scale MP-2021.

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

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

Government of the United States Virgin Islands

Schedule of Revenues and Expenditures - Budget and Actual
Budgetary Basis – General Fund
(in thousands)

<i>Year Ended September 30, 2023</i>	Original Budget	Revised Budget	Actual	Variance
Revenues				
Taxes	\$ 865,223	\$ 865,223	\$ 900,515	\$ 35,292
Federal grants and contributions	-	-	10,500	10,500
Charges for services	54,940	54,940	13,444	(41,496)
Loan proceeds	-	-	45,000	45,000
Interest and other	-	-	40,112	40,112
Total revenues	920,163	920,163	1,009,571	89,408
Expenditures				
Current:				
General government	405,392	468,327	687,339	(219,012)
Public safety	72,483	73,293	81,315	(8,022)
Health, public housing and welfare	93,095	104,365	104,791	(426)
Education	172,395	178,200	229,208	(51,008)
Transportation and communication	29,595	29,610	23,668	5,942
Culture and recreation	9,269	11,468	7,877	3,591
Total expenditures	782,229	865,263	1,134,198	(268,935)
Excess (deficiency) of revenues over expenditures	137,934	54,900	(124,627)	(179,527)
Other financing sources (uses)				
Transfers from other funds	46,700	46,700	35,164	(11,536)
Transfer to other funds	(39,116)	(39,116)	(49,430)	(10,314)
Transfers to component units	(151,849)	(151,849)	(151,013)	836
Total other financing sources, net	(144,265)	(144,265)	(165,279)	(21,014)
Excess (deficiency) of revenues and net other financing sources over expenditures	\$ (6,331)	\$ (89,365)	\$ (289,906)	\$ (200,541)

See accompanying notes to the Schedule.

Government of the United States Virgin Islands

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

1. Budgetary Process and Control

The V.I. Code requires the Governor to submit an annual balanced executive budget to be adopted by the Legislature for the ensuing fiscal year. The Governor is required by law to submit to the Legislature the annual balanced executive budget no later than May 30. The annual balanced executive budget is prepared on a budgetary basis. If the annual executive budget has not been approved before the commencement of any fiscal year, then the appropriations for the preceding fiscal year, insofar as they may be applicable, are automatically deemed re-appropriated item by item. The annual balanced executive budget, which includes those funds of the Government subject to appropriation pursuant to law, is composed of all proposed expenditures and estimated revenue for the Government. The Legislature enacts the annual executive budget through passage of lump-sum appropriations for each department. The Legislature may add, change, or delete any items in the annual executive budget proposed by the Governor. Upon passage by the Legislature, the annual executive budget is submitted to the Governor, who may veto the budget partially or in its entirety and return it to the Legislature with his objections. A veto by the Governor can be overridden only by a two-thirds majority of all members of the Legislature. The Legislature is obligated by law to pass a final annual executive budget no later than September 30, the last day of the fiscal year. Supplemental budgetary appropriations bills that are signed into law may be created during the year without the identification of a specific revenue source to finance them. In August 1999, the Legislature enacted the Financial Accountability Act (Act No. 6289). The purpose of the Financial Accountability Act is to require by law that the budget of the Government be balanced each year, and the appropriations in each fiscal year not exceed a verifiable revenue source.

Once the budget has been enacted, fiscal control over expenditures made pursuant thereto is exercised by the Governor through the Director of OMB. During any fiscal year in which the resources available to the Government are not sufficient to cover the appropriations approved for such year, the Governor, through the Director of OMB, may take administrative measures to reduce expenditures. The Governor may also make recommendations to the Legislature for new taxes or any other necessary action to meet the estimated deficiency.

Budgetary control is exercised at the department level through an allotment process. Encumbrances and expenditures cannot exceed total allotment amounts. The Government's department heads may make transfers of appropriations within the department. Appropriation transfers between departments and supplemental appropriations require executive and legislative branch approval. Unencumbered and unexpended appropriations, not designated, lapse at fiscal year-end. Also, encumbrances are established at fiscal year-end to pay certain expenditures for travel and utility costs payable against current year appropriation authority, but to be expended in the subsequent year.

Government of the United States Virgin Islands

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

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, 2023, is presented below (expressed in thousands):

Excess of revenues and net other financing sources over expenditures	\$	(200,541)
Entity difference - deficiency of revenues and net other financing sources over expenditures - activities with budgets not legally adopted		(269,351)
Deficiency of revenues and net other financing sources over expenditures - GAAP basis (net change in fund balance)	\$	(469,892)

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.