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, 2015

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership 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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Government of the United States Virgin Islands

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the Government of the United States Virgin Islands (the Government), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following funds and/or component units:

- The Virgin Islands Housing Authority (VIHA), Virgin Islands Public Television System (VIPTS), Virgin Islands Economic Development Authority (VIEDA), Virgin Islands Waste Management Authority (VIWMA), University of the Virgin Islands Research and Technology Park Corporation (RTPark), Magens Bay Authority (MBA), Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center), and the Virgin Islands Housing Finance Authority (VIHFA), discretely-presented component units, which collectively represent 32.3%, 67.0%, and 35.8%, respectively, of the assets, net position, and revenues of the Aggregate Discretely-Presented Component Units.

- The Virgin Islands Lottery (V.I. Lottery), a nonmajor enterprise fund, which represents 0.4% and 10.0%, respectively, of the assets and revenues/additions of the Aggregate Remaining Fund Information, and 4.4% and 33.0%, respectively, of the assets and revenues of the Business-Type Activities. The V.I. Lottery net deficit represents $20.0 million of the $1.3 billion net position/fund balance of the Aggregate Remaining Fund Information.

- The Employees' Retirement System of the Government of the Virgin Islands (GERS), a fiduciary component unit (pension trust fund), which represents 89.1%, 78.0%, and 51.3%, respectively, of the assets, net position/fund balance, and revenues of the Aggregate Remaining Fund Information.

- The Virgin Islands Public Finance Authority (PFA), a blended component unit which represents 24.3% and 23.8%, respectively of the assets and revenues of the Governmental Activities; 90.8% and 16.6%, respectively of the assets and revenues of the Business-Type Activities; 100% of the assets, net position/fund balance, and revenues of the West Indian Company; 100% of the assets, net position/fund balance, and revenues of the Virgin Islands Next Generation Network (viNGN); 89% and 83%, respectively, of the assets and net position/fund balance of the Public Finance Authority Debt Service Fund; 100% of the assets, net position/fund balance, and revenues of the Public Finance Authority Capital Projects Fund; and 1.7%, .3%, and 2.4%, respectively, of the assets, net position/fund balance, and revenues of the Aggregate Remaining Fund Information.

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Virgin Islands Government Hospital and Health Facilities Corporation (Roy L. Schneider Hospital and Governor Juan F. Luis Hospital and Medical Center) were not audited in accordance with *Government Auditing Standards*. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matters described in the Basis for Disclaimer of Opinion on the Business-Type Activities, Unemployment Insurance-Enterprise Fund, and the Aggregate Remaining Fund Information paragraphs, we believe that the audit evidence we and other auditors have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Disclaimer
General Fund	Qualified
Debt Service Fund	Qualified
Capital Projects Fund	Unmodified
Federal Grants Fund	Qualified
West Indian Company-Enterprise Fund	Unmodified
Unemployment Insurance-Enterprise Fund	Disclaimer
viNGN-Enterprise Fund	Unqualified
Aggregate Remaining Fund Information	Disclaimer
Aggregate Discretely-Presented Component Units	Qualified

Basis for Qualified Opinion on Governmental Activities

The Government did not maintain the requisite documentation to support its accrued retroactive liability and its net capital assets as of and for the year ended September 30, 2015. As such, we were unable to determine whether adjustments to these balances were required in the Governmental Activities.

Basis for Qualified Opinion on General Fund, Debt Service Fund, Federal Grants Fund and on Governmental Activities

The Government did not maintain the requisite documentation to support its income tax receivables, tax refunds payables, and revenues in the amounts of $129.7 million, $70.6 million, and $539 million, respectively, as of and for the year ended September 30, 2015. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments to these balances were required in the General Fund, Debt Service Fund, and in the Governmental Activities.

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

The Government did not maintain the requisite documentation to support its due from federal government and federal grants and contributions revenue in the amount of $17.3 million and $182.3 million, respectively as of and for the year ended September 30, 2015. As a result, we were unable to obtain sufficient audit evidence to determine whether adjustments to these balances were required in the Federal Grants Fund and in the Governmental Activities.

Basis for Qualified Opinion on Aggregate Discretely-Presented Component Units

The reports of other auditors on the 2015 financial statements of VIPTS and VIWMA, discretely-presented component units, were qualified because the auditors were unable to obtain sufficient audit evidence to determine whether capital assets of $2.9 million and $92.5 million at each respective component unit, were fairly stated.

The report of other auditors on the 2015 financial statements of VIPTS, a discretely presented component unit, was also qualified because VIPTS did not report a net pension liability, pension expense as actuarially determined, and related deferred inflows and outflows of resources, if any, in accordance with accounting principles generally accepted in the United States of America.

The report of other auditors on the 2015 financial statements of RTPark, a discretely-presented component unit, was qualified because the auditors were unable to obtain sufficient audit evidence to determine whether the equity interest in each of its tenant's companies was fairly stated. The value of these tenant equity interests is not included in the financial statements.

The financial statements of the University of the Virgin Islands (the University), have not been audited, and we were not engaged to audit the University's financial statements as part of our audit of the Government's basic financial statements. The University's financial activities are included in the Government's basic financial statements as a discretely-presented component unit and represent 9.5%, 12.4%, and 9.5% of the assets, net position, and revenues, respectively, of the Aggregate Discretely-Presented Component Units.

Qualified Opinion

In our opinion, based on our audit and the reports of other auditors, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities, the General Fund, the Debt Service Fund, the Federal Grants Fund, and the Aggregate Discretely-Presented Component Units of the Government of the United States Virgin Islands as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on Business-Type Activities and on 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, 2015, may have been affected by this condition.

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

The Government's records were not available or contained incomplete information. As such, the records do not permit it, nor is it practical to extend our auditing procedures sufficiently to determine the extent by which the Unemployment Insurance-Enterprise Fund and Business-Type Activities as of and for the year ended September 30, 2015, may have been affected by this condition.

Basis for Disclaimer Opinion on the Aggregate Remaining Fund Information

The report of other auditors on the 2015 financial statements of GERS, a fiduciary component unit (pension trust fund), was qualified because GERS maintained investments in a limited partnership valued at $26.4 million whose fair value has been estimated in the absence of a readily determinable fair value. GERS' estimate was based on information provided by the general partner of the limited partnership. The effect on the financial statements, as a result of GERS' inability to document its procedures for determining fair value of the investment was not determinable.

Disclaimer of Opinion

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

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, other than the General Fund, the Debt Service Fund, the Federal Grants Fund, and the Unemployment Insurance-Enterprise Fund of the Government of the United States Virgin Islands, as of September 30, 2015, 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.

Emphasis of Matters
As discussed in Note 15 to the financial statements, the Government reported an unrestricted net deficit in Governmental Activities and in the General Fund. Management's plans regarding those matters are also described in Note 15. 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.

Also as discussed in Note 17, in 2015, the Government adopted 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*. As further discussed in Note 17, certain adjustments were applied to restate beginning net position and fund balance. Our opinion, based on our audit and the reports of other auditors, is not modified with respect to this matter.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress, employer contributions, changes in the Government's net pension liability and related ratios, and revenue and expenditures – budget and actual – budgetary basis – General Fund on pages 11 through 20 and 121 through 126, be presented to supplement the basic financial statements. Such information, 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 and other auditors 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. Management has omitted the budgetary comparison information for the Federal Grants Fund that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, 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 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 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, LLP

June 27, 2016

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, 2015 and 2014.

Government-wide Financial Statements

The government-wide financial statements are designed to present an overall picture of the financial position of the Government. These statements consist of the statement of net position and the statement of activities, which are prepared using the economic resources measurement focus and the accrual basis of accounting. This means that current year's revenue and expenses are included regardless of when cash is received or paid, producing a view of financial position and changes in financial position similar to 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 of the above-mentioned financial statements have separate sections for three different types of the Government 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 revenue (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 similar to private sector businesses and the business-type activities described above. The Government's discretely presented component units are presented in two categories, major and non-major. This separation is determined by the relative size of the entities' assets, liabilities, revenue, and expenses in relation to the total of all component units.

Fund Financial Statements

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

A major fund is a fund whose revenue, 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.

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

Governmental Funds

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

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

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

The PFA Capital Projects Fund accounts for bond proceeds of debt issued by the 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.

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

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

Proprietary Funds

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

The West Indian Company (WICO) Fund, 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, expenditures, 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 Primary Government

Total assets and deferred outflows of resources of the Government as of September 30, 2015 and 2014 were approximately $2.1 billion and $1.9 billion, respectfully. Total liabilities were approximately $5.8 and $5.5 billion, as of September 30, 2015 and 2014.

As of September 30, 2015, the Government's net position was a deficit balance of $3.7 billion that consisted of $264 million invested in capital assets, net of related debt; $251 million restricted by statute or other legal requirements that were not available to finance day-to-day operations of the Government; and an unrestricted net deficit of $4.3 billion. As of September 30, 2014, the Government's net deficit of $3.5 billion consisted of $354 million invested in capital assets, net of related debt; $254 million restricted by statute or other legal requirements that were not available to finance day-to-day operations of the Government; and an unrestricted net deficit of $4.1 billion.

For the fiscal year ended September 30, 2015, the Government earned program and general revenue amounting to $1.1 billion and reported expenses of $1.4 billion, resulting in an increase in net deficit of approximately $233 million. For the fiscal year ended September 30, 2014, the PG earned program and general revenue amounting to $1.4 billion and reported expenses of $1.3 billion, resulting in a decrease in net deficit of approximately $42 million.

Overall, revenue decreased by approximately $170 million in fiscal year 2015, when compared to fiscal year 2014, mainly due to decreases in tax revenues of $142 million, and decreases in grants and contributions of $53 million, offset by increases in interest and other revenue of $29 million and charges for services of $7 million. Overall expenses increased in fiscal year 2015 by $84 million when compared to fiscal year 2014, mainly due to decreases in general government expenditures of $41 million, and increases in health expenditures of $27 million, offset by decreases in education expenditures of $4 million.

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

	Governmental Activities		Business-Type Activities		Total	
September 30,	2015	2014	2015	2014	2015	2014
		(As restated)				*(As restated)*
Assets and Deferred Outflows						
Current assets	$ 886,651	$ 909,779	$ 30,762	$ 34,035	$ 917,413	$ 943,814
Internal balances	42,586	39,407	(42,586)	(39,407)	-	-
Capital assets	798,577	821,033	131,885	135,272	930,462	956,305
Other assets	5,051	5,059	1,092	1,003	6,143	6,062
Deferred outflows of resources	242,106	9,880	-	-	242,106	9,880
Total assets and deferred outflows	1,974,971	1,785,158	121,153	130,903	2,096,124	1,916,061
Liabilities and Deferred Inflows						
Long-term debt outstanding	5,029,592	4,783,526	62,516	53,276	5,092,108	4,836,802
Other liabilities	648,816	528,075	93,892	99,100	742,708	627,175
Deferred Inflow of resources	434	-	-	-	434	-
Total liabilities	5,678,842	5,311,601	156,408	152,376	5,835,250	5,463,977
Net Position						
Net investment in capital assets	204,175	247,208	59,840	106,754	264,015	353,962
Restricted	244,290	244,463	6,293	9,973	250,583	254,436
Unrestricted (deficit)	(4,152,336)	(4,018,114)	(101,388)	(138,200)	(4,253,724)	(4,156,314)
Total net position (deficit)	$ (3,703,871)	$ (3,526,443)	$ (35,255)	$ (21,473)	$ (3,739,126)	$ (3,547,916)

September 30,	Governmental Activities 2015	Governmental Activities 2014 (As restated)	Business-Type Activities 2015	Business-Type Activities 2014	Total 2015	Total 2014 (As restated)
Revenue						
Program revenue:						
Charges for services	$ 24,323	$ 17,587	$ 56,336	$ 50,085	$ 80,659	$ 67,672
Operating grants and contributions	190,743	244,208	711	5,274	191,454	249,482
Capital grants and contributions	14,139	24,653	5,041	19,898	19,180	44,551
General revenue:						
Taxes	822,344	963,861	-	-	822,344	963,861
Interest and other	71,013	40,964	4,400	17,489	75,413	58,453
Other general revenue	1,963	2,318	-	-	1,963	2,318
Total revenue	1,124,525	1,293,591	66,488	92,746	1,191,013	1,386,337
Expenses						
General government	634,644	593,659	-	-	634,644	593,659
Public safety	65,771	63,933	-	-	65,771	63,933
Health	71,155	44,049	-	-	71,155	44,049
Public housing and welfare	187,284	173,897	-	-	187,284	173,897
Education	235,515	231,774	-	-	235,515	231,774
Transportation and communication	45,584	51,899	-	-	45,584	51,899
Culture and recreation	9,049	7,948	-	-	9,049	7,948
Interest on long-term debt	107,961	107,322	-	-	107,961	107,322
Unemployment insurance	-	-	16,523	20,997	16,523	20,997
West Indian Company	-	-	11,865	10,963	11,865	10,963
Workmen's compensation	-	-	9,489	10,205	9,489	10,205
Virgin Islands Lottery	-	-	19,533	17,779	19,533	17,779
viNGN	-	-	9,810	9,265	9,810	9,265
Other	-	-	14,490	9,001	14,490	9,001
Total expenses	1,356,963	1,274,481	81,710	78,210	1,438,673	1,352,691
Changes in net position (deficit) before transfers	(232,438)	19,110	(15,222)	14,536	(247,660)	33,646
Transfers	(1,000)	(5,300)	1,000	5,300	-	-
Change in net position (deficit)	(233,438)	13,810	(14,222)	19,836	(247,660)	33,646
Net position (deficit), beginning of year, as restated	(3,470,433)	(3,484,243)	(21,033)	(40,869)	(3,491,466)	(3,525,112)
Net position (deficit), end of year	$ (3,703,871)	$ (3,470,443)	$ (35,255)	$ (21,033)	$ (3,739,126)	$ (3,491,466)

The Virgin Islands Office of Management and Budget of the Government 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 similar to the cash basis of accounting. The executive budget includes only those funds that are subject to appropriation by law. More information regarding budgetary procedures is provided in the Required Supplementary Information accompanying the basic financial statements. A summary of the budgetary report for the General Fund of the Government, included on page 124 of the financial statements, follows (expressed in thousands):

September 30, 2015	Original Budget	Amended Budget	Actual	Variance
Total revenues	$ 619,226	$ 619,226	$ 686,956	$ 67,730
Total expenditures	876,211	904,371	837,929	66,442
Deficiency of revenues Over expenditures	(256,985)	(285,145)	(150,973)	1,288
Other financing sources, net	88,170	88,170	187,422	99,252
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (168,815)	$ (196,975)	$ 36,449	$ 100,540

For fiscal year 2015, the General Fund realized a favorable budgetary variance of $101 million mainly due to an increase in other financing sources of $99 million and an operating excess of revenues over expenditures of $1 million.

Other financing sources increased mainly due to the issuance of the Series 2015 Note, amounting to $40 million, and the issuance of the Series 2014 E Notes, amounting to $40 million. The General fund realized a positive revenue variance of $68 million mainly due to the assessment of two years of property taxes (2015 and 2014) during the fiscal year. The General Fund realized a favorable expenditure variance of $66 million due to decreases in expenditures from budgeted amounts.

Capital Assets

Capital assets additions during fiscal year 2015 amounted to $31.2 million for governmental activities and $5.6 million for business-type activities.

Capital assets additions during fiscal year 2014 amounted to $54.2 million for governmental activities and $39 million for business-type activities.

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

	Governmental Activities		Business-Type Activities		Total	
September 30,	2015	2014	2015	2014	2015	2014
		(As restated)				*(As restated)*
Land and improvements	$ 202,286	$ 202,558	$ 5,526	$ 5,526	$ 207,812	$ 208,084
Building and improvements	500,764	463,451	79,414	77,109	580,178	540,560
Machinery and equipment	191,610	175,066	76,130	57,060	267,740	232,126
Infrastructure	313,472	252,744	-	-	314,472	252,744
Intangibles	-	-	20,974	20,929	20,974	20,929
Construction in progress	70,279	159,410	5,113	21,218	75,392	180,628
Total capital assets	1,278,411	1,253,229	187,157	181,842	1,465,568	1,435,071
Less accumulated depreciation	(479,834)	(442,882)	(55,272)	(46,571)	(535,106)	(489,453)
Total capital assets, net	$ 798,577	$ 810,347	$ 131,885	$ 135,271	$ 930,462	$ 945,618

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

Debt Administration

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, 2015 (expressed in millions):

Bond Payable	Maturity	Rates (%)	Balance
2014 Series D Revenue Bonds	2033	6.03	$ 5,765
2014 Series C Revenue Bonds	2044	4.50-5.00	247,050
2014 Series A Revenue Bonds	2034	5.00	49,640
2013 Series B Revenue Refunding Bonds	2024	3.00 – 5.00	51,365
2013 Series A Revenue Refunding Bonds	2024	5.00 – 5.25	36,000
2012 Series C Revenue Bonds	2042	3.00 – 5.00	33,445
2012 Series A & B Revenue & Refunding Bonds	2032	2.25 – 5.25	206,900
2012 Series A Revenue Bonds	2032	4.00 – 5.00	141,840
2010 Series A & B Revenue Bonds	2029	4.00 – 5.25	392,840
2009 Series A Revenue Bonds (Cruzan)	2039	3.00 – 6.00	36,245
2009 Series A-1, B & C Revenue and Refunding Bonds	2039	3.00 – 5.00	344,770
2009 Series A Revenue Bonds (Diageo)	2037	6.00 – 6.75	241,670
2006 Series A Revenue Bonds	2029	3 50 – 5.00	202,955
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	7,290
2001 Series A Tobacco Bonds	2031	4.62 – 5.13	9,520
Total bonds outstanding			2,007,295
Plus (less):			
Bonds premium			52,403
Bonds discount			(2,913)
Bonds accretion			6,153
Net bonds outstanding			$ 2,062,938

Note 10 provides detailed information regarding all bonds of the PG.

In fiscal year 2015, the Government issued the (1) 2014 Series D Bonds in the amount of $5.8 million to fund certain capital projects, and (2) the 2014 Series C Bonds in the amount of $247 million to refund the 2003 Series A Bonds and to fund certain capital projects.

In fiscal year 2014, the Government issued the (1) 2014 Series A (Working Capital) Revenue Bonds in the amount of $49.6 million, and (2) the 2013 Series B Revenue Refunding Bonds, in the amount of $51.3 million, for the refunding of a portion of the 2004 series A Bonds. During fiscal year 2014, the Government also borrowed $11.1 million from the U.S. Treasury to fund deficits in the Virgin Islands Unemployment Trust Fund.

The Government made bond principal payments on outstanding general and special revenue bonds amounting to $293.9 million during fiscal year 2015 and $99 million during fiscal year 2014.

The Government's bonds secured by pledged rum excise taxes (matching funds) carry insured ratings of "BBB-" from Fitch Ratings and "Baa2" from Moody's Investors Service, respectively as of the date of this report. The Government's bonds secured by gross receipts taxes carry insured ratings of "BBB" from Fitch Ratings.

On February 12, 2013, Moody's Investors Service withdrew its ratings of the Government's gross receipts tax debt, primarily due to the depletion of GAAP-basis general fund reserves. Bond ratings reflect only the respective views of the rating agencies and an explanation of the significance of each rating may be obtained from the respective rating agency.

Other Liabilities of the Primary Government

Other long-term outstanding liabilities of the Government include the following (expressed in millions):

September 30,	2015	2014
		(As restated)
Accrued compensated absences	$ 32	$ 38
Retroactive union arbitration	195	195
Litigation	24	11
Post-employment benefits	357	319
Landfill closure and post closure costs	84	95
Workers compensation	32	27
Total other liabilities	$ 724	$ 685

Economic Condition and Outlook

The Government promotes fiscal sustainability through a combination of revenue initiatives and budgetary restraints on expenditures.

Revenue Initiatives

The Government has implemented several initiatives to create jobs, stimulate economic growth and promote fiscal sustainability including: continued promotion of tourism through national advertising, increases in local tax rates, compliance initiatives to ensure voluntary tax filing requirements are met, and outreach to national and foreign investors. In December 2015, the Government negotiated an operating agreement for an oil terminal facility on the island of St. Croix, resulting in new tax revenue streams, and a payment to the Government of $220 million. The Government continues to promote its high-tech broadband capabilities, educated workforce and tax incentive programs to management, technology and tourism-related industries.

Budgetary Control of Expenditures

The Government has experienced an increase in carry-forward liabilities from prior fiscal years mainly due to landfill closure costs, post-employment 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, 2015 and 2014, long-term liabilities for pension and other post-employment benefits to retired government employees amounted to $2.3 billion and $2.1 billion. The Government’s defined benefit pension plan was 27% funded as of September 30, 2014. Based on actuarial projections, the plan may not be able to meet its responsibilities by the year 2025. A Pension Reform Joint Task Force has provided recommendations to the Legislature to (1) increase the retirement age of Government workers, (2) restructure plan benefits, and (3) no longer allow retirees to both work and collect benefits from the Government. During fiscal year 2015, the Legislature increased the contribution rates of the Government by 3% and the contribution rates of participants in the plan by 1% phased in over three years (3% in total).

Deficit Reduction Measures

In fiscal years 2015 and 2014, the Government reported an unrestricted net deficit of $4.3 billion and $4.1 billion, respectively.

The Government has implemented a number of deficit reducing measures including: (1) withholding of local gross receipts taxes on Government invoice payments; (2) increasing local taxes such as property tax assessments on time-shares, gross receipts taxes and hotel taxes; (3) exerting greater control of expenditures through the budgetary process; and (4) increasing collection efforts for amounts due to the Government from taxpayers.

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, 2015	Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Assets				
Cash and cash equivalents	$ 148,397	$ 18,736	$ 167,133	$ 84,461
Investments	508,464	1,642	510,106	11,321
Receivables, net	207,862	4,091	211,953	50,090
Internal balances	42,586	(42,586)	–	–
Due from federal government	17,312	–	17,312	8,552
Due from component units	4,616	–	4,616	–
Due from primary government	–	–	–	58,743
Inventories	–	–	–	30,478
Prepayments and other assets	–	–	–	21,800
Restricted:				
Cash and cash equivalents	–	6,293	6,293	80,809
Investments	–	–	–	106,459
Other	–	–	–	27,238
Capital assets, net	798,577	131,885	930,462	1,028,499
Notes receivable	–	–	–	11,477
Other assets	5,051	1,092	6,143	47,530
Total assets	1,732,865	121,153	1,854,018	1,567,457
Deferred Outflows of Resources				
Deferred amounts related to pension	232,974	–	232,974	76,073
Deferred charge on bond refundings	9,132	–	9,132	5,683
Derivative instruments	–	–	–	72
Total deferred outflows of resources	242,106	–	242,106	81,828
Total assets and deferred outflows of resources	$ 1,974,971	$ 121,153	$ 2,096,124	$ 1,649,285

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Net Position

(in thousands)

September 30, 2015	Primary Government Governmental Activities	Primary Government Business-type Activities	Primary Government Total	Component Units
Liabilities				
Accounts payable and accrued liabilities	$ 118,422	$ 7,257	$ 125,679	$ 228,017
Tax refunds payable	70,607	–	70,607	–
Unemployment insurance benefits	–	12,219	12,219	–
Customer deposits	–	–	–	27,198
Due to primary government	–	–	–	4,616
Due to component units	36,507	–	36,507	12,271
Due to federal government	–	–	–	5,260
Interest payable	51,946	–	51,946	6,515
Unearned revenues	209,415	805	210,220	16,316
Other current liabilities		–	–	26,159
Noncurrent liabilities:				
Due within one year:				
Line of credit payable	–	–	–	25,375
Notes payable	62,920	72,766	135,686	6,252
Bonds payable	78,344	–	78,344	16,588
Other liabilities	20,655	845	21,500	3,574
Due in more than one year:				
Line of credit payable	–	–	–	2,253
Notes payable	50,430	31,308	81,738	83,083
Bonds payable	1,984,594	–	1,984,594	286,664
Net pension liability	2,323,163	–	2,323,163	682,855
Other liabilities	671,405	31,208	702,613	87,801
Total liabilities	5,678,408	156,408	5,834,816	1,520,797
Deferred Inflows of Resources				
Deferred amounts related to pension	434	-	434	22,957
Total deferred inflows of resources	434	-	434	22,957
Total liabilities and deferred inflows of resources	5,678,842	156,408	5,835,250	1,543,754
Net Position:				
Net investment in capital assets	$ 204,175	$ 59,840	$ 264,015	$ 757,291
Restricted:				
Unemployment insurance	–	3,826	3,826	–
Debt service	243,980	–	243,980	–
Capital projects	256	–	256	–
Federal projects	54	–	54	–
Other purposes	–	2,467	2,467	238,240
Unrestricted (deficit)	(4,152,336)	(101,388)	(4,253,724)	(890,000)
Total net position (deficit)	$ (3,703,871)	$ (35,255)	$ (3,739,126)	$ 105,531

See accompanying notes to financial statements.

Statement of Activities
(in thousands)

Year Ended September 30, 2015	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Functions:								
Primary government:								
Governmental activities:								
General government	$ 634,644	$ 20,543	$ 26,407	$ 1,687	$ (586,007)	$ –	$ (586,007)	$ –
Public safety	65,771	478	2,714	–	(62,579)	–	(62,579)	–
Health	71,155	66	18,644	–	(52,445)	–	(52,445)	–
Public housing and welfare	187,284	754	97,261	–	(89,269)	–	(89,269)	–
Education	235,515	397	38,943	–	(196,175)	–	(196,175)	–
Transportation and communication	45,584	618	6,774	12,452	(25,740)	–	(25,740)	–
Culture and recreation	9,049	1,467	–	–	(7,582)	–	(7,582)	–
Interest on long-term debt	107,961	–	–	–	(107,961)	–	(107,961)	–
Total governmental activities	1,356,963	24,323	190,743	14,139	(1,127,758)	–	(1,127,758)	–
Business-type activities:								
West Indian Company	11,865	9,502	–	–	–	(2,363)	(2,363)	–
Unemployment Insurance	16,523	11,328	592	–	–	(4,603)	(4,603)	–
Workers compensation	9,489	6,245	–	–	–	(3,244)	(3,244)	–
Virgin Islands Lottery	19,533	18,247	–	–	–	(1,286)	(1,286)	–
viNGN	9,810	2,565	–	5,041	–	(2,204)	(2,204)	–
Other	14,490	8,449	119	–	–	(5,922)	(5,922)	–
Total business-type activities	81,710	56,336	711	5,041	–	(19,622)	(19,622)	–
Total primary government	$ 1,438,673	$ 80,659	$ 191,454	$ 19,180	$ (1,127,758)	$ (19,622)	$ (1,147,380)	$ –
Component units:								
Virgin Islands Housing Authority	$ 48,003	$ 6,168	$ 39,222	$ 3,985	$ –	$ –	$ –	$ 1,372
Virgin Islands Port Authority	63,475	53,086	–	6,554	–	–	–	(3,835)
Virgin Islands Water and Power Authority:								
Electric System	306,152	270,310	–	7,306	–	–	–	(28,536)
Water System	37,186	33,103	–	29	–	–	–	(4,054)
Virgin Islands Government Hospital and Health Facilities Corporation:								
Roy L. Schneider Hospital	96,675	49,362	26,525	2,480	–	–	–	(18,308)
Juan F. Luis Hospital	85,978	49,460	31,440	–	–	–	–	(5,078)
University of the Virgin Islands (unaudited)	87,486	49,911	20,367	4,692	–	–	–	(12,516)
Other component units	74,637	12,192	47,201	3,499	–	–	–	(11,745)
Total component units	$ 799,592	$ 523,592	$ 164,755	$ 28,545	$ –	$ –	$ –	$ (82,700)
Total primary government and component units					$ (1,127,758)	$ (19,622)	$ (1,147,380)	$ (82,700)

See accompanying notes to financial statements.

Statement of Activities
(in thousands)

	Net Revenue (Expense) and Changes in Net Position			
	Primary Government			
Year Ended September 30, 2015	Governmental Activities	Business-type Activities	Total	Component Units
General revenues:				
Taxes	$ 822,344	$ -	$ 822,344	$ -
Interest and other	71,013	4,400	75,413	19,690
Tobacco settlement rights	1,963	–	1,963	–
Transfers – internal activities of primary government	(1,000)	1,000	–	–
Total general revenue	894,320	5,400	899,720	19,690
Changes in net position	(233,438)	(14,222)	(247,660)	(63,010)
Net position (deficit), beginning of year, as restated	(3,470,433)	(21,033)	(3,491,466)	168,541
Net position (deficit), end of year	$ (3,703,871)	$ (35,255)	$ (3,739,126)	$ 105,531

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Balance Sheet - Governmental Funds

(In thousands)

September 30, 2015	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total Governmental
Assets						
Cash and cash equivalents	$ 36,761	$ 8,104	$ 27,341	$ –	$ 76,191	$ 148,397
Investments	116,967	336,012	50,392	-	5,093	508,464
Receivables:						
Taxes, net	163,743	42,430	–	-	–	206,173
Other	9	–	–	-	120	129
Due from federal government	-	-	-	17,312	-	17,312
Due from:						
Other funds	23,650	–	34,546	-	22,724	80,920
Component units, net	4,616	–	–	-	–	4,616
Total assets	$ 345,746	$ 386,546	$ 112,279	$ 17,312	$ 104,128	$ 966,011
Liabilities						
Accounts payable and accrued liabilities	$ 79,972	$ –	$ 274	$ 26,145	$ 12,031	$ 118,422
Tax refunds payable	70,607	–	–	–	–	70,607
Due to federal government	–	–	–	–	–	–
Unearned revenue	96,920	108,995	–	–	3,500	209,415
Due to:						
Other funds	20,834	–	–	-	17,500	38,334
Component units	32,885	–	3,475	-	147	36,507
Total liabilities	301,218	108,995	3,749	26,145	33,178	473,285
Deferred Inflows of Resources						
Unavailable revenues	103,338	33,571	–	–	–	136,909
Total liabilities and deferred inflows of resources	404,556	142,566	3,749	26,145	33,178	610,194
Fund balances:						
Restricted	–	243,980	108,530		44,865	397,375
Committed	14,687	–	–	–	50,165	64,852
Assigned	576	–	–	–	109,250	109,826
Unassigned	(74,073)	–	–	(8,833)	(133,330)	(216,236)
Total (deficit) fund balances	(58,810)	243,980	108,530	(8,833)	70,950	355,817
Total liabilities, deferred inflows resources and fund balances	$ 345,746	$ 386,546	$ 112,279	$ 17,312	$ 104,128	

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.	798,577
Expenditures identified as related to a future period are recognized as a prepaid asset in the statement of net position.	5,051
Deferred costs of refunding bonds are not financial resources, and are therefore not reported in the funds.	9,132
Other long-term assets, primarily taxes receivable, will not be available to pay for current period expenditures and, therefore, are deferred in the funds.	138,469
Deferred outflows of resources of pension amounts are not current financial resources, and these are not included in the funds.	232,540
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(51,946)
Long-term pension liabilities are not due and payable in the current period, and therefore are not reported in the funds	(2,323,163)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,868,348)
Net position (deficit) of governmental activities	$ (3,703,871)

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, 2015	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total Governmental
Revenues:						
Taxes	$ 621,801	$ 256,149	$ 2,414	$ –	$ 21,203	$ 901,567
Federal grants and contributions	10,919	–	–	182,323	11,640	204,882
Charges for services	10,903	–	–	–	13,420	24,323
Tobacco settlement rights	–	–	–	–	2,082	2,082
Interest and other	43,333	3,762	17	–	23,901	71,013
Total revenues	686,956	259,911	2,431	182,323	72,246	1,203,867
Expenditures:						
Current:						
General government	474,913	363	2,299	32,125	35,182	544,882
Public safety	57,343	–	–	2,868	12	60,223
Health	45,313	–	–	20,582	(273)	65,622
Public housing and welfare	59,822	–	–	115,593	587	176,002
Education	174,675	–	–	38,480	1,709	214,864
Transportation and communication	18,564	–	–	5,822	8,776	33,162
Culture and recreation	7,299	–	–	–	106	7,405
Capital outlays	6,022	–	6,446	12,776	6,081	31,325
Debt service:						
Principal	1,121	294,641	2,632	–	1,500	299,894
Interest	316	103,392	162	–	2,301	106,171
Bond issuance costs	1,569	5,847	–	–	–	7,416
Total expenditures	846,957	404,243	11,539	228,246	55,981	1,546,966
Excess (deficiency) of revenue over expenditures	(160,001)	(144,332)	(9,108)	(45,923)	16,265	(343,099)
Other financing sources (uses):						
Bonds issued	–	685	30,580	–	–	31,265
Refunding bonds issued	–	221,550	–	–	–	221,550
Payment to refunded bond escrow agent	–	(1,959)	–	–	–	(1,959)
Loans issued	80,000	–	–	–	–	80,000
Bond premiums	–	13,991	–	–	–	13,991
Transfers from other funds	113,302	3,102	1,100	–	6,748	124,252
Transfers to other funds	(4,443)	(95,714)	(4,054)	(19,941)	(1,100)	(125,252)
Total other financing sources (uses), net	188,859	141,655	27,626	(19,941)	5,648	343,847
Net change in fund balances	28,858	(2,677)	18,518	(65,864)	21,913	748
Fund (deficit) balance, beginning of year	(87,668)	246,657	90,012	57,031	49,037	355,069
Fund (deficit) balance, end of year	$ (58,810)	$ 243,980	$ 108,530	$ (8,833)	$ 70,950	$ 355,817

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,		2015
Net change in fund balances – total governmental funds	$	748
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		(5,865)
Tax revenue in the statement of activities, which do not provide current financial resources, are not reported as revenue in the funds.		(79,342)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. This is the amount by which debt repayments of $299.9 million exceeds the loan and bond proceeds of $332.8 million.		(32,921)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the 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.		(33,393)
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.		(8)
Bond premiums and discounts are reported as other financing sources and uses in the governmental funds when the bonds are issued, and are capitalized and amortized in the government-wide financial statements. This amount represents additional net interest expense reported in the statement of activities related to the amortization of premiums, discounts, deferred charges on bond refunding, and accreted interest on capital appreciation bonds during the current year.		(7,133)
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.		(978)
Certain pension expense reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds. This amount represents the increase in pension liabilities for the allocable share of pension expense reported in the statement of net position.		(74,546)
Change in net position of governmental activities	$	(233,438)

See accompanying notes to financial statements.

Statement of Net Position – Proprietary Funds
(in thousands)

	Business-type Activities – Enterprise Funds				
September 30, 2015	West Indian Company	Unemployment Insurance	viNGN	Other Enterprise	Totals
Assets					
Current assets:					
Cash and cash equivalents	$ 3,949	$ 889	$ 4,652	$ 9,246	$ 18,736
Investments	–	–		1,642	1,642
Receivables, net:					
Premiums receivable	–	1,070	–	–	1,070
Other receivables	1,760	–	603	658	3,021
Due from other funds	–	–	–	300	300
Other assets	628	–	341	123	1,092
Total current assets	6,337	1,959	5,596	11,969	25,861
Noncurrent assets:					
Restricted cash and cash equivalents	2,467	3,826	–	–	6,293
Capital assets	44,099	–	79,859	7,927	131,885
Total noncurrent assets	46,566	3,826	79,859	7,927	138,178
Total assets	$ 52,903	$ 5,785	$ 85,455	$ 19,896	$ 164,039
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	$ 957	$ -	$ 1,543	$ 4,757	$ 7,257
Due to other funds	5,950	–	34,222	2,714	42,886
Unemployment insurance benefits	–	12,219	–	–	12,219
Workers compensation	–	–	–	845	845
Unearned revenues	–	–	173	632	805
Loan payable to U.S. Treasury	–	72,196	–	–	72,196
Loans payable related to capital assets	570	–	–	–	570
Total current liabilities	7,477	84,415	35,938	8,948	136,778
Noncurrent liabilities:					
Workers compensation	–	–	–	31,208	31,208
Loans payable related to capital assets	31,308	–	–	–	31,308
Total noncurrent liabilities	31,308	–	–	31,208	62,516
Total liabilities	$ 38,785	$ 84,415	$ 35,938	$ 40,156	$ 199,294
Net Position					
Net investment in capital assets	$ 12,221	$ -	$ 39,692	$ 7,927	$ 59,840
Restricted	2,467	3,826	–	–	6,293
Unrestricted (deficit)	(570)	(82,456)	9,825	(28,187)	(101,388)
Total net position (deficit)	$ 14,118	$ (78,630)	$ 49,517	$ (20,260)	$ (35,255)

See accompanying notes to financial statements.

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

(in thousands)

	Business-type Activities - Enterprise Funds				
Year Ended September 30, 2015	**West Indian Company**	**Unemployment Insurance**	**viNGN**	**Other Enterprise**	**Totals**
Operating revenues:					
Charges for services	$ 9,502	$ 11,328	$ 2,565	$ 32,941	$ 56,336
Operating expenses:					
Cost of services	6,978	16,523	5,895	41,530	70,926
Amortization	–	–	741	–	741
Depreciation	2,822	–	3,174	1,982	7,978
Total operating expenses	9,800	16,523	9,810	43,512	79,645
Operating loss	(298)	(5,195)	(7,245)	(10,571)	(23,309)
Non-operating revenues (expenses):					
Federal grants	–	592	5,041	119	5,752
Interest and other income	536	115	12	3,737	4,400
Interest expense	(2,065)	–	–	–	(2,065)
Total non-operating revenues (expenses), net	(1,529)	707	5,053	3,856	8,087
Loss before operating transfers	(1,827)	(4,488)	(2,192)	(6,715)	(15,222)
Transfers from other funds	–	–	–	1,000	1,000
Change in net position	(1,827)	(4,488)	(2,192)	(5,715)	(14,222)
Net position (deficit), beginning of year	15,945	(74,142)	51,709	(14,545)	(21,033)
Net position (deficit), end of year	$ 14,118	$ (78,630)	$ 49,517	$ (20,260)	$ (35,255)

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Cash Flows – Proprietary Funds

(in thousands)

	Business-type Activities – Enterprise Funds				
Year Ended September 30, 2015	**West Indian Company**	**Unemployment Insurance**	**viNGN**	**Other Enterprise**	**Totals**
Cash flows from operating activities					
Receipts from customers and users	$ 10,379	$ 12,874	$ 2,165	$ 33,908	$ 59,326
Payments to beneficiaries, suppliers and employees	(6,533)	(12,451)	(9,547)	(37,303)	(65,834)
Net cash provided by (used in) operating activities	3,846	423	(7,382)	(3,395)	(6,508)
Cash flows from noncapital financing activities					
Other income	–	115	–	4,067	4,182
Transfers in (out) to other funds	(150)	–		1,000	850
Federal grants	–	592	4,029	119	4,740
Net cash (used in) provided by noncapital financing activiti	(150)	707	4,029	5,186	9,772
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(2,728)	–	(2,795)	–	(5,523)
Disposal of capital assets	–	–		–	–
Transfers in (out) to other funds	–	–	2,500	–	2,500
Federal grants	–	–	2,988	–	2,988
Issuance of debt	3,750	–	–	–	3,750
Principal paid on debt issuances	(390)	(4,752)	–	–	(5,142)
Interest paid on debt issuances	(1,929)	–	–	–	(1,929)
Net cash used in capital and related financing activities	(1,297)	(4,752)	2,693	–	(3,356)
Cash flows from investing activities					
Interest on investments	6	–	12	–	18
Sale of investments	–	–		237	237
Net cash provided by investing activities	6	–	12	237	255
Net increase (decrease) in cash and cash equivalents	2,405	(3,622)	(648)	2,028	163
Cash and cash equivalents, beginning of year	4,011	8,337	5,300	7,218	24,866
Cash and cash equivalents, end of year	$ 6,416	$ 4,715	$ 4,652	$ 9,246	$ 25,029
Reconciliation of operating loss to net cash provided by (used in) operating activities					
Operating loss	$ (298)	$ (5,195)	$ (7,245)	$ (10,571)	$ (23,309)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization	2,822	–	3,915	1,982	8,719
Proceeds from settlement	250	–	–	–	250
Other income	979	–	–	–	979
Change in assets and liabilities:					
Receivables, net	(255)	1,547	(395)	482	1,379
Due from other funds	–	–	–	439	439
Deferred revenue	–	–	–	46	46
Other assets	58	–	(137)	(10)	(89)
Accounts payable and accrued liabilities	(260)	–	(3,520)	(814)	(4,594)
Unemployment insurance benefits	–	4,071	–	–	4,071
Workers compensation	–	–	–	4,922	4,922
Due to other funds	550	–	–	129	679
Net cash provided by (used in) operating activities	$ 3,846	$ 423	$ (7,382)	$ (3,395)	$ (6,508)
Reconciliation of cash and cash equivalents to the statement of net assets					
Cash and cash equivalents – current	$ 3,949	$ 889	$ 4,652	$ 9,246	$ 18,736
Cash and cash equivalents – restricted	2,467	3,826	–	–	6,293
Total cash and cash equivalents, end of year	$ 6,416	$ 4,715	$ 4,652	$ 9,246	$ 25,029

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Fiduciary Net Position - Fiduciary Funds

(in thousands)

September 30, 2015	**Pension Trust Fund**	**Agency Funds**
Assets		
Cash and cash equivalents:		
Unrestricted	$ 72,019	$ 2,792
Restricted	26	–
Investments:		
Certificate of deposits	–	4,667
Cash collateral received under securities lending transactions	65,199	–
U.S. Government and agency obligations	19,743	–
Corporate obligations	18,246	–
Foreign bonds an government obligations	–	–
Common stock - U.S.	169,925	–
Mortgage and asset backed securities	29,315	–
Mutual funds	377,954	–
Investment loans	26,613	–
Real estate investment trust	2,058	–
Limited partnerships	46,640	–
Real estate	72,886	–
Receivables, net:		
Loans and advances	159,218	–
Accrued interest	3,209	–
Other	575	–
Other assets	8,602	–
Total assets	$ 1,072,228	$ 7,459
Liabilities		
Accounts payable and accrued liabilities	$ -	$ 7,459
Benefits in process of payment	3,987	–
Unsettled securities purchased	455	–
Securities lending collateral	65,199	–
Other liabilities	11,546	–
Total liabilities	81,187	7,459
Net position restricted for pension benefits	$ 991,041	$ –

See accompanying notes to financial statements.

Government of the United States Virgin Islands

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

(in thousands)

Year Ended September 30, 2015		**Pension Trust Fund**
Additions:		
Contributions:		
Employer	$	72,288
Plan members		36,245
Total contributions		108,533
Investment income:		
Net appreciation of fair value of investments		(14,295)
Interest, dividends, and other, net		22,019
Rental income, net of related expenses		1,482
Total investment income		9,206
Less investment expense		4,238
		4,968
Other income		1,161
Total additions		114,662
Deductions:		
Benefits paid		246,072
Refunds of contributions		4,038
Administrative and operational expenses		16,402
Total deductions		266,512
Change in net position		(151,850)
Net position restricted for pension benefits, beginning of year, as restated		1,142,891
Net position restricted for pension benefits, end of year	$	991,041

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

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

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

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

Financial Reporting Entity

The Government follows the provisions of GAAP. These standards require that the Government's financial reporting entity be defined according to specific criteria. According to the standard, 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. 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 because it is so intertwined with the Government that, in substance, they are the same. The PFA funds are reported as major funds, with the exception of the PFA Special Revenue Fund, which is included in the other aggregate remaining fund information.

PFA's blended component units, the West Indian Company (WICO) and Virgin Islands Next Generation Network (viNGN) are presented as a major enterprise funds and King's Alley Management, Inc., is included in other nonmajor enterprise 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 Government officials appointed by the Governor and two private citizens. The activities of TSFC are limited to activities conducted on behalf of the Government. The TSFC is reported in the other aggregate remaining fund information.

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

Administrative Offices of Blended Component Units

Virgin Islands Public Finance Authority
32-33 Kongens Gade, Government Hill
St. Thomas, VI 00802

Tobacco Settlement Financing Corporation
32-33 Kongens Gade, Government Hill
St. Thomas, VI 00802

(b) Discretely Presented Component Units

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

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

Major Component Units

Virgin Islands Housing Authority (VIHA)

VIHA was created as a body corporate and politic constituting 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. From June 1962 through August 2003, the powers of VIHA were exercised by a board of commissioners consisting of seven members. In August 2003, the U.S. Department of Housing and Urban Development (HUD) determined that because of the severity of compliance violations, VIHA was declared to be in substantial default of its annual contributions contract (ACC) dated July 12, 1996 with HUD. VIHA was placed in receivership and HUD assumed control of all assets, projects, and programs. On May 30, 2014, the HUD receivership ended, and management of VIHA was returned to the board of trustees appointed by the PG. 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 body corporate and politic constituting 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. The powers of VIPA are exercised by a board of governors consisting of the Commissioner of Economic Development and Agriculture (Chairperson), the Attorney General, the Commissioner of Public Works, the Director of the Small Business Development Agency, and five other persons appointed by the Governor with the advice and consent of the Legislature.

Virgin Islands Water and Power Authority (WAPA)

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

Virgin Islands Government Hospital and Health Facilities Corporation (VIGHHFC)

VIGHHFC was created by Act No. 6012 on August 23, 1994 and became active on May 1, 1999, with the purpose of providing healthcare services and hospital facilities to the people of the U. S. Virgin Islands. The powers of VIGHHFC are exercised by a board of directors consisting of 15 members as follows: the Director of the Office of Management and Budget, the Commissioner of Finance, and 13 other members appointed by the Governor with the advice and consent of the Legislature. The VIGHHFC is composed of the Roy L. Schneider Hospital located in St. Thomas and the Juan F. Luis Hospital and Medical Center located in St. Croix. Both entities issue separate audited financial statements. The Roy L. Schneider Hospital'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 Health Center and Cancer Institute are legally separated organizations for which the Roy L. Schneider Hospital is financially accountable. The Juan F. Luis Hospital and Medical Center's financial statements include its component unit: the Virgin Islands Cardiac Center at the Governor Juan F. Luis Hospital and Medical Center Foundation, Inc. (VICC Foundation). VICC Foundation is a legally separate nonprofit corporation for which the Juan F. Luis Hospital and Medical Center is financially accountable.

University of the Virgin Islands (the University)

The University was organized as an instrumentality of the Government under Act No. 852 on March 16, 1962, in accordance with Section 16(a) of the Revised Organic Act of 1954, as amended. The purpose of the University is the stimulation and utilization of the intellectual resources of the people of the U.S. Virgin Islands and the development of a center of higher education. 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 substantial financial and other support from the Government.

The University's financial statements include its blended component units: The Foundation for the University of the Virgin Islands and The Reichhold Center Foundation. The Foundation for the University of the Virgin Islands is a nonprofit corporation whose purpose is to assist and support the University in accomplishing its charitable and educational mission. The Reichhold Center Foundation is a nonprofit corporation that supports the arts and provides financial assistance in operating the Reichhold Center for the Arts on the St. Thomas campus of the University.

Virgin Islands Economic Development Authority (EDA)

EDA was created by Act No. 6390 on December 21, 2000 as a body corporate and politic constituting a public corporation and semiautonomous instrumentality of the Government. EDA was created as an umbrella authority to assume, integrate, and unify the functions 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 Housing Finance Authority (VIHFA)

VIHFA was created as a body corporate and politic constituting a public corporation and autonomous governmental instrumentality of the Government 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 obtain funds to be used for low-interest mortgage loans to qualified purchasers of low and moderate-income housing. On October 31, 2008, VIHFA established the Virgin Islands Housing Management, Inc. (VIHM), a wholly-owned nonprofit subsidiary for the purpose of managing 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.

Virgin Islands Public Television System (VIPTS)

VIPTS was created as a body corporate and politic constituting 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 all 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 VIPTS 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 VIPTS are ex-officio members of the board who are not entitled to vote.

Virgin Islands Waste Management Authority (VIWMA)

VIWMA was established as a nonprofit, public, 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 a public, 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
402 Estate Anna's Retreat
PO Box 7668
St. Thomas, VI 00801

Virgin Islands Port Authority
PO Box 301707
St. Thomas, VI 00803

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

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

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

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

Magens Bay Authority
PO Box 10583
St. Thomas, VI 00801

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

Virgin Islands Public Television System
PO Box 7879
St. Thomas, VI 00801

Virgin Islands Waste Management Authority
#1 La Grande Princesse, Suite BL1
Christiansted, VI 00820

University of the Virgin Islands Research and Technology Park Corporation
RR1 Box 10000
Kingshill, St. Croix, VI 00850-9781

All financial statements of the discretely presented component units have a fiscal year-end of September 30, 2015, except for WAPA and VIHA that have a year-end of June 30, 2015 and December 31, 2014, respectively.

(c) Fiduciary Component Unit

The following public benefit corporation is legally separate from the Government, meets the definition of a blended component unit, and is presented in the fund financial statements along with other fiduciary funds of the Government. Fiduciary funds are not reported in the 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 component units, single-employer defined-benefit pension plan. GERS was established on October 1, 1959. The responsibility for the operation of GERS is vested in a board of trustees composed of seven members appointed by the Governor with the advice and consent of the Legislature.

Employee and employer contributions to GERS are recognized as additions to net position held in trust for employees' pension benefits in the period in which employee services are performed, except for contributions pursuant to the Early Retirement Act of 1994, which are recorded as the cash is received. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan, except for benefits pursuant to sections 8(a) and 8(b) of the Early Retirement Act of 1994, which are recorded when the subsidy provided by the Government is receivable and payable.

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

Employees' Retirement System of the Government of the Virgin Islands
3438 Kronprindsens Gade
St. Thomas, Virgin Islands 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 of the non-fiduciary activities of the PG and its component units. For the most part, 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 and liabilities, 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 particular function or segment. Taxes and other items not properly included among program revenues are 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 generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

(b) Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be 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, property taxes, and income taxes are considered to be available if collected within 30, 60, and 90 days, respectively, after the end of the current fiscal year-end. Grant revenue is considered to be 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, debt service 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 so have been recognized as revenue of the current fiscal period to the extent they are considered available. All other revenue items are considered to be measurable and available only when cash is received by the Government.

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

The financial statements of the proprietary funds, fiduciary funds, and discretely presented component units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to 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.

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. GAAP, establishes criteria (percentage of the assets, liabilities, revenue, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Indirect costs are automatically allocated and reported in the program expense for each fund. Non-major funds are combined in a single column in the fund financial statements. The Government reports the following major funds:

(a) Governmental Funds

The Government reports the following major governmental funds:

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

- PFA Debt Service Fund – 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.

- PFA Capital Projects Fund – The PFA capital projects fund accounts for bond proceeds of debt issued by the 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 general public. The Government reports the following major proprietary funds:

- West Indian Company – WICO, a blended component unit of PFA, accounts for the activities of a cruise ship pier and shopping mall complex on the island of St. Thomas.

- Unemployment Insurance Fund – The unemployment insurance fund accounts for the collection of unemployment premiums from employers in the U.S. Virgin Islands, and the payment of unemployment benefits to eligible unemployed recipients.

- Virgin Islands Next Generation Network (viNGN) Fund – The viNGN fund 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 Funds

Fiduciary funds are used to account for assets held by the Government in a trustee capacity, or as an agent for individuals, private organizations, and other governmental units. The following are the Government's fiduciary funds:

- Pension Trust Fund – The pension trust fund accounts for the activities of GERS, which accumulates resources for pension benefit payments to qualified employees.

- Agency Fund – The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of the results of operations.

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, short-term U.S. government and its agencies' obligations, and repurchase agreements with a U.S. commercial bank maturing within three months and collateralized by U.S. government obligations. 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.

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

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, 2015, the General Fund, the Virgin Islands Lottery, a non-major governmental fund, and an agency fund had invested in certificates of deposit with two local banks. Investments are reported at fair value at September 30, 2015.

- *PFA Investment Policies* – Investments of the PFA are reported at fair value. Various bond resolutions of the 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. The PFA has retained investment managers and investments are held in trust by a commercial bank on behalf of the PFA. The PFA handles investments for two major governmental funds of the Government: the PFA Debt Service Fund and the PFA Capital Projects Fund.

- *Tobacco Settlement Financing Corporation Investment Policies* – Various bond resolutions of this blended component unit restrict investments to direct obligations of the U.S. Government, Territories, possessions and states, specific bank obligations, investment agreements or similar funding agreements, shares or other interests in mutual funds, trusts or investment companies, corporate commercial paper, and money market portfolios consisting of any of the foregoing. TSFC has retained investment managers and investments are held in trust by a commercial bank on behalf of the TSFC. Investments are reported at fair value in the non-major governmental fund of the Government.

- *West Indian Company Investment Policies* – This blended business-type major fund of the Government maintains an investment policy that 1) limits investments in bonds to a maximum remaining maturity of 30 years (or estimated average life on mortgage-backed issues), 2) limits fixed income securities to a maximum of 40% and a minimum of 30% of the overall assets of the WICO portfolio, 3) limits corporate bond exposure to 45% of the fixed income portfolio, and 4) has no provision which limits or restricts investments in U.S. Government Treasury or Agency issues. WICO reports investments at fair value.

- *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 with which investment transactions may be entered into. Under those policies, GERS may invest in U.S. Government and agencies obligations, bonds or notes of any state, territory or possession of the United States, municipal bonds and obligations, foreign bonds, bonds of domestic railroad corporations, public utility bonds, industrial corporate bonds or trust certificates, common and preferred shares of foreign and domestic corporations, mutual funds, mortgage or personal loans to GERS members or retirees, and mortgage and asset-backed securities. Investments in bonds are subject to rating restrictions of BBB and may not exceed 2% of the portfolio. Investments in stock of a single corporation may not exceed 1% of the market value of the fund, or exceed 1% of the outstanding stock of the corporation.

  The aggregate amount of 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. Any investment of 20% or more of the aggregate value of the portfolio must be approved by two-thirds of the membership of the board of trustees. The investments are administered by several professional investment managers and are held in trust by a commercial bank on behalf of GERS.

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

  GERS is authorized to invest in life settlement policy contract investments provided the investment is in a group of life insurance policies, with a minimum number of 100 measured lives; the face value of any single policy investment does not exceed $5.0 million or 2% of the aggregate face value of policy investments, and; the aggregate face value on any individual life does not exceed the greater of $10.0 million or 1% of the aggregate face value of policies purchased as investments by GERS. As of September 30, 2015, GERS had invested $50 million in the limited partnership Attilanus, a company that purchases senior life insurance policies for individuals age 65 and older with an average life expectancy of 5 to 7 years.

  The partnership agreement is effective through December 31, 2017, and may be extended for an additional two year period. Limited partners are not permitted to withdraw funds from the partnership. The value of the investment, net of returns of capital of $8.2 million, was $18.2 million at September 30, 2015.

  On July 18, 2012, GERS executed a loan agreement with Attilanus. Under the terms of the agreement, a credit facility of $10 million was made available to meet on-going premium costs and other expenses. The terms of the credit facility require interest payments at a rate of 15% per annum, and principal payments reduce the future amount available. The entire loan principal and accrued and unpaid interest is to be repaid at the termination of the credit facility on July 10, 2017. As of September 30, 2015, the outstanding balance of the credit facility was $13 million.

In December 4, 2009, GERS executed a loan agreement with Seaborne Virgin Islands, Inc., a seaplane service operating on the islands of St. Croix and St. Thomas. The agreement provided for a first lien term loan of $1.3 million at an initial interest rate of 8.25%, and a senior secured convertible loan of $2 million at an interest rate of 14.5%, secured by real and personal property of Seaborne Airlines, the unconditional guarantee of Coastal Airways, Inc., the parent company of Seaborne, and all of the issued and outstanding stock of Seaborne. On September 20, 2012, the parties agreed to an amendment/modification to the loan agreement and term note and provided for the modification of the convertible note. The original principal indebtedness of the term note was amended and restated to be $2.3 million with an interest rate of 6.25% per annum for the unpaid principal of the term note. The original principal indebtedness of the convertible note was amended and restated to be $1 million. The interest accrues at the rate of 8.25% per annum payable quarterly in arrears until the maturity date. The note may be prepaid in whole or in part with a prepayment penalty of $300 thousand.

On December 8, 2009, GERS executed a loan agreement with Carambola Northwest, LLC (Carambola), a condominium, hotel and golf resort on the island of St. Croix. The five year term loan in the amount of $15 million is collateralized with all real property holdings of Carambola, with an interest rate of 10.5% per annum. Carambola subsequently went into default on the loan agreement.

On May 11, 2013, GERS exercised its rights under the loan agreement and executed a preliminary Disposition Agreement with Carambola assuming management and ownership of the resort complex. As of September 30, 2015, the complex had an appraised value of $8 million.

On September 24, 2013, GERS entered into a loan agreement with KAZI Foods of the Virgin Islands in the amount of $6 million at an interest rate of 6.25%, and a maturity date of October 23, 2023. At September 30, 2015, the outstanding principal balance on the loan is $6 million.

GERS has also invested in Havensight Mall, a shopping and pier complex on the island of St. Thomas. The property is reported at the fair market value of $41 million.

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 is reported at historical cost, net of accumulated depreciation, in the amount of $23.9 million as of September 30, 2015.

- *WAPA and VIPA Investment Policies* – These major component units are authorized under bond resolutions and the V.I. Code to invest in open accounts, time deposits, 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.

- *University Investment Policies* – The board of trustees of this major component unit is responsible for the management of the University's investments which consist of U.S. Government securities and securities backed by the U.S. Government or its agencies and instrumentalities, common and preferred stocks, and mutual funds. The University is in the process of finalizing a formal investment policy for review and approval by the board of trustees. The University's component unit, Foundation for the University of the Virgin Islands, issued an investment policy in February 2013. The members of the board of trustees of the Reichhold Center Foundation are responsible for their specific investment policy.

- *VIGHHFC Investment Policies* – The board of trustees of this major component unit have not developed a formal investment policy. At September 30, 2015, investments consisted of a 40% interest in a U.S. Virgin Islands corporation that provides radiology services at Juan F. Luis Hospital and Medical Center. The investment in the U.S. Virgin Islands Corporation is accounted for under the equity method and was reported without value at September 30, 2015.

- *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 at all times, and may be held by an unaffiliated bank or trust company for the account of the VIHA.

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 incurred pursuant to federally funded programs.

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

Subject to the provisions of the V.I. Code, and subject to rules and regulations prescribed by the board of trustees of GERS, members of GERS previously had the right to obtain loans from GERS to finance a home, automobile, or other personal needs. The maximum mortgage loan that could be granted to members who have been contributing to GERS for at least five years is $250,000. The loan program was suspended indefinitely in August, 2015.

Under the loan program previously offered by GERS, the interest rate on new first mortgages was 5% for loans payable in 1 to 15 years and 5.75% for loans payable over 15 years and on second mortgages, 6% for loans payable in 1 to 15 years and 6.75% for loans payable in over 15 years. Members were also allowed to borrow up to $50,000, at 5% interest rate to purchase land and members who had contributed to GERS for at least five years were able to borrow up to $18,000 for the purchase of an automobile. The interest rate previously offered on auto loans changed periodically, but was never below 8%, with a maximum term of five years.

The loan program previously offered by GERS also allowed active members to borrow up to 75% of their contributions paid into GERS to a maximum borrowing of $50,000 as a personal loan. The interest rate previously offered on personal loans was 8% for the year. Retired members could qualify for personal loans up to $50,000 at the same interest rate as active members; and, effective March 25, 2014 retirees were allowed to refinance their loans regardless of the outstanding balance. All loans previously offered had a mandatory credit life insurance.

Member loans in GERS are valued at the outstanding loan principal balance less an allowance for estimated loan losses.

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. Accounts receivable from the PG and other component units that arise from service charges do not have significant allowances for uncollectible accounts.

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 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. The value of all land acquired is capitalized.

Capital assets purchased or acquired are carried at historical cost or normal cost. The normal costing method to estimate cost based on replacement cost indexed by a reciprocal factor of the price increase from the appraisal date to the actual or estimated acquisition date was used to estimate the historical cost of certain land, buildings, and building improvements because invoices and similar documentation was no longer available in certain instances. Donated capital assets are recorded at fair value at the time of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs are capitalized during the construction period only for business-type activities and proprietary component units. The costs of routine maintenance and repairs that do not add value to the assets or materially extend asset lives are expensed as incurred.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds and component units' financial statements.

Capital assets of the PG, excluding land and construction in progress, are depreciated on the straight-line method over the assets' estimated useful lives.

The estimated useful lives of capital assets reported by the component units are (i) 7 to 50 years for buildings and building improvements; (ii) 20 to 40 years for airports and marine terminals; and (iii) 3 to 20 years for vehicles and equipment.

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 a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Government has two items for financial reporting in this category, as follows:

- 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.

- Deferred amounts related to pension represent unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Government has two items for financial reporting in this category, as follows:

- 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 inflows of resources in the period that the amounts become available.

- Deferred amounts related to pension consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, changes in assumptions and other differences between expected and actual experience.

Tax Refunds Payable

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

Compensated Absences

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

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

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

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

Long-term Liabilities

The liabilities reported in the government-wide financial statements include the Government's bonds, long-term notes, pension liabilities and other long-term liabilities including: accrued compensated absences, retroactive union arbitration, litigation, landfill closure and post closure costs, postemployment benefit workers and compensation claims. Bond premiums, discounts, and amounts deferred on capital appreciation bonds are amortized over the life of the bonds using the straight line method. Bonds payable 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, whether or not withheld from the actual debt proceeds received, 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* – These result when 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 (deficit) which do not meet the definition of the two preceding categories. Unrestricted assets often are designated to indicate that management does not consider them to be available for general operations. Unrestricted assets often have constraints on resources that are imposed by management, but can be removed or modified.

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, that 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 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. Residual deficit of the Federal Grants Fund is also reported as unassigned fund balance.

- *Nonspendable Fund Balance* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as inventories or prepaid amounts), or (b) legally or contractually required to be maintained intact (such as a permanent endowment fund).

Risk Management

With some exceptions, the Government does not carry general casualty or liability insurance coverage on its properties or the acts of its employees, relying instead on self-insurance and/or statutory liability limitations. However, as a result of an agreement with the Federal Emergency Management Agency (FEMA), with respect to properties and structures damaged by Hurricane Hugo and repaired with federal disaster assistance funds, the Government has obtained insurance for certain hospitals, schools, and other insurable public buildings that were repaired with such federal assistance. The Government purchases commercial insurance covering physical losses or damages against its property. The limit of liability for all risks, excluding earthquake, windstorm, and flood, is $1 million for each and every occurrence except for windstorm and flood losses, which has a $45 million limit. For physical losses arising from earthquake, the insurance policy has a limit of $100 million for each and every occurrence and in the annual aggregate.

Adoption of Accounting Pronouncements

GASB has issued the following statements that the Government and its component units have adopted for the current year:

GASB Statement Number		Adoption Required in Fiscal Year
68	Accounting and Financial Reporting for Pensions	2015
69	Government Combinations and Disposals of Government Operations	2015
71	Pension Transition for Contributions Made Subsequent to the Measurement Date	2015

GASB has issued the following statements that the Government or its component units have not yet adopted. The Government is currently evaluating the impact of these statements.

GASB Statement Number		Adoption Required in Fiscal Year
72	Fair Value Measurement and Application	2016
73	Accounting and Financial Reporting for Pension and Related Assets That are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68	2017
74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	2017
77	Tax Abatement Disclosures	2017
78	Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans	2017
79	Certain External Investment Pools and Pool Participants	2016
80	Blending Requirements for Certain Component Units—an Amendment of GASB Statement No.14	2017
81	Irrevocable Split-Interest Agreements	2018
82	Pension-Issues—an Amendment of GASB Statements No. 67, No. 68 & No. 73	2018

2. Component Units

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

- Virgin Islands Housing Authority
- Virgin Islands Port Authority
- Virgin Islands Water and Power Authority
- Virgin Islands Government Hospital and Health Facilities Corporation
- University of the Virgin Islands
- Virgin Islands Economic Development Authority
- Magens Bay Authority
- Virgin Islands Housing Finance Authority
- Virgin Islands Public Television System
- Virgin Islands Waste Management Authority
- University of the Virgin Islands Research and Technology Park Corporation

Condensed financial information as of September 30, 2015, of all discretely presented component units follows (expressed in thousands):

			Virgin Islands Water and Power Authority		Hospital and Health Facilities Corporation				
	Virgin Islands Housing Authority	Virgin Islands Port Authority	Electric System	Water System	Roy L. Schneider Hospital	Juan F. Luis Hospital	University of the Virgin Islands (Unaudited)	Other Component Units	Total Component Units
Assets and deferred outflows									
Current assets	$ 26,896	$ 22,734	$ 66,343	$ 8,391	$ 12,532	$ 17,486	$ 10,719	$ 21,914	$ 187,015
Due from primary government	-	-	45,573	7,177	-	-	542	5,451	58,743
Due from federal government	1,237	3,183	-	–	390	-	3,041	701	8,552
Restricted assets	468	36,272	58,635	9,596	436	211	60,027	48,861	214,506
Capital assets, net	66,724	240,108	330,358	64,935	49,834	37,332	71,552	167,656	1,028,499
Other noncurrent assets	6,598	600	11,837	-	123	-	10,793	40,191	70,142
Deferred outflows of resources	-	10,327	26,127	5,420	11,518	8,063	11,841	8,532	81,828
Total assets and deferred outflows of resources	101,923	313,224	538,873	95,519	74,833	63,092	168,515	293,306	1,649,285
Liabilities and deferred inflows									
Current liabilities	4,486	16,685	188,491	10,301	35,786	67,418	7,458	21,324	351,949
Due to primary government	-	-	-	–	4,616	-	–	–	4,616
Due to federal government	-	-	4,142	–	-	1,118	–	–	5,260
Bonds payable	-	49,076	230,492	7,096	–	-	–	–	286,664
Notes payable	870	-	502	–	–	-	76,815	4,896	83,083
Line of credit payable	-	-	2,253	-	-	-	–	–	2,253
Other noncurrent liabilities	12,104	-	43,179	18,342	–	551	3,403	10,221	87,800
Unearned income	1,075	-	-	–	–	–	4,261	10,980	16,316
Pension liabilities	-	93,299	216,473	45,027	112,421	78,255	63,175	74,206	682,856
Deferred inflows of resources	-	513	-	–	10,601	11,403	365	75	22,957
Total liabilities and deferred inflows of resources	18,535	159,573	685,532	80,766	163,424	158,745	155,477	121,702	1,543,754
Net position (deficit):									
Net investment in capital assets	63,002	211,367	195,826	56,170	49,834	35,907	(7,292)	152,477	757,291
Restricted	6,970	36,873	49,238	8,819	436	211	74,578	61,115	238,240
Unrestricted (deficit)	13,416	(94,589)	(391,723)	(50,236)	(138,861)	(131,771)	(54,248)	(41,988)	(890,000)
Total net position (deficit)	$ 83,388	$ 153,651	$ (146,659)	$ 14,753	$ (88,591)	$ (95,653)	$ 13,038	$ 171,604	$ 105,531

Information on Statements of Activities	Expenses	Program revenue: Charges for Services	Program revenue: Operating Grants and Contributions	Program revenue: Capital Grants and Contributions	Total Component Units
Virgin Islands Housing Authority	$ 48,003	$ 6,168	$ 39,222	$ 3,985	$ 1,372
Virgin Islands Port Authority	63,475	53,086	–	6,554	(3,835)
Virgin Islands Water and Power Authority:					
Electric System	306,152	270,310	–	7,306	(28,536)
Water System	37,186	33,103	–	29	(4,054)
Virgin Islands Government Hospital and Health Facilities Corporation:					
Roy L. Schneider Hospital	96,675	49,362	26,525	2,480	(18,308)
Juan F. Luis Hospital	85,978	49,460	31,440	-	(5,078)
University of the Virgin Islands (Unaudited)	87,486	49,911	20,367	4,692	(12,516)
Other component units	74,637	12,192	47,201	3,499	(11,745)
Total activities	$ 799,592	$ 523,592	$ 164,755	$ 28,545	(82,700)
General revenue:					
Interest and other					19,690
Changes in net position					(63,010)
Net position, beginning of year (as restated)					168,541
Net position, end of year					$ 105,531

The due to component units of $36.5 million and due from component units of $4.6 million differ due to the difference in fiscal year ends for WAPA (June 30) and VIHA (December 31).

3. Cash and Cash Equivalents

Primary Government

At September 30, 2015, the PG reported $167.1 million in unrestricted cash and cash equivalents, and $6.3 million in restricted cash and cash equivalents. All of the PG's bank balances were fully collateralized.

Pension Trust Fund

GERS considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. At September 30, 2015, GERS held $72 million in cash and cash equivalents consisting of: $27 million in money market accounts, $30.2 million in operational accounts and $14.8 million in certificates of deposits with maturity time less than 90 days.

Component Units

At September 30, 2015, discretely presented component units held $84.4 million in unrestricted cash and cash equivalents and $80.8 million in restricted cash and cash equivalents, of which $3 million was not insured, bonded or collateralized as required for public funds of the Government.

4. Investments

Primary Government

Following is a summary of the investments of the PG, categorized by investment type and maturity as of September 30, 2015 (expressed in thousands):

		Maturity (in years)		
	Fair Value	Less Than 1 Year	1 to 5 Years	Over 5 Years
Investments with contractual maturities				
Certificates of deposit	$ 1,653	$ 1,653	$ -	$ -
Portfolio investments				
Commercial paper	39,423	39,149	274	-
U.S. Government agencies & notes	3,052	3,052	-	-
Total investments with contractual maturities	44,128	$ 43,854	$ 274	$ -
Investments without contractual maturities				
Money market & mutual funds	465,978			
Total primary government investments	$ 510,106			

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, virtually all investments held by the PG are short-term in nature.

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

At September 30, 2015, the PG's investments in money market funds were rated AAAm by Standard & Poor's, and Aaa-mf by Moody's Investor Service. The PG's investments in commercial securities were rated A-1+ by Standard & Poor's, and P-1 by Moody's Investor Services. The PG's investments in U.S. government agencies were rated A-1 by Standard & Poor's and P-1 by Moody's Investor Services.

Concentration of Credit Risk – The PG places no limit on the amount that may be invested in one issuer. At September 30, 2015, more than 5% of the PG's investments were invested in: Goldman Financial Square Money Market #524 (56.99%), Federated Government Obligation #5 (19.83%), and Invesco Treasury #1930 (10.15%).

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. At September 30, 2015, $448.5 million of investments were held in the name of The Bank of New York Trust Company, N.A, as trustee for the Government.

Pension Trust Fund

Following is a summary of the investments of the pension trust fund, categorized by investment type and maturity, as of September 30, 2015 (expressed in thousands):

		Maturity (in years)				
	Fair Value	**Less Than 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**More than 10 Years**	**No Stated Maturity**
Investments with contractual maturities						
U.S. government and agency obligations	$ 595	$ –	$ 595	$ –	$ –	$ –
U.S. Treasury notes	11,386	307	6,683	4,396	–	–
U.S. Treasury bonds	5,430	–	2,477	–	2,953	–
Municipals	2,332	–	218	339	1,775	–
Mutual funds	377,954	–	–	–	–	377,954
Corporate obligations	18,246	328	5,923	5,438	6,557	–
Mortgage and asset backed securities	29,315	–	3,553	1,689	24,073	–
Investment loan	26,613	–	15,816	10,797	–	–
Total investments with contractual maturities	471,871	$ 635	$ 35,265	$ 22,659	$ 35,358	$ 377,954
Investments without contractual maturities						
Equity Securities						
Common stocks - U.S.	169,925					
Real Estate Investments						
Real estate investment trusts	2,058					
Havensight Mall - U.S. Virgin Islands	41,000					
Renaissance Carambola Beach Resort	8,000					
GERS Complex - U.S. Virgin Islands	23,886					
Limited partnerships	46,640					
Securities lending short-term collateral investment pool	65,199					
Total pension trust fund investments	$ 828,579					

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. GERS does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon, and geography.

Investment managers retained by GERS follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from GERS' board of trustees.

Credit Risk – GERS investment policy is designed to minimize credit risk by restricting authorized investments to only those investments permitted by statute, subject to certain additional limitations.

These additional limitations consist of prohibitions against investments in derivative securities, options, futures or short positions. GERS investment policy allows investments in mortgage pass-through securities.

The credit ratings of GERS debt and equity securities at September 30, 2015 (expressed in thousands) include:

	Amount	Rating
U.S. government and agency obligations	$ 595	Not Available
U.S. Treasury bonds	4,519	Not Available
U.S. Treasury bonds	911	Not Available
U.S. Treasury notes	6,453	Not Available
U.S. Treasury notes	4,933	Not Available
Corporate obligations	323	AAA
Corporate obligations	596	AA+
Corporate obligations	721	AA
Corporate obligations	316	AA-
Corporate obligations	629	A+
Corporate obligations	1,587	A
Corporate obligations	4,407	A-
Corporate obligations	6,437	BBB+
Corporate obligations	2,873	BBB
Corporate obligations	285	BBB-
Corporate obligations	72	Not Available
Municipals	840	AAA
Municipals	339	AA+
Municipals	561	AA
Municipals	592	A
Mortgage and asset backed securities	5,036	AAA
Mortgage and asset backed securities	271	AA+
Mortgage and asset backed securities	772	AA
Mortgage and asset backed securities	580	AA-
Mortgage and asset backed securities	339	A+
Mortgage and asset backed securities	544	A-
Mortgage and asset backed securities	21,773	Not Available
Common stocks - U.S.	169,925	Not Rated
Real estate investment trust	2,058	Not Rated
Real estate holdings – U.S. Virgin Islands	72,886	Not Rated
Investment loans	26,613	Not Rated
Limited partnership	46,640	Not Rated
Securities lending short-term collateral investment pool	65,198	Not Rated
Mutual funds	377,955	Not Rated
Total investments	$ 828,579	

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. There are no investments in any one issuer that represent 5% or more of total investments.

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. The entire investment portfolio of GERS was held with a single third-party custodian as of September 30, 2015. 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. As of September 30, 2015, all foreign investments were repatriated to other funds.

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, 2015, GERS did not engage in any forward currency exchange contracts gain.

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 loan agreement. Lent securities are collateralized with cash, securities issued or guaranteed by the U.S. government, or irrevocable bank letters of credit. GERS does not have the ability to pledge or sell collateral securities delivered absent a borrower default. No restrictions were imposed during 2015 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 2015, 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.

At September 30, 2015, approximately $78 million of U.S. government and agency securities, fixed income, and equity corporate securities were on loan. The cash collateral received with a corresponding liability of an equal amount is recorded in the statement of fiduciary net position. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in a collective investment pool. As of September 30, 2015, such investment pool had a weighted average maturity of 31 days and an average expected maturity of 100 days. Because the loans were terminable on demand, their duration did not generally match the duration of the investments made with cash collateral.

Component Unit Investments

Following is a summary of the investments of the component units, categorized by investment type and maturity as of September 30, 2015 (expressed in thousands):

		Maturity (in years)			
	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years
Investments with contractual maturities					
Certificates of deposit	$ 7,591	$ 6,805	$ 186	$ –	$ 600
Corporate bonds	60	20	40	–	-
U.S. Government agencies and notes	44,279	44,279	-	–	–
Total investments with contractual maturities	51,930	$ 51,104	$ 226	$ –	$ 600
Investments without contractual maturities					
Common stock	9,279				
Mutual funds	787				
Corporate bonds	3,626				
Other investments	52,158				
Total component unit investments	$ 117,780				

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 investment choices of the component units, as described in Note 1.

Custodial Credit Risk – The component units of the Government do not have custodial credit risk policies. 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.

5. Receivables

Primary Government

Receivables for governmental funds at September 30, 2015, consist of the following (expressed in thousands):

	General	PFA Debt Service	Other Governmental	Total
Income taxes	$ 203,915	$ –	$ –	$ 203,915
Real property taxes	143,816	–	–	143,816
Hotel occupancy taxes	3,478	–	–	3,478
Excise taxes	34,783	-	–	34,783
Gross receipts taxes	–	161,282	-	161,282
Gross receivables	385,992	161,282	-	547,274
Less allowance for doubtful accounts	(222,249)	(118,852)	-	(341,101)
Taxes receivables, net	163,743	42,430	-	206,173
Other	9	–	120	129
Tobacco settlement rights and other (unaudited)				1,560
Total				$ 207,862

Tax Receivables

The Naval Appropriations Act created a separate tax structure for the U.S. Virgin Islands that mirrors the Internal Revenue Code 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 Virgin Islands income tax obligations by filing his 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 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.

Corporate income taxes are due by the 15th day of the third month following the close of the fiscal year and become delinquent if not paid on or before the due date.

Partnership 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 was assessed.

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

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

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

For businesses with gross receipts of $225,000 per annum or less, gross receipts taxes are levied on an annual basis based on the amount of gross receipts in excess of $9,000 per month. Businesses with annual gross receipts of more than $225,000 are levied on a monthly basis, based on all gross receipts, with no $9,000 per month exemption. The current gross receipts tax rate is 5.0%.

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.

Other Receivables

In addition to tax receivables, the PG receives tobacco settlement right payments in connection with a Master Settlement Agreement entered into 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, 2015, the PG reported a receivable of $1.6 million for tobacco settlement right payments.

On November 14, 2011, the PG entered into a loan agreement on behalf of GERS in the amount of $13 million, at an interest rate of 4.91% and a maturity date of December 15, 2016. The security for the loan was pledged property tax receipts for tax years prior to, and including, 2005. At September 30, 2015, the outstanding balance of the loan was $5.8 million, and pledged property tax receipts were sufficient to meet debt service payments.

Component Unit and Pension Trust Fund

Component unit receivables at September 30, 2015, consist of the following (expressed in thousands):

Utility service charges	$ 19,081
Port fees	3,101
Students	2,079
Patients	19,109
Other	6,720
Total	$ 50,090

6. Unavailable Revenues

The components of unavailable revenues of the general fund and PFA debt service fund as of September 30, 2015, consist of the following (expressed in thousands):

	General Fund	PFA Debt Service
Property tax	$ 31,281	$ -
Income tax	72,057	-
Gross receipts tax	-	33,571
Total	$ 103,338	$ 33,571

7. Interfund Transfers

Interfund transfers for the year ended September 30, 2015, consist of the following (expressed in thousands):

Transfers to	General	PFA Debt Service	PFA Capital Projects	Federal Grants	Other Governmental	Total
General	$ –	$ 92,261	$ 1,100	$ 19,941	$ –	$ 113,302
PFA Debt Service	148	–	2,954	-	-	3,102
PFA Capital Projects	-	-	-	-	1,100	1,100
Other governmental	3,295	3,453	-	-	-	6,748
Other business-type	1,000	–	-	-	-	1,000
Total	$ 4,443	$ 95,714	$ 4,054	$ 19,941	$ 1,100	$ 125,252

Interfund transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The most significant transfers to the general fund from other governmental funds included a $92.2 million transfer from the PFA Debt Service Fund (a major governmental fund) representing gross receipt tax revenue in excess of bond debt service requirements, a $1.1 million transfer from the PFA Capital Projects Fund, representing reprogrammed investment income, and a $19.9 million transfer from the Federal Grants Fund (a major governmental fund) representing reimbursement from Medicaid and.

Significant transfers made from the General Fund include a transfer of $1 million to the Bureau of Motor Vehicles Fund (a non-major business-type fund), $2 million to the St. Croix Capital Improvement Fund (a non-major governmental fund) and a transfer of $1 million to the Crisis Intervention Fund (a non-major governmental fund). Significant transfers from the PFA Debt Service Fund included a transfer of $3.4 million to the PFA Operating Fund (a non-major governmental fund), representing interest earned from unexpended bond proceeds.

Due From/To Other Funds

Due from/to other funds	General	PFA Capital Projects	Other Governmental	Other Business Type	Total
General	$ –	$ –	$ 20,534	$ 300	$ 20,834
Other governmental	17,500	–	–	–	17,500
Total Governmental Funds	17,500	–	20,534	300	38,334
West Indian Company	5,950	–	-	-	5,950
viNGN		34,222			34,222
Other enterprise	200	324	2,190	–	2,714
Total Enterprise Funds	6,150	34,546	2,190	-	42,886
Total	$ 23,650	$ 34,546	$ 22,724	$ 300	$ 81,220

The due from (to) other funds includes the following amounts due from the general fund: $4.9 million due to the emergency molasses fund (a non-major governmental fund) for unpaid appropriations, $3.5 million due to the PFA special revenue fund for unpaid matching funds, and $1.3 million due to the elected governor retirement fund.

The due to the General Fund is mainly composed of $14.3 million due from the District Street Lighting Fund (a non-major governmental fund) and $2.7 million owed from the bond proceeds fund (a non-major governmental fund) to the general fund.

The due to other governmental funds includes $10 million due to the St. Croix Capital Improvement Fund from the General Fund for capital improvement projects, $893 thousand due from the Virgin Islands Lottery to the Pharmaceutical Assistance to the Aged Fund and $977 thousand due from the Virgin Islands Lottery to the Virgin Islands Educational Initiative Fund consisting primarily of 15% of revenue derived from lottery games under contract between the Virgin Islands Lottery and private contractors be transferred to these funds.

Contributions from the Virgin Islands Lottery (a non-major enterprise fund) amounted to $1.8 million, which represented contributions to the Virgin Islands Educational Initiative Fund (a non-major governmental fund) of $977 thousand, and a contribution to the Pharmaceutical Assistance to the Aged Fund (a non-major governmental fund) of 893 thousand.

The due to PFA Capital Projects funds includes $34.2 million due from the Virgin Islands Next Generation Network (viNGN), a major business-type fund in connection with start-up costs in connection with the broadband project.

8. Restricted Assets

Primary Government

Restricted assets of proprietary funds and business-type activities as of September 30, 2015, include cash and cash equivalents as follows (expressed in thousands):

Unemployment insurance funds	$ 3,826
WICO debt service funds	2,467
Total	$ 6,293

Component Units

Restricted assets of component units as of September 30, 2015, include cash and cash equivalents, investments, and receivables as follows (expressed in thousands):

Cash and cash equivalents:	
Debt service and sinking fund requirements	$ 27,312
Endowment funds	122
HUD project funds	468
Revolving loan funds	21,153
Construction funds	26,587
Renewal and replacement funds	1,263
Other	3,904
Total	80,809
Investments:	
Debt service and sinking fund requirements	27,640
Construction funds	1,675
Endowment funds	55,113
Renewal and replacement funds	14,444
Revolving loan funds	7,067
Other	520
Total	106,459
Other:	
Pledged funds	27,238
Total	$ 214,506

9. Capital Assets

Primary Government

Capital assets activity for governmental activities for the year ended September 30, 2015, is summarized as follows (expressed in thousands):

	Beginning Balance, as restated	Additions	Transfers/ Adjustment	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 195,323	$ 175	$ (252)	$ -	$ 195,246
Construction in progress	159,410	25,403	(114,534)	-	70,279
Total capital assets not being depreciated	354,733	25,578	(114,786)	-	265,525
Capital assets being depreciated:					
Land improvements	7,235	-	(195)	-	7,040
Infrastructure	252,744	-	60,728	-	313,472
Buildings and improvements	463,451	814	36,499	-	500,764
Machinery and equipment	175,066	4,933	11,611	-	191,610
Total capital assets being depreciated	898,496	5,747	108,643	-	1,012,886
Less accumulated depreciation for:					
Land improvements	(4,107)	(266)	-	-	(4,373)
Infrastructure	(84,345)	(10,457)	-	-	(94,802)
Buildings and improvements	(213,064)	(14,902)	-	-	(227,966)
Machinery and equipment	(141,366)	(11,327)	-	-	(152,693)
Total accumulated depreciation	(442,882)	(36,952)	-	-	(479,834)
Total capital assets being depreciated, net	455,614	(31,205)	108,643	-	533,052
Governmental activities capital assets, net	$ 810,347	$ (5,627)	$ (6,143)	$ -	$ 798,577

Capital assets activity for business-type activities for the year ended September 30, 2015, is summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 5,178	$ -	$ -	$ –	$ 5,178
Construction in progress	21,218	4,977	(21,082)	-	5,113
Total capital assets not being depreciated	26,396	4,977	(21,082)	-	10,291
Capital assets being depreciated:					
Land improvements	348	–	–	–	348
Buildings and improvements	77,109	274	2,031	–	79,414
Machinery and equipment	57,060	355	18,733	(18)	76,130
Intangibles	20,929	-	45	–	20,974
Total capital assets being depreciated	155,446	629	20,809	(18)	176,866
Less accumulated amortization and depreciation for:					
Land improvements	(342)	-	-	–	(342)
Buildings and improvements	(33,886)	(1,416)	(53)	–	(35,355)
Machinery and equipment	(7,914)	(6,561)	(1,527)	18	(15,984)
Intangibles	(4,429)	(742)	1,580	–	(3,591)
Total accumulated amortization and depreciation	(46,571)	(8,719)	-	18	(55,272)
Total capital assets being amortized and depreciated, net	108,875	(8,090)	20,809	-	121,594
Business-type activities capital assets, net	$ 135,271	$ (3,113)	$ (273)	$ -	$ 131,885

Depreciation and amortization expense is charged to functions of the PG for the year ended September 30, 2015, as follows (expressed in thousands):

Governmental activities:	
General government	$ 15,068
Public safety	1,935
Health	1,054
Education	5,470
Public housing and welfare	512
Culture and recreation	594
Transportation and communication	12,319
Total	$ 36,952
Business-type activities:	
WICO – depreciation	$ 2,822
viNGN - depreciation	3,915
Other enterprise funds	1,982
Total	$ 8,719

Component Units

Capital assets activity for discretely presented component units for the year ended September 30, 2015, is summarized as follows (expressed in thousands):

	Beginning Balance (as restated)	Additions	Transfers	Disposals	Ending Balance
Capital assets not being depreciated:					
Land	$ 101,997	$ 193	$ 2,878	$ (719)	$ 104,349
Construction in progress	89,735	51,881	(37,722)	(294)	103,600
Total capital assets not being depreciated	191,732	52,074	(34,844)	(1,013)	207,949
Capital assets being depreciated:					
Buildings and improvements	1,814,674	11,042	28,864	(3,735)	1,850,845
Airport and marine terminal facilities	150,369	-	4,771	-	155,140
Personal property and equipment	142,362	12,066	1,095	(2,843)	152,680
Intangible assets	2,919	-	-	-	2,919
Total capital assets being depreciated	2,110,324	23,108	34,730	(6,578)	2,161,584
Less accumulated depreciation for:					
Buildings and improvements	(1,066,644)	(44,128)	-	187	(1,110,585)
Airport and marine terminal facilities	(121,039)	(5,026)	-	-	(126,065)
Personal property and equipment	(98,512)	(7,593)	-	3,548	(102,557)
Intangible assets	(1,632)	(195)	-	-	(1,827)
Total accumulated depreciation	(1,287,827)	(56,942)	-	3,735	(1,341,034)
Total capital assets being depreciated, net	822,497	(33,834)	34,730	(2,843)	820,550
Component unit capital assets, net	$ 1,014,229	$ 18,240	$ (114)	$ (3,856)	$ 1,028,499

Depreciation expense charged by each component unit for the year ended September 30, 2015, is as follows (expressed in thousands):

Virgin Islands Housing Authority	$ 7,059
Virgin Islands Port Authority	17,179
Virgin Islands Water and Power Authority:	
Electric System	10,771
Water System	3,597
Virgin Islands Government Hospital and Health Facilities Corporation:	
Roy L. Schneider Hospital	3,519
Juan F. Luis Hospital	3,931
University of the Virgin Islands (unaudited)	3,022
Other component units	7,864
Total	$ 56,942

10. Long-Term Liabilities

The change in long-term bonds and loans for governmental activities is as follows for the year ended September 30, 2015 (expressed in thousands):

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Bond Payable						
Matching (Excise Tax) Bonds						
2013 Series B Revenue and Refunding Bonds	$ 51,365	$ -	$ -	$ 51,365	$ 5,070	$ 46,295
2013 Series A Revenue and Refunding Bonds	36,000	-	-	36,000	2,210	33,790
2012 Series A Revenue Bonds	142,640	-	(800)	141,840	825	141,015
2010 Series A & B Revenue Bonds	394,995	-	(2,155)	392,840	2,270	390,570
2009 Series A Revenue Bonds (Cruzan)	36,885	-	(640)	36,245	670	35,575
2009 Series A1, A2, B & C Revenue and Refunding Bonds	371,230	-	(26,460)	344,770	27,955	316,815
2009 Series A Revenue Bonds (Diageo)	245,960	-	(4,290)	241,670	4,575	237,095
2004 Series A Revenue Bonds	4,405	-	(4,405)	-	-	–
Total	1,283,480	-	(38,750)	1,244,730	43,575	1,201,155
Gross Receipts Tax Bonds						
2014 Series D Revenue Bonds	-	5,765	-	5,765	165	5,600
2014 Series C Revenue Bonds	-	247,050	-	247,050	4,555	242,495
2014 Series A Revenue Bonds	49,640	-	-	49,640	1,480	48,160
2012 Series A & B Revenue and Refunding	218,345	-	(11,445)	206,900	12,400	194,500
2012 Series C Revenue Bonds	35,115	-	(1,670)	33,445	1,720	31,725
2006 Series A Revenue Bonds	205,970	-	(3,015)	202,955	3,125	199,830
2003 Series A Revenue Bonds	237,500	-	(237,500)	-	-	-
Total	746,570	252,815	(253,630)	745,755	23,445	722,310
Tobacco Settlement Bonds (Unaudited)						
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	7,290	-	-	7,290	-	7,290
2001 Series A Tobacco Bonds	11,020	-	(1,500)	9,520	80	9,440
Total	18,310	-	(1,500)	16,810	80	16,730
Total bonds payable	2,048,360	252,815	(293,880)	2,007,295	67,100	1,940,195
Plus (less):						
Bonds premium	45,148	13,991	(6,736)	52,403	5,312	47,091
Bonds discount	(3,137)	-	224	(2,913)	(221)	(2,692)
Bonds accretion	5,206	947	-	6,153	6,153	–
Total bonds payable, net	2,095,577	267,753	(300,392)	2,062,938	78,344	1,984,594

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Loans Payable						
Series 2015A Note	–	40,000	–	40,000	19,130	20,870
Series 2014E Note	–	40,000	–	40,000	40,000	-
Series 2014B Note	14,000	-	(2,000)	12,000	2,000	10,000
Series 2013A Note	4,248	-	(1,733)	2,515	1,515	1,000
Series 2012A Note	13,280	-	(261)	13,019	275	12,744
Series 2011B Note	6,937	-	(1,121)	5,816	-	5,816
Series 2009 Note	899	-	(899)	-	-	–
Total loans payable	39,364	80,000	(6,014)	113,350	62,920	50,430
Total governmental bonds and loans payable	$ 2,134,941	$ 347,753	$ (306,406)	$ 2,176,288	$ 141,264	$ 2,035,024

The change in other long-term liabilities for governmental activities is as follows for the year ended September 30, 2015 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Accrued compensated absences	$ 37,891	$ -	$ (5,693)	$ 32,198	$ 5,582	$ 26,616
Retroactive union arbitration	195,286	-	-	195,286	-	195,286
Litigation	11,012	16,839	(4,052)	23,799	15,073	8,726
Landfill closure and post closure cost	95,422	2,942	(14,811)	83,553	-	83,553
Post-employment benefit	319,056	38,168	-	357,224	-	357,224
Total	$ 658,667	$ 57,949	$ (24,556)	$ 692,060	$ 20,655	$ 671,405

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

At September 30, 2015, the primary government reported a net pension liability of $2.3 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, 2014, 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, 2015 (expressed in thousands):

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Net pension liability	$ 2,064,822	$ 311,497	$ (53,156)	$ 2,323,163	$ -	$ 2,323,163
Total	$ 2,064,822	$ 311,497	$ (53,156)	$ 2,323,163	$ -	$ 2,323,163

Changes in long-term liabilities for business-type activities are as follows for the year ended September 30, 2015 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due Thereafter
Workers compensation claims	$ 27,131	$ 8,201	$ (3,279)	$ 32,053	$ 845	$ 31,208
Loan payable – U.S. Treasury	76,948	-	(4,752)	72,196	72,196	-
Note payable – WICO	28,518	3,750	(390)	31,878	570	31,308
Total	$ 132,597	$ 11,951	$ (8,421)	$ 136,127	$ 73,611	$ 62,516

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, 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 in excess of 10% 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 cause to be issued 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 the purpose of financing any project or for the purpose authorized by the Legislature. Given that PFA's powers to issue bonds are derived from 48 U.S.C. Section 1574(b), the bonds issued by PFA are subject to the limitations of said 48 U.S.C. Section 1574(b).

On August 23, 1999, the Legislature 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.

Bonds Payable

Bonds payable outstanding at September 30, 2015, are comprised of the following (expressed in thousands):

	Maturity	Rates (%)	Balance
Matching (Excise) Tax Bonds			
2013 Series B Revenue and Refunding Bonds	2024	3.00 - 5.00	$ 51,365
2013 Series A Revenue and Refunding Bonds	2024	5.00 - 5.25	36,000
2012 Series A Revenue Bonds	2032	4.00 - 5.00	141,840
2010 Series A & B Revenue Bonds	2029	4.00 - 5.25	392,840
2009 Series A Revenue Bonds (Cruzan)	2039	3.00 - 6.00	36,245
2009 Series A1, A2, B & C Revenue and Refunding Bonds	2039	3.00 - 5.00	344,770
2009 Series A Revenue Bonds (Diageo)	2037	6.00 - 6.75	241,670
Total			1,244,730
Gross Receipts Tax Bonds			
2014 Series D Revenue Bonds	2033	6.03	5,765
2014 Series C Revenue and Refunding Bonds	2044	4.50 – 5.00	247,050
2014 Series A Revenue Bonds	2034	5.00	49,640
2012 Series A & B Revenue and Refunding Bonds	2032	2.25 - 5.25	206,900
2012 Series C Revenue Bonds	2042	3.00 - 5.00	33,445
2006 Series A Revenue Bonds	2029	3.50 - 5.00	202,955
Total			745,755
Tobacco Settlement Bonds (Unaudited)			
2006 Series A, B, C & D Tobacco Turbo and Capital Appreciation Bonds	2035	6.00 – 8.00	7,290
2001 Series A Tobacco Bonds	2031	4.62 – 5.13	9,520
Total			16,810
Total bonds payable			$ 2,007,295
Plus (Less):			
Bonds premium			$ 52,403
Bonds discount			(2,913)
Bonds accretion			6,153
Total bonds payable, net			$ 2,062,938

Matching (Excise) Tax Bonds

The matching funds pledged for the payment of the bonds consist of annual advance payments received from the U.S. Department of the Treasury of excise taxes imposed and collected under the Internal Revenue laws of the United States on rum products produced in the U.S. Virgin Islands and exported to the United States from the Virgin Islands.

The amount required to be remitted to the Government by the U.S. Department of the Treasury is an amount no greater than the total amount of local revenue (primarily taxes) collected by the Government in each fiscal year. As a result, the term “matching fund revenue” is used to denote these payments.

Amounts to be received by the Government from federal rum excise tax are deposited directly into trust accounts in accordance with the Indenture of Trust for bond debt service payments. The amounts to be received are subject to adjustment for the amount of local revenue actually collected by the U.S. Department of the Treasury during such year. Prepayments of matching fund revenue are recorded as deferred revenue in the accompanying statement of net position, and recognized as income in the subsequent fiscal year.

The rate of federal rum excise tax is determined by Congress. In November 1999, Congress increased the federal rum excise tax rate from $10.50 to $13.25 per proof gallon. Since then, Congress has extended the higher rate eight times. Under the Protecting Americans from Tax Hikes Act of 2015, the rate was extended through December 31, 2016.

2013 Series B Revenue and Refunding Bonds

On October 17, 2013, PFA issued the 2013 Series B Revenue and Refunding Bonds (the 2013 Series B Bonds), the proceeds of which amounted to $51.4 million. The Government has pledged matching funds, described above, for the timely payment of the principal and interest on the 2013 Series B Bonds. The 2013 Series B Bonds bear interest at rates ranging from 3.00% to 5.00%, and mature on October 1, 2024. The bonds were issued to: (i) refund a portion of the 2004 Series A Bonds amounting to $48.3 million, (ii) fund the debt service requirements of the bond issuance, and (iii) pay the costs of issuing the bonds. The 2013 Series B Bonds maturing on October 1, in the years 2018 and 2024 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

2013 Series A Revenue and Refunding Bonds

On September 19, 2013, PFA issued the 2013 Series A Revenue and Refunding Bonds (the 2013 Series A Bonds), the proceeds of which amounted to $36 million. The Government has pledged matching funds, described above, for the timely payment of the principal and interest on the 2013 Series A Bonds. The 2013 Series A Bonds bear interest at rates ranging from 5.00% to 5.25%, and mature on October 1, 2018 to October 1, 2024. The bonds were issued to: (i) provide a partial advance refunding of the 2004 Series A Bonds amounting to $14.7 million, provide a partial advance refunding of the 2009 Series A-1 Bonds amounting to $1.6 million, and provide a partial advance refunding of the 2009 Series B Bonds amounting to $16.7 million, (ii) fund the debt service requirements of the bond issuance, and (iii) pay the costs of issuing the bonds. The advance refunding resulted in a net present value economic gain of $4.2 million.

The 2013 Series A Bonds maturing on October 1, in the years 2018 and 2024 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption beginning October 1, 2015.

2012 Series A Revenue Bonds

On September 7, 2012, PFA issued the 2012 Series A Revenue Bonds (the 2012 Series A Bonds), the proceeds of which amounted to $142.6 million. The Government has pledged matching funds, described above, for the timely payment of the principal and interest on the 2012 Series A Revenue Bonds. The 2012 Series A Bonds bear interest at rates ranging from 4.00% to 5.00%, and mature from 2022 to 2032. The bonds were issued to: (i) provide working capital to the PG to finance various operating expenses, (ii) fund the debt service requirements of the bond issuance, and (iii) pay the costs of issuing the bonds.

The 2012 Series A Bonds maturing on October 1, in the years 2022, 2027, and 2032 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

2010 Series A & B Revenue Bonds

On July 8, 2010, PFA issued the 2010 Series A & B Revenue Bonds, the proceeds of which amounted to $399.05 million. The Government has pledged matching funds for the timely payment of the principal and interest on the 2010 Series A & B Revenue Bonds. The 2010 Series A Bonds, amounting to $305 million, bear interest at rates ranging from 4.00% to 5.00% mature from 2012 to 2029. The 2010 Series B Bonds, amounting to $94.05 million, bear interest at rates ranging from 4.25% to 5.25% and mature from 2020 to 2029.

The bonds were issued to: (i) to finance various operating expenses of the primary government, (ii) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (iii) fund the debt service requirements of the bond issuance, and (iv) to pay the costs of issuing the bonds.

The 2010 Series A Bonds maturing on October 1, in the years 2020, 2025, and 2029 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

The 2010 Series B Bonds maturing on October 1, in the years 2025 and 2029 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

2009 Series A Revenue Bonds (Cruzan)

On December 17, 2009, PFA issued the 2009 Series A Revenue Bonds (the Cruzan Bonds) amounting to $39.19 million. The Government has pledged matching funds generated from the sale of Cruzan rum products for the timely payment of the principal and interest of the Cruzan Bonds. The Cruzan Bonds bear interest at rates ranging from 3.00% to 6.00% and mature from 2010 to 2039. The proceeds of the Cruzan Bonds were used to: (i) finance the costs of a wastewater treatment facility and renovations at the Cruzan VIRIL, Ltd. (Cruzan) rum distillery on the island of St. Croix, (ii) fund debt service reserve accounts and (iii) pay the costs of issuing the bonds.

The bonds maturing October 1, 2039 are subject to mandatory sinking fund redemptions beginning October 1, 2020, at a redemption price equal to 100% of the principal amount plus interest accrued to the date of redemption.

In association with the issuance of the Cruzan Bonds, PFA entered into an agreement with Cruzan VIRIL, Ltd. (Cruzan) on October 6, 2009. Provisions of the agreement call for payments of excess matching funds, after debt service, debt service reserve, and sinking fund redemption payments, to the Government and Cruzan of 60%-80%, and 54%-60% respectively. Excess matching fund payments to Cruzan amounted to $30.6 million, $40.3 million and $44.9 million for the years ended September 30, 2015, 2014 and 2013.

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

On October 1, 2009, PFA issued the 2009 Series A1, A2, B & C Revenue and Refunding Bonds, the proceeds of which amounted to $458.84 million. The Government has pledged matching funds for the timely payment of principal and interest on the 2009 Series A1, A2, B & C Revenue and Refunding Bonds. The 2009 Series A1 Bonds amounted to $86.35 million. The 2009 Series A1 Bonds bear interest at rates ranging from 3.00% to 5.00% and mature from 2010 to 2039. The Series A1 Bonds were issued to: (i) fund certain capital projects, (ii) fund debt service reserve accounts, and (iii) pay certain costs of issuing the bonds.

The 2009 Series A2 Bonds amounted to $8.65 million. The 2009 Series A2 Bonds bear an interest rate of 3.00% and mature from 2010 to 2011. The Series A2 Bonds were issued to: (i) fund certain capital projects, (ii) fund debt service reserve accounts and (iii) pay certain costs of issuing the bonds.

The 2009 Series B Bonds amounted to $266.33 million, bear an interest rate of 5.00%, and mature from 2010 to 2025. The 2009 Series B Bonds were issued to: (i) current refund the 1998 Series A Bonds, (ii) fund debt service reserve accounts, and (iii) pay certain costs of issuing the bonds.

The 2009 Series C Bonds amounted to $97.51 million, bear an interest rate of 5.00% and mature from 2010 to 2022. The 2009 Series C Bonds were issued to: (i) current refund the 1998 Series E Revenue and Refunding Bonds, (ii) fund debt service reserve accounts, and (iii) pay certain costs of issuing the bonds.

The 2009 Series A1, B & C Bonds are subject to optional sinking fund installment redemptions beginning October 1, 2019 at a redemption price equal to 100% of the principal amount, plus interest accrued, to the date of redemption.

2009 Series A Revenue Bonds (Diageo)

On July 9, 2009, PFA issued the 2009 Series A Bonds (the Diageo Bonds) amounting to $250 million. The Diageo Bonds mature from 2013 to 2037 at interest rates ranging from 6.00% to 6.75%. The proceeds of the bonds were issued to: (i) provide a grant to Diageo USVI, Inc. (the producer of Captain Morgan rum products) to construct a rum distillery and warehouse on the island of St. Croix, (ii) to redeem the Subordinated Revenue Bond Anticipation Notes Series 2009A issued to finance preliminary costs of the Diageo construction project, (iii) to fund debt service reserve accounts, and (iv) to finance capitalized interest and costs associated with the issuance of the bonds.

The PG has pledged matching funds generated from the sale of Captain Morgan rum products for the timely payment of the principal and interest on the Diageo Bonds. The Diageo Bonds maturing on or after October 1, 2020 are subject to optional redemption on or after October 1, 2019, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

In association with the issuance of the Diageo Bonds, the Government entered into an agreement with Diageo USVI, Inc. on June 17, 2008. Provisions of the agreement call for payments of excess matching funds, after debt service, debt service reserve, and sinking fund redemption payments to Diageo of 49.5% - 57%. To provide marketing support payments, production incentive payments, continuation of molasses subsidies and other tax incentives to attract Diageo USVI, Inc. as part of the rum industry in the U.S. Virgin Islands. Marketing and incentive payments to Diageo USVI, Inc. amounted to $27.1 million, $39.5 million and $39.1 million for the years ended September 30, 2015, 2014 and 2013.

2004 Series A Revenue Bonds

On December 1, 2004, PFA issued the 2004 Series A Revenue Bonds (the 2004 Series A Bonds), the proceeds of which amounted to $94 million. The Government has pledged the Matching Fund Revenues to the timely payment of principal and interest on the 2004 Series A Bonds. The bonds bear interest at 4.00% to 5.25% and mature from 2005 to 2024. The proceeds of the bonds were issued to: (i) finance the planning, development, constructing, renovating, and equipping of wastewater treatment facilities and collection systems on St. Thomas and St. Croix, (ii) finance the repairs, renovations, and construction of solid waste facilities in the Territory, (iii) finance the repair and construction of public roads in the Territory, (iv) provide start-up capital for the Virgin Islands Waste Management Authority, (v) fund the 2004 Series A Senior Lien Debt Service Reserve Subaccount, and (vi) pay certain costs of issuing the Series 2004 A Bonds.

The 2004 Series A Bonds are not subject to optional redemption prior to October 1, 2014. On September 19, 2013, PFA issued the Series 2013A Bonds to partially refund the 2004 A Series Bonds for principal payments due October 1, 2013, 2017 and 2018 amounting to $14.7 million. On October 17, 2013, PFA issued the Series 2013B Bonds to advance refund the remaining outstanding bonds of the 2004 Series A Bonds amounting to $44.1 million. As of September 30, 2015, the 2004 Series A Bonds had been fully redeemed.

Gross Receipts Tax Bonds

2014 Series D Revenue Bonds

On December 3, 2014, PFA issued the 2014 Series D Revenue Bonds (the 2014 Series D Bonds), the proceeds of which amounted to $5.8 million. The Government has pledged gross receipts taxes for the timely payment of the principal and interest on the 2014 Series D Bonds, subject to the annual moderate income housing fund deposit as well as prior liens or pledges. The 2014 Series D Bonds bear interest at the rate of 6.03% and mature from 2015 to 2033. The bonds were issued to: (i) fund certain capital projects, (ii) fund the debt service requirements of the bond issuance, and (iii) pay the costs of issuing the bonds.

The 2014 Series D Bonds are subject to optional redemption prior to maturity in whole or in part, in a minimum amount of $100 thousand at a redemption price equal to the make-whole redemption price which is the greater of 100% of the principal amount to be redeemed or the sum of the present values of the remaining scheduled payments of principal and interest assuming a 360-day year consisting of twelve 30-day months at the Treasury Rate on the date of redemption as published in the Federal Reserve Statistical Release H.15 (519).

2014 Series C Revenue and Refunding Bonds

On November 14, 2014, PFA issued the 2014 Series C Revenue Refunding Bonds (the 2014 Series C Bonds), the proceeds of which amounted to $247 million. The Government has pledged gross receipts taxes for the timely payment of the principal and interest on the 2014 Series C Bonds. The 2014 Series C Bonds bear interest at rates ranging from 4.50% to 5.00%, and mature on October 1, 2044. The bonds were issued to: (i) refund the 2003 Series A Bonds amounting to $233.3 million, (ii) finance certain capital projects amounting to $25.5 million, (iii) fund the debt service requirements of the bond issuance, and (iv) pay the costs of issuing the bonds. The current refunding of the Series 2003A Bonds resulted in a net present value economic gain of $9.6 million.

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

The 2014 Series C Bonds maturing on October 1, in the years 2030 and 2039 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

2014 Series A Revenue Bonds

On September 5, 2014, PFA issued the 2014 Series A Revenue Bonds (the 2014 Series A Bonds), the proceeds of which amounted to $49.6 million. The Government has pledged gross receipts taxes for the timely payment of the principal and interest on the 2014 Series A Revenue Bonds. The 2014 Series A Bonds bear interest at 5.00%, and mature from 2015 to 2034. The bonds were issued to: (i) provide working capital to the Government to finance various operating expenses (ii) fund the debt service requirements of the bond issuance, and (iii) pay the costs of issuing the bonds.

2012 Series A & B Revenue and Refunding

On November 20, 2012, PFA issued the 2012 Series A & B Revenue and Refunding Bonds, the proceeds of which amounted to $228.8 million. The Government has pledged gross receipts taxes, for the timely payment of the principal and interest on the 2012 Series A & B Revenue and Refunding Bonds. The 2012 Series A Bonds, amounting to $197 million, bear interest at rates ranging from 2.25% to 5.00% mature from 2017 to 2032. The 2012 Series B Bonds, amounting to $31.7 million, bear interest at the rate of 5.25% and mature in 2027.

The Series 2012 A Bonds were issued to: (i) refund the 1999 Series A Bonds, (ii) repay the Series 2010 A1 and 2010 A2 Notes, (iii) fund the debt service requirements of the bond issuance, and (iv) pay the costs of issuing the bonds.

The 2012 Series A Bonds maturing on October 1, in the years 2017, 2022 and 2032 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption. The current refunding of the Series 1999 A Bonds resulted in an economic gain of net present value savings of $7.7 million.

The Series 2012 B Bonds were issued to: (i) refinance the Series 2011 A Note (ii) fund the debt service requirements of the bond issuance, and (iii) pay the costs of issuing the bonds.

The 2012 Series B Bonds maturing on October 1, 2027 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

2012 Series C Revenue Bonds

On December 19, 2012, PFA issued the 2012 Series C Revenue Bonds (the 2012 Series C Bonds), the proceeds of which amounted to $35.15 million. The Government has pledged gross receipts taxes, for the timely payment of the principal and interest on the 2012 Series C Bonds. The 2012 Series C Bonds, bear interest at rates ranging from 3.00% to 5.00% and mature from 2017 to 2042.

The Series 2012 C Bonds were issued to: (i) finance certain operating expenses and other obligation of the Government (ii) fund the debt service requirements of the bond issuance, and (iii) pay the costs of issuing the bonds. The 2012 Series C Bonds maturing on October 1, in the years 2017, 2030 and 2042 are subject to mandatory sinking fund redemptions at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date of redemption.

2006 Series A Revenue Bonds

On September 28, 2006, PFA issued the 2006 Series A Revenue Bonds (the 2006 Series A Bonds), the proceeds of which amounted to $219.5 million. The Government has pledged gross receipts tax revenues for the timely payment of the principal and interest on the 2006 Series Bonds. The 2006 Series Bonds bear interest at 3.50% to 5.00% and mature from 2007 to 2029. The proceeds of the bonds were issued to: (i) advance refund a portion of the Series 1999A Revenue Bonds, (ii) pay the cost of a termination fee in connection with an outstanding swap option agreement, (iii) fund certain capital projects, (iv) fund debt service reserve accounts, (v) pay certain costs of issuing the Series 2006 Bonds, and (vi) fund a net payment reserve account for a new swap agreement in connection with the refunding. The 2006 Series Bonds maturing on or before October 1, 2016 are not subject to optional redemption.

The advance refunding of the 2020 through 2029 maturities of the 1999 Series A Bonds was made in order 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 2006 Series Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2020 through 2029 maturities of the 1999 Series A Bonds. Approximately $180 million in funds were deposited into the Escrow Fund accounts. At September 30, 2015, $66.8 million of the defeased 1999 Bonds remained outstanding.

2003 Series A Revenue Bonds

On December 17, 2003, PFA issued the Series 2003 A Revenue Bonds (the 2003 Series A Bonds), the proceeds of which amounted to approximately $268 million. The Government has pledged gross receipts taxes for the timely payment of the principal and interest on the Series 2003 A Revenue Bonds. The bonds were issued to: (i) repay the Government outstanding Revenue Bond Anticipation Notes, Series 2003, (ii) fund certain necessary public safety and other public sector capital development projects, (iii) fund debt service accounts for the bond issuance, and (iv) to pay certain costs of issuing the bonds. The bond bears interest at 4% - 5.25% and matures from 2005 to 2033. The Series 2003 A Bonds are not subject to optional redemption prior to October 1, 2014. On November 14 2014, PFA issued the 2014 Series C Bonds to current refund the remaining outstanding bonds of the 2003 Series A Bonds amounting to $237.5 million. As of September 30, 2015, the 2003 A Series Bonds has been fully redeemed.

Tobacco Settlement Bonds

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

On March 15, 2006, the Tobacco Settlement Financing Corporation (TSFC) issued the 2006 Tobacco Settlement Asset-Backed Bonds, Subordinated Series 2006 A, B, C & D Turbo and Capital Appreciation Bonds amounting to $48.1 million, with an issue value of $7.3 million (net of accretion of $40.8 million). 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) financing several capital hospital and health development projects for the benefit of the Virgin Islands and its residents, (ii) pay certain costs of issuance relating to the Series 2006 Bonds, and (iii) fund operating costs.

Interest on the Series 2006 Tobacco Settlement Asset-Backed Bonds is not paid currently, but accretes from the date of delivery, compounded every May 15 and November 15, commencing May 15, 2006 through the final maturity date of May 15, 2035. Interest yields on the Bonds range from 6.25% to 7.63%. The series are subject to early redemption at accreted value beginning May 15, 2023, provided that the 2001 Tobacco Settlement Asset-Backed Series A Bonds have been paid in full.

2001 Series A Tobacco Bonds

On November 20, 2001, TSFC issued the 2001 Tobacco Settlement Asset-Backed Series A Bonds amounting to $23.7 million of the aggregate principal. The proceeds were used for the purpose of (i) purchasing all rights, title, and interest in certain litigation awards under the master settlement agreement (MSA) entered into by participating cigarette manufacturers, (ii) issuance of Tobacco Settlement Asset-Backed Bonds to pay the purchase price for the rights, and (iii) to provide funds for hospital and healthcare projects in the U.S. Virgin Islands.

Interest on the 2001 bonds is payable semiannually each May and November 15 for the term bonds amounting to $15.5 million and convertible capital appreciation bonds amounting to $8.2 million, with a nominal value of $6.2 million.

The convertible capital appreciation bonds accrete interest prior to November 15, 2007 and accrue interest subsequent to that date. Interest on the capital appreciation bonds will compound on May 15th and November 15th.

The 2001 Series A Tobacco Bonds payable at September 30, 2015 amounted to $9.52 million. Under early redemption provisions, any MSA payments exceeding annual debt service requirements of the 2001 Series A Tobacco Bonds must be applied to early redemption of principal. MSA payments and interest earnings on the trust funds during the year ended September 30, 2015, resulted in a turbo redemption of $1.5 million on May 15, 2015.

Advance Refunding/Defeasances

On June 15, 1992, PFA issued the Series 1992 Revenue Bonds. The proceeds of the Series 1992 Revenue Bonds were placed in an irrevocable trust to provide for all future debt service payments on the Series 1989 Revenue Bonds. At September 30, 2015, $7.9 million of the defeased bonds were outstanding. Assets held by irrevocable trusts for refunding of prior outstanding debt and the corresponding liabilities are not included in the Government’s basic financial statements.

On May 1, 1998, PFA issued the 1998 Series A and B Bonds to advance refund previously issued bonds to obtain lower interest rates. The proceeds of the 1998 Series A and B Bonds were placed in an irrevocable trust account to provide for all future debt service payments on the Highway Revenue Bonds Series 1989, Series 1991, Series 1992, Series 1993, and Series 1994 Bonds. At September 30, 2015, none of the above-mentioned defeased bonds were outstanding.

On November 16, 1999, PFA issued the 1999 Series A Revenue Bonds amounting to $299.9 million. These bonds were issued to (i) pay certain working capital obligations of the Government, (ii) repay the Government outstanding tax and revenue anticipation notes, (iii) fund the Series debt service accounts, and (iv) finance certain costs of issuing the bonds.

On September 28, 2006, PFA advance refunded a portion of the 1999 Bonds with maturity dates of October 1, 2020 to October 1, 2029 totaling $162.9 million. The proceeds of the refunding were placed in a trust account to provide for all future debt service payments on the 2020 through 2029 maturities of the bonds. Approximately $180 million was deposited with the refunding bond escrow agent to fund the Escrow Fund accounts. At September 30, 2015, $66.8 million of the defeased 1999 Series A Revenue Bonds remain outstanding.

On December 14, 2012, PFA current refunded the Series 1999 A Bonds with maturity dates of October 1, 2013 to October 1, 2020 totaling $66.8 million with the issuance of the Series 2012A Revenue and Refunding Bonds. The current refunding of the Series 1999 A Bonds resulted in an economic gain of net present value savings of $7.7 million.

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

Governmental Activities – Matching Fund Bonds

	Revenue Bonds Series 2009 A (Diageo)		Revenue Bonds Series 2009 A-1		Revenue Bonds Series 2009 B		Revenue Bonds Series 2009 C		Revenue Bonds Series 2009 A (Cruzan)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:										
2016	$ 4,575	$ 16,048	$ 1,705	$ 3,773	$ 18,505	$ 9,409	$ 7,745	$ 3,244	$ 670	$ 2,122
2017	4,890	15,729	1,770	3,710	19,450	8,460	8,040	2,850	705	2,087
2018	5,235	15,387	1,840	3,639	20,450	7,462	8,440	2,438	740	2,051
2019	5,600	15,022	1,915	3,563	21,500	6,414	8,860	2,005	780	2,013
2020	5,990	14,630	2,000	3,481	22,600	5,311	9,145	1,555	820	1,973
2021-2025	36,730	66,380	11,525	15,872	86,410	12,043	26,530	1,958	4,900	9,059
2026-2030	51,150	51,952	14,705	12,693	8,510	213	-	-	6,625	7,343
2031-2035	71,485	31,618	18,885	8,515	-	-	-	-	8,940	5,025
2036-2040	56,015	5,842	24,240	3,151	-	-	-	-	12,065	1,897
Total	$ 241,670	$ 232,608	$ 78,585	$ 58,397	$ 197,425	$ 49,312	$ 68,760	$ 14,050	$ 36,245	$ 33,570

Governmental Activities – Matching Fund Bonds

	Revenue Bonds Series 2010 A		Revenue Bonds Series 2010 B		Revenue Bonds Series 2012 A		Revenue Bonds Series 2013 A		Revenue Bonds Series 2013 B		Total Matching Bond Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:												
2016	$ 2,270	$ 14,883	$ -	$ 4,833	$ 825	$ 6,995	$ 2,210	$ 1,774	$ 5,070	$ 2,338	$ 43,575	$ 65,419
2017	2,395	14,766	-	4,833	850	6,962	2,320	1,662	5,250	2,157	45,670	63,216
2018	2,520	14,643	-	4,834	900	6,927	7,555	1,415	-	2,052	47,680	60,848
2019	2,660	14,514	-	4,834	950	6,890	7,905	1,028	-	2,052	50,170	58,335
2020	2,800	14,377	-	4,834	1,000	6,850	2,335	770	6,035	1,901	52,725	55,682
2021-2025	61,670	65,458	26,340	22,513	6,200	33,537	13,675	1,847	35,010	4,548	308,990	233,215
2026-2030	224,475	30,074	67,710	9,243	8,500	31,766	-	-	-	-	381,675	143,284
2031-2035	-	-	-	-	122,615	9,401	-	-	-	-	221,925	54,559
2036-2040	–	-	-	-	–	-	-	–	-	-	92,320	10,890
Total	$ 298,790	$ 168,715	$ 94,050	$ 55,924	$ 141,840	$ 109,328	$ 36,000	$ 8,496	$ 51,365	$ 15,048	$1,244,730	$ 745,448

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

	Governmental Activities – Gross Receipts Tax Bonds							
	Revenue Bonds Series 2006 A		Revenue Bonds Series 2012 A		Revenue Bonds Series 2012 B		Revenue Bonds Series 2012 C	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:								
2016	$ 3,125	$ 9,748	$ 10,815	$ 7,590	$ 1,585	$ 1,471	$ 1,720	$ 1,540
2017	3,240	9,589	11,110	7,344	1,670	1,385	1,775	1,488
2018	3,360	9,424	11,415	7,090	1,765	1,295	1,820	1,434
2019	3,485	9,252	11,835	6,725	1,855	1,200	1,600	1,367
2020	3,615	9,075	12,380	6,241	1,955	1,100	1,685	1,284
2021-2025	84,735	35,336	17,545	28,827	11,490	3,798	6,470	5,200
2026-2030	101395	12,306	53,940	19,865	8,485	684	2,635	4,278
2031-2035	-	–	49,055	3,765	-	-	4,685	3,403
2036-2040	-	–	-	-	-	-	6,385	1,998
2041-2045	-	–	-	-	-	-	4,670	358
Total	$ 202,955	$ 94,730	$ 178,095	$ 87,447	$ 28,805	$ 10,933	$ 33,445	$ 22,350

	Governmental Activities – Gross Receipts Tax Bonds							
	Revenue Bonds Series 2014 A		Revenue Bonds Series 2014 C		Revenue Bonds Series 2014 D		Total Gross Receipts Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Maturity Year:								
2016	$ 1,480	$ 1,480	$ 4,555	$ 12,180	$ 165	$ 343	$ 23,445	$ 34,352
2017	1,560	1,560	4,995	11,941	175	332	24,525	33,639
2018	1,635	1,635	5,240	11,685	190	321	25,425	32,884
2019	1,720	1,720	5,510	11,416	200	310	26,205	31,990
2020	1,810	1,810	5,790	11,134	215	297	27,450	30,941
2021-2025	10,535	10,535	33,585	50,912	1,280	1,270	165,640	135,878
2026-2030	13,530	13,530	36,430	42,173	1,730	819	218,145	93,655
2031-2035	17,370	17,370	132,615	17,953	1,810	226	205,535	42,717
2036-2040	-	-	6,535	3,503	-	-	12,920	5,501
2041-2045	-	-	11,795	1,599	-	-	16,465	1,957
Total	$ 49,640	$ 49,640	$ 247,050	$ 174,496	$ 5,765	$ 3,918	$ 745,755	$ 443,514

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

Year	Principal	Interest
2016	$ -	$ 550
2017	-	550
2018	-	550
2019	-	550
2020	-	550
2021-2025	1,475	2,159
2026-2030	-	2,011
2031-2035	8,045	805
2036-2040	7,290	-
Plus future accretion	6,153	-
Total	$ 22,963	$ 7,725

Loans Payable

Series 2015A Note

On September 25, 2015, PFA issued the Series 2015 Real Property Tax Revenue Anticipation Note (Series 2015A Note) amounting to $40 million. The Government has pledged tax year 2015 property taxes for the timely payment of the Series 2015A Note, with a subordinate lien on gross receipts taxes. The Series 2015A Note bears interest at Wall Street Journal Prime Rate plus 50 basis points. As of September 30, 2015, this rate was 3.75%. The Series 2015A Note will be repaid in equal principal payments of $1.74 million over a 24 month period. The Series 2015A Note was issued to: (i) to finance certain operating expenses of the PG, and (ii) to fund certain costs of issuing the Series 2015A Note. Future debt service requirements for the Series 2015A Note are as follows (expressed in thousands):

Year	Principal	Interest
2016	$ 19,130	$ 1,105
2017	20,870	424
	$ 40,000	$ 1,529

Series 2014E Note

On August 20, 2015, PFA issued the Series 2014E-2 Subordinate Lien Revenue Anticipation Note (Series 2014E-2 Note) amounting to $20 million. The Government has pledged gross receipts taxes for the timely payment of the Series 2014E-2 Note. The Series 2014E-2 Note bears interest at 6.0% and the Note was fully repaid on January 8, 2016. The Series 2014E-2 Note was issued to: (i) finance certain operating expenses of the Government, and (ii) fund certain costs of issuing the Series 2014E-2 Note.

On December 18, 2014, PFA issued the Series 2014E-1 Subordinate Lien Revenue Anticipation Note (Series 2014E-1 Note) amounting to $20 million. The Government has pledged gross receipts taxes for the timely payment of the Series 2014E-1 Note. The Series 2014E-1 Note bears interest at 6.0% and the Note was fully repaid on January 8, 2016. The Series 2014E-1 Note was issued to: (i) finance certain operating expenses of the Government, and (ii) fund certain costs of issuing the Series 2014E-1 Note.

Future debt service requirements for the Series 2014E Notes are as follows (expressed in thousands):

Year	Principal	Interest
2016	$ 40,000	$ 660
	$ 40,000	$ 660

Series 2014B Note

On September 12, 2014, PFA issued the Series 2014B Gross Receipts Taxes Subordinate Loan Note (Series 2014B Note) amounting to $14 million. The Government has pledged gross receipts taxes for the timely payment of the Series 2014B Note. The Series 2014B Note bears interest at the 90-day LIBOR rate with 375 basis points. As of September 30, 2015, this rate was 4.08%. The Series 2014B Note will be repaid in equal principal payments of $167 thousand over an 84 month period. The Series 2014B Note was issued to: (i) to finance certain operating expenses of the PG, and (ii) to fund certain costs of issuing the Series 2014B Note.

Future debt service requirements for the Series 2014B Note are as follows (expressed in thousands):

Year	Principal	Interest
2016	$ 2,000	$ 449
2017	2,000	371
2018	2,000	289
2019	2,000	207
2020	2,000	126
Thereafter	2,000	44
	$ 12,000	$ 1,486

Series 2013A Note

On May 14, 2013, PFA issued the Series 2013A Subordinate Lien Revenue Note "Series 2013A Note" amounting to $6.7 million. The Government has pledged gross receipts taxes for the timely payment of the Series 2013A Note. Two draws have been made on the Series 2013A Note: $2.66 million was drawn on May 16, 2013 (the Series 2013A-1 drawing) and $2.77 million was drawn on September 12, 2014 (the Series 2013A-2 drawing). The Series 2013A Note bears interest at the 90 day Libor rate plus 375 points to be paid in thirty-six (36) monthly payments. As of September 30, 2015, the LIBOR 90 day interest rate plus 375 points was 4.08%. The Series 2013A-1 and A-2 drawings were issued to: (i) finance the acquisition of a fleet of police vehicles for the PG, and (ii) to fund certain costs of issuing the Series 2013A Note.

Future debt service requirements for the Series 2013A Notes are as follows (expressed in thousands):

Year	Principal
2016	$ 1,515
2017	1,000
	$ 2,515

Series 2012A Note

On October 1, 2012, PFA entered into the Series 2012A Tax Increment Revenue Term Loan Note (the Series 2012A Notes) in the amount of $13.7 million. The Series 2012A Notes were issued as part of a Term Loan Note Conversion of the Series 2009A Notes which were issued to provide a loan to the PG (the Series 2009A Tax Increment Revenue Loan Note) to finance the developmental costs of a shopping complex on the island of St. Croix. The Series 2012A Notes are a term loan with twenty quarterly payments (five years) based on a twenty-five (25) year amortization schedule, with a final payment on October 1, 2018. The Notes bear interest of 300 points above the J.P. Morgan Chase Prime Rate, or 6.25%, whichever is higher. As of September 30, 2015, PFA had $13.02 million in outstanding Series 2012A Notes.

Future debt service requirements for the Series 2012A Notes are as follows (expressed in thousands):

Year	Principal	Interest
2016	$ 275	$ 821
2017	295	801
2018	12,449	199
	$ 13,019	$ 1,821

Series 2011B Note

On November 14, 2011, PFA entered into the 2011 Property Tax Revenue Anticipation Note (the Series 2011B Note) in the amount of $13 million. The proceeds were used to pay incentive payments to government employees who elected to retire early under Act No. 7261 the "Economic Stability Act", as amended by Acts No. 7270 and 7307. The Series 2011B Note is a general obligation of the PG, secured by a first priority lien on real property taxes levied for tax years up to and including tax year 2005. Also, the PG has pledged a third subordinate lien on the gross receipts taxes, along with all fines, interest, penalties and other charges related to gross receipts taxes. Interest on the Series 2011B Note accrues monthly at the rate of 4.91% until the Series 2011B Note reaches maturity on December 15, 2016. On that date, the Series 2011B Note will convert to a two year term loan. As of September 30, 2015, the outstanding amount of the Series 2011B Note is $5.8 million.

Future debt service requirements for the Series 2011B Note are as follows (expressed in thousands):

Year	Principal	Interest
2016	$ -	$ 285
2017	5,816	32
	$ 5,816	$ 317

Series 2009 Note

On February 12, 2009, PFA issued the Subordinate Lien Revenue Bond Anticipation Notes (Series 2009 Notes), in the amount of $8 million. The Government has pledged gross receipts taxes for the timely payment of the Series 2009 Notes. The Series 2009 Notes initially had an interest rate of 4.75% and a due date of February 1, 2010. PFA elected a conversion of the Series 2009 Notes to term notes with principal and interest payable semi-annually on February 1 and August 1, at an interest rate of 5.40% and a maturity date of August 1, 2015. The proceeds of the Series 2009 Notes were issued: (i) to finance the purchase and installation of 911 emergency communication equipment for the Virgin Islands Police Department and (ii) to pay certain costs of issuing the Series 2009 Notes. The Series 2009 Notes were defeased on February 2, 2015.

Unemployment Trust Fund Loan

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, 2015, the PG owed $72.2 million to the U.S. Treasury.

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5 Section 2004) temporarily waived interest payments on UTF loans through September 30, 2012. After that date, the loan became subject to interest at federal rates of 2.3874% for the 2014 calendar year, and 2.3385% for the 2015 calendar year. During 2015, the PG paid $1.75 million in interest to the U.S. Treasury on the UTF loans.

WICO Loan

On October 18, 2013, WICO entered into a refinancing loan agreement with Banco Popular de Puerto Rico amounting to $28.5 million (WICO loan). Under the terms of the refinancing agreement WICO pledged: (i) operating revenues arising from the ship's agent business, and (ii) real property and improvements referred to as the "WICO Dock" including bulkhead and wharf, warehouses, office buildings, maintenance buildings and other facilities. The purpose of the WICO loan is to: (i) repay the existing loan with the bank amounting to $21.2 million, (ii) finance the construction and expansion of the WICO Dock and ship berthing facilities to accommodate larger cruise ships, and (iii) to fund costs associated with the issuance of the WICO loan. The WICO loan bears interest at 6.18%, and requires only interest payments during the first twelve months from the date of closing on the loan.

Thereafter, the loan shall be repaid in fifty-nine (59) monthly installment payments of $187 thousand, with a sixtieth (60), final payment of outstanding principal.

On November 12, 2014, WICO finalized an interim financing agreement to procure a loan with Banco Popular de Puerto Rico. The agreement provides for a loan in the amount of $3.75 million bearing interest at 6.75% per annum. The loan has an interest-only period of twelve (12) months from the issue date. Additionally, the payments are based on a twenty-five (25) year amortization, with a final maturity in six (6) years. This interim financing provides funding for a new pier on the island of St. Thomas.

Future debt service requirements for the WICO loan are as follows (expressed in thousands).

Year	Principal	Interest
2016	$ 569	$ 1,974
2017	616	1,937
2018	656	1,898
2019	698	1,856
2020	743	1,811
2021 - 2025	4,494	8,274
2026 - 2030	6,134	6,633
2031 - 2035	8,375	4,393
2036 - 2040	9,521	1,378
Thereafter	72	1
Total	$ 31,878	$ 30,155

Standby Credit Facility

Under Title 22, Chapter 10 of the VIC, the Virgin Islands Insurance Guaranty Fund is required to maintain a minimum balance of $50 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 million to $10 million until September 30, 2015. That legislation was amended on August 9, 2013, to authorize the PG to issue bonds or notes of up to $40 million on behalf of the Insurance Guaranty Fund, if necessary for claimant payments. The authorization will terminate on the earlier of (i) the date that funds on deposit in the Insurance Guaranty Fund equal $50 million dollars, or (ii) March 31, 2019.

Component Units - Bonds Payable

Bonds payable of discretely presented component units are those liabilities that are paid out of resources pledged by such entities. Bonds payable, outstanding at September 30, 2015, are as follows (expressed in thousands):

Bonds Payable	Maturity	Interest Rate (%)	Balance
Virgin Islands Water and Power Authority (Electric System):			
Revenue bonds of 2012	2025	4.00 - 6.06	$ 63,135
Revenue bonds of 2010	2035	4.00 - 6.85	66,540
Revenue bonds of 2007	2031	4.50 - 5.00	57,585
Revenue bonds of 2003	2028	4.00 – 5.00	50,930
Virgin Islands Water and Power Authority (Water System):			
Revenue bonds of 1998	2017	5.5	10,435
Virgin Islands Port Authority:			
Series A Revenue bonds of 2014	2033	4.00 – 5.00	28,465
Series B Revenue bonds of 2014	2011	3.00 – 5.00	14,375
Series C Revenue bonds of 2014	2025	2.00 – 5.00	3,920
Subtotal			295,385
Plus unamortized premium			7,910
Less unamortized discount			(43)
Bonds payable, net			303,252
Less amount due within one year			(16,588)
Bonds payable, due in more than one year			$ 286,664

Following is a schedule of changes in bonds payable, loans payable and other long-term liabilities for discretely presented component units for fiscal year ended September 30, 2015 (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due With One Year	Due Thereafter
Bonds payable:						
Virgin Islands Water and Power Authority:						
Electric System	$ 252,276	$ –	$ (10,775)	$ 241,502	$ 11,010	$ 230,492
Water System	13,494	–	(3,103)	10,391	3,295	7,096
Virgin Islands Port Authority	26,097	53,906	(28,644)	51,359	2,283	49,076
Total	291,867	53,906	(42,522)	303,252	16,588	286,664
Notes payable:						
Virgin Islands Economic Development Authority	366	–	(23)	343	25	318
Virgin Islands Water and Power Authority:						
Electric System	5,873	–	(2,617)	3,256	2,754	502
Virgin Islands Housing Authority	1,555	–	(250)	1,305	435	870
Virgin Islands Port Authority	-	1,965	(1,333)	632	632	-
Virgin Islands Housing Finance Authority	1,262	–	(80)	1,182	79	1,103
UVI's Research & Technology Park	2,442	1,500	(168)	3,774	299	3,475
University of the Virgin Islands (unaudited)	55,821	24,969	(1,947)	78,843	2,028	76,815
Total	67,319	28,434	(6,418)	89,335	6,252	83,083
Line of credit payable:						
Virgin Islands Water and Power Authority:						
Electric System	25,128	-	–	25,128	22,875	2,253
Water System	2,500	–	-	2,500	2,500	-
Roy L. Schneider Hospital	750	-	(750)	-	–	-
Total	28,378	-	(750)	25,375	22,875	2,253

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due With One Year	Due Thereafter
Other long-term liabilities:						
University of the Virgin Islands (unaudited)	4,775	26	(147)	4,654	1,251	3,403
Virgin Islands Housing Authority	13,305	4,739	(2,688)	15,356	3,251	12,105
Virgin Islands Water and Power Authority:						
Electric System	36,774	6,404	–	43,178	–	43,178
Water System	8,022	907	–	8,929	–	8,929
Virgin Islands Port Authority	1,725	-	(900)	825	825	-
Economic Development Authority	869	12	(83)	798	52	746
Juan F. Luis Hospital	37	1,768	(381)	1,424	874	550
Virgin Islands Waste Management Authority	1,631	742	(434)	1,939	691	1,248
Virgin Islands Housing Finance Authority	7,978	443	-	8,421	193	8,228
Total	$ 75,116	$ 15,041	$ (4,633)	$ 85,524	$ 7,137	$ 78,387

Virgin Islands Water and Power Authority – Electric System

Revenue Bonds of 2012

In May 2012, the Electric System of WAPA issued: (i) 2012A Electric System Revenues Refunding Bonds amounting to $17.3 million; (ii) 2013B Electric System Subordinated Revenue Bonds amounting to $19.7 million; and (iii) 2013C Electric System Subordinated Revenue Bonds amounting to $32.1 million. The proceeds of the Series 2013A Bonds were used to refund the Electric System Revenue Refunding Bonds, Series 1998 and pay certain costs of issuances of the Series 2013A Bonds. The proceeds of the Series 2013B Bonds were used to refinance a portion of the Electric System Term Loan, make a deposit into the Subordinated Debt Service Reserve Fund sufficient to satisfy the Series 2013B Subordinated Debt Service Fund Requirement and pay certain costs of issuance of the Series 2013B Bonds. The proceeds of the Series 2013C Bonds were used to refinance all or a portion of the Electric System Working Capital Lines of Credit and Overdraft Credit Facility, make a deposit into the Series 2013C Subordinated Debt Service Reserve Fund sufficient to satisfy the Subordinated Debt Service Reserve Fund Requirement and pay certain costs of issuance of the Series 2013C Bonds.

Revenue Bonds of 2010

In March 2010, the Electric System of WAPA issued the $39 million 2010A Electric System Revenue Refunding Bonds; the $9 million 2010B Electric System Revenue Bonds; and the $37 million 2010C Electric System Revenue Refunding Bonds. The proceeds of the Series 2010A Bonds were used to: i) to fund a portion of the cost of certain capital expenditures, Series 1998, and ii) pay certain costs of issuance of the Series 2010A Bonds. The proceeds of the Series 2010B and 2010C Bonds were used to: i) finance certain capital expenditures temporarily funded through draws on a line of credit ($9 million) and, ii) to make certain deposits into the Debt Service Revenue Fund sufficient to satisfy the Debt Service Reserve Fund requirement. The proceeds of the three series were also used to pay certain costs of issuance of the 2010A, 2010B, and 2010C Revenue and Refunding Bonds.

Revenue Bonds of 2007

In June 2007, the Electric System of WAPA issued the $57.6 million 2007A Electric System Subordinated Revenue Bonds, to pay certain costs of issuance of the bonds, make certain required deposits to the Subordinated Debt Service Fund to finance the costs of certain capital improvements, refinance capital improvements funded through draws on a Line of Credit and to reinstall a $10 million Line of Credit.

Revenue Bonds of 2003

In June 2003, the Electric System of WAPA issued the Electric System Revenue Bonds, Series 2003, amounting to $69.9 million. The proceeds from the bonds were used to finance capital improvements, repay $18 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, 2023 are 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.

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 the Electric System's net revenue, (exclusive of any funds that may be established pursuant to the Bond Resolution for certain specified purposes), including the investments and income, if any, thereof. Under the General Resolution, the Authority is required to maintain a Debt Service coverage ratio at least equal to 1.25 times (125%) the principal of and interest on all Outstanding Senior Bonds for the current and each future fiscal year (the Senior Coverage).

Under the Electric System Subordinated Revenue Bond Resolution, adopted by the Authority on May 17, 2007, as amended and supplemented (the Subordinated Bond Resolution), the Authority 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 (115%) 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 1.0 times (100%) the Maximum Aggregate Debt Service for each such fiscal year (total debt coverage).

For the year ended June 30, 2015, the Electric System's Debt Service Coverage ratio was 1.16 for total Debt Coverage. Section 606(2) of the Resolution provides that if the Authority fails to achieve such 1.00 coverage in a particular year, the Electric System must "take whatever steps it can to produce the amount of net electric revenues required in the following fiscal year …" Section 701 (3) of the Resolution relates to covenant defaults and makes them an event of default if such covenant default continues for 60 days after notice unless the Electric System is proceeding with diligence to cure such default. The Electric System believes it is taking such steps currently to ensure future compliance with the ratio, including filing of a request for increased rates. The Electric System Revenue Bonds are subject to mandatory redemption if (i) any significant part of the Electric System was damaged, destroyed, taken, or condemned, or (ii) any for-profit nongovernmental investor shall acquire an ownership interest in some or all of the assets of the Electric System.

Virgin Islands Water and Power Authority – Water System

In June 1998, the Water System of WAPA issued $110.9 million of 1998 Series A Electric System Revenue and Refunding Bonds. The proceeds from the bonds, and approximately $14 million in funds from the existing debt service and debt service funds, were used to repay outstanding line-of-credit balances, to provide for approximately $30 million in funds for the construction of certain capital projects, and to pay underwriters discount and issuance costs of approximately $1.7 million. The remaining proceeds were used to purchase direct obligations of the U.S. government which were placed in an irrevocable trust with an escrow agent to provide all future debt service on the remaining $69 million principal amount of the 1991 Series A Electric System Revenue Bonds.

In December 1998, the Water System of WAPA issued the 1998 Water System Revenue and Refunding Bonds amounting to $44.2 million. The proceeds from the bonds were used to repay the 1990 Series A Water System Revenue Bonds at a redemption price of 100% and to refund the 1992 Series B Water System Revenue Bonds, repay outstanding lines of credit balances, pay underwriters' costs, provide funding for a Renewal and Replacement Reserve Fund, and to purchase obligations of the United States Government, which were placed in an irrevocable trust with an escrow agent to provide all future debt service on the remaining principal amount of the 1992 Series B Bonds. Payment of principal and interest of the 1998 Series Bonds is secured by an irrevocable lien on the Water System's net revenues (exclusive of any funds that may be established pursuant to the Bond Resolution for certain other specified purposes) and funds established under the Bond Resolution, including investment securities. To provide additional security, the Water System has conveyed to the bond trustee, a subordinate lien and security interest in the Water System's General Fund. The Water System is also required to make deposits in a debt service reserve fund in accordance with the Bond Resolution.

The Water System's Bond Resolution requires the Water System under Section 606(1), for as long as the bonds are outstanding, to establish rates "… so that in each fiscal year the net water revenues shall at all times be at least 1.25 the aggregate debt service requirement for such fiscal year." For the years ended June 30, 2015 and 2014, the Water System's Debt Service Coverage ratio was 1.65 and 1.65, respectively. Section 606(2) of the Resolution provides that if the Water System fails to achieve such 1.25 coverage in a particular year, the Water System must "take whatever steps it can to produce the amount of net water revenues required in the following fiscal year …." Section 701(3) of the Resolution relates to covenant defaults and makes them an event of default if such covenant default continues for 60 days after notice unless the Water System is proceeding with diligence to cure such default. The management of the Water System advises it is taking necessary steps to ensure future compliance with debt coverage ratios.

The 1998 Series Bonds maturing on or after July 1, 2010 are subject to redemption prior to their stated maturity date, at the option of the Water System, as a whole or in part at any time, at a redemption price of 101% through June 30, 2010 and 100% thereafter. The Water System Revenue Bonds are subject to mandatory redemption if (i) any significant part of the water system shall be damaged, destroyed, taken, or condemned or (ii) any for-profit non-governmental investor shall acquire an ownership interest in some or all assets of the Water System.

Virgin Islands Port Authority

In October 2014, the VIPA issued three series of 2014 Series Marine Revenue Bonds A, B & C amounting to $48.6 million, with an average interest rate of 4.70%. A portion of the proceeds was used to refund the outstanding bond series 2003 A and C amounting to $24.5 million, which include 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 and were removed from the Authority's books. The 2003 Series B Marine Revenue Bonds were paid off using the Marine Division's surplus funds. As a result of the refunding, the Authority 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, the Authority recognized a deferred charge on debt refunding amounting to $.4 million. The proceeds of the 2014 Bonds, together with certain other available funds of the Authority, will be 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. Management believes that the Authority has established the aforementioned required accounts and has complied with the contribution requirements with respect to the bonds. In addition, it is management's opinion that the Authority has complied with limitations and restrictions imposed by the indentures. The bonds' indentures also specify certain debt service coverage requirements determined from Net Available Revenues (as defined) of the Authority's Marine Division. The provisions of each of the bonds' indentures require that rates and fees charged for the use of each facility generate enough revenues to pay all operation and maintenance expenses, exclusive of depreciation and certain non-cash charges, of the respective facilities plus (a) at least 125% of the principal and interest, and redemption account sinking fund deposit requirements of each of the bonds becoming due during such year, (b) the amount of the debt service reserve fund deposit requirement for such period, (c) the deposit required to the Renewal and Replacement Fund and (d) the amount of the capital improvements appropriation for such period.

University of the Virgin Islands (Unaudited)

In June 2011, the University of the Virgin Islands entered into two capital project loan agreements (loan agreements) in the amounts of $44 million and $16 million, with Rice Capital Access Program, LLC. The purpose of the capital project loans was to: (i) advance refund the University's 1999 Series A Bonds and 2004 Series A Bonds, and (ii) to pay for construction costs of a 100 bed student residence facility and other construction improvement costs of facilities on the St. Thomas and St. Croix campuses. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old outstanding bonds of approximately $4.5 million and an economic gain of $6.8 million.

Virgin Islands Housing Finance Authority

In August 1998, VIHFA issued the 1998 Revenue Bonds Series A in the amount of $3 million, and on March 1, 1995, VIHFA issued the 1995 Revenue Bonds Series A in the amount of $6.2 million, for the purpose of building single-family housing. The indenture agreements for the bonds require the VIHFA to deposit with the trustee the full amount of the bond proceeds, to purchase Government National Mortgage Association (GNMA) certificates. The servicer is obligated to pay the principal and interest due on the GNMA certificates to the trustee in an amount equal to the scheduled principal and interest payments of the underlying mortgages. All mortgage loans issued by the VIHFA must be originated by the participants and secured by a first priority mortgage lien on the applicable single-family residences.

Future debt requirements for discretely presented component units' bonds payable with fixed maturities are as follows (expressed in thousands):

Year	Principal	Interest	Total
2016	$ 16,525	$ 14,405	$ 30,930
2017	17,335	13,596	30,931
2018	18,190	12,742	30,932
2019	15,385	11,633	27,018
2020	70,265	39,728	109,993
2021-2025	104,205	39,733	143,938
2026-2030	45,800	6,978	52,778
2031-2035	7,680	517	8,197
Total	295,385	$ 139,332	$ 434,717
Plus unamortized premium	7,910		
Less unamortized discount	(43)		
Bonds payable, net	$ 303,252		

Component Units – Notes Payable

In November 2008, the Electric System of WAPA obtained general obligation notes from First Bank in the amount of $40 million at an interest rate of 5.5% (the "Notes"), the proceeds of which were used to finance outstanding invoices from HOVENSA. The Notes were issued based on a five year amortization, but with a balloon payment in three years.

In October 2008, pursuant to Amended Order No. 05/2009 in Docket No. 289, the PSC ordered (i) the principal and interest payments on the Notes to be recognized for recovery through the LEAC billing factor for the Electric System and the Water System commencing in November 2008, of which 82.5%, or $7.6 million annually, has been allocated to the Electric System and 17.5%, or $1.6 million annually to the Water System, and (ii) the collection of the fuel costs recoverable balance to be reduced by the principal amount of the Notes. Pursuant to the Guaranty of the Government for the benefit of First Bank, dated November 13, 2008 (the General Obligation Guaranty), which was authorized by the Legislature in Act 7028, the Government agreed to guarantee the payment of the principal and interest on the Notes.

In October 2010, the Electric System of WAPA petitioned the commission for approval of a refinancing of the $40 million term loan. Through Order #16/2011 issued by the PSC in December 2010, the loan was approved. On December 22, 2010, the term-loan was refinanced at an interest rate of 5.25%. The term loan was refinanced based on a new five year amortization but with a balloon payment in three years.

In June 2012, the Electric System of WAPA petitioned the Commission for the approval of a refinancing of the remaining balance of the term loan following the Series 2012 Bond issue. Through Order # 27/2012 issued by the PSC in July, 2012, the loan was approved. The term loan was refinanced at an interest rate of 5.50% and final maturity on April 2016. The new allocation of the principal and interest payments of the Notes to be recognized for recovery through the LEAC billing factor for the Electric System is 30% and 70% for the Water System. As of June 30, 2015, the outstanding balance on the Notes was $3.2 million.

In February 2013, RTPark obtained a $3,000,000 loan from a member. A portion of the loan proceeds were used to repay a previous loan from UVI to complete construction on the 64 West Center. This loan has a 6.75% interest rate and is payable over 15 years. Principal payments were not due on the loan until April 2014. The loan is secured by all of RTPark's tangible and intangible property.

During the Fiscal year 2015, UVI entered into two capital project loan agreements fo rthe medical school with HBCU under Series 2015 3-1 and Series 2015 3-2. UVI also entered into a loan agreement with First Bank of Puerto Rico for a Medical School Loan. A variable rate was assigned to all the loans As of September 30, 2015, the outstanding balance on the noted was $78.8 million.

11. General Tax Revenue

For the year ended September 30, 2015, general tax revenue of the PG consisted of the following (expressed in thousands):

	General	PFA Debt Service	PFA Capital Projects	Other Governmental	Total
Income taxes	$ 356,264	$ -	$ -	$ -	$ 356,264
Real property taxes	82,140	-	-	9,027	91,167
Gross receipts taxes	1,090	154,520	2,414	250	158,274
Excise taxes	127,853	101,629	-	4,938	234,420
Other taxes	54,454	-	-	6,988	61,442
	$ 621,801	$ 256,149	$ 2,414	$ 21,203	901,567
Tax revenue not recognized on the full accrual basis					(79,223)
Total tax revenue – government-wide					$ 822,344

12. Governmental Fund Balances

Following is a detail of the aggregated fund balances presented in the Balance Sheet – Governmental Funds as of September 30, 2015 (expressed in thousands):

	General	PFA Debt Service	PFA Capital Projects	Federal Funds	Other Governmental	Total
Restricted for:						
Debt service	$ –	$ 243,980	$ –	$ –	$ –	$ 243,980
Capital projects	–	–	108,530	-	–	108,530
General government	–	–	–	-	28,045	28,045
Health	-	-	-	-	4,095	4,095
Public housing and welfare	-	-	-	-	7,678	7,678
Education	-	-	-	-	1,427	1,427
Transportation and communication	-	-	-	-	3,611	3,611
Culture and recreation	-	-	-	-	8	8
Total	–	243,980	108,530	-	44,864	397,374
Committed to:						
General government	14,483	–	–	–	36,534	51,017
Public housing and welfare	–	–	–	–	313	313
Transportation and communication	–	–	–	–	12,984	12,984
Culture and recreation	204	–	–	–	334	538
Total	14,687	–	–	–	50,165	64,852
Assigned to:						
General government	576	–	–	–	84,053	84,629
Public safety	–	–	–	–	1,186	1,186
Health	–	–	–	–	2,541	2,541
Public housing and welfare	–	–	–	–	4,742	4,742
Education	–	–	–	–	8,495	8,495
Transportation and communication	–	–	–	–	7,530	7,530
Culture and recreation	–	–	–	–	703	703
Total	576	–	–	–	109,250	109,826
Unassigned	(74,073)	–	–	(8,833)	(133,329)	(216,235)
Total Fund Balances	$ (58,810)	$ 243,980	$ 108,530	$ (8,833)	$ 70,950	$ 355,817

The assigned fund balance includes approximately $40.6 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.

13. Commitments and Contingencies

Primary Government

Collective Bargaining Agreements

The current labor relations environment of the Government is defined by 13 distinct labor organizations subject to approximately 38 collective bargaining agreements. Nine bargaining units are without collective bargaining agreements.

As specific disciplines are not grouped under a single pay plan, it is common to have clerical and nonprofessional workers in different departments throughout the Government, represented by different unions. Of the approximately 9,200 government workers, including employees of the executive branch of the Government, approximately 6,900 belong to unions. The present collective bargaining statute requires binding arbitration for certain classified employees in the event of an impasse during salary negotiations between the Government and any union. 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.

As of September 30, 2015, the Government has contractual liabilities for retroactive union arbitration salary increases estimated at $195.3 million accruing from fiscal years 1993 through 2010, as established by the Virgin Islands Retroactive Wage Commission.

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.

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 $247.8 million and $56.5 million, respectively, for the year ended September 30, 2015.

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 United States Office of Management and Budget (OMB) Circular A-133. Disallowances as a result of these audits may become liabilities of the Government.

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.

Compliance Agreement U.S. Department of Education

On September 23, 2002, the Government entered into a three-year compliance agreement with the U.S. Department of Education requiring that the Government develop integrated and systemic solutions to problems in managing its federally funded education programs.

The compliance agreement focuses on the areas of program design and evaluation, financial management, human capital, and property management and procurement. The compliance agreement expired on September 23, 2005.

On August 22, 2006, the PG entered into a contract with a third-party fiduciary to administer U.S. Department of Education grants. The terms and conditions of the original compliance agreement have been extended until the Government is in full compliance with the agreement.

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 in excess of $25,000 for tort claims filed under Government statutes. In cases involving several survivors, each award must be construed separately for purposes of applying the limitation upon recovery imposed by the Tort Claims Act. Under Title 27, Section 166(e) of the V.I. Code, the Government's waiver of immunity is expanded to $250,000 for medical malpractice actions, including actions for wrongful death based on malpractice. Under certain circumstances, as provided in Title 33, Section 3414 of the V.I. Code, the Government may assume the payment of a judgment entered against an officer or employee who acted reasonably and within the scope of his employment. The Government may pay up to a maximum amount of $100,000 of the settlement. With respect to pending and threatened litigation, the Government has accrued a provision for legal claims and judgments of approximately $23.8 million for awarded and anticipated unfavorable judgments as of September 30, 2015. Management believes that any liability in excess of amounts recorded will not have a material effect on the basic financial statements.

Changes in the reported provision for legal claims during September 30, 2015, resulted from the following activity (expressed in thousands):

	Beginning Balance at October 1, 2014	New Claims	Claims Payments and Changes in Estimates	Ending Balance at September 30, 2015
Provision for legal claims	$ 11,012	$ 16,839	$ (4,052)	$ 23,799

The breakdown of the provision for legal claims at September 30, 2015, is as follows (expressed in thousands):

Governmental activities	
Current portion of provision for legal claims	$ 15,073
Long-term portion of provision for legal claims	8,726
	$ 23,799

Property Tax Assessments

As of September 2002, the Government was a defendant in a lawsuit regarding the assessment of property taxes. Under the lawsuit, taxpayers asserted that properties should be assessed at actual value in accordance with the Organic Act of 1933. The U.S. District Court agreed with the plaintiffs and, in May 2003, imposed an injunction on the collection of real property taxes at values higher than the 1998 assessed value.

The Government complied with the Court order to develop a plan to implement the new valuation method. This resulted in a delay in the issuance of property tax assessments. The 2015 and 2014 property tax assessments were issued in August, 2015 and March, 2015, respectfully.

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 balance sheet date. The $83.6 million reported as landfill compliance, closure, and post-closure care liability at September 30, 2015, 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, 2015.

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%	2016
Anguilla	97%	Closed
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 covered by charges to future landfill users.

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 requires 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 million. In January 2004, the Government's Legislature authorized the creation of the VIWMA for the purpose of meeting environmental requirements of waste treatment in the U.S. Virgin Islands. On December 2004, the PFA issued revenue bonds amounting to $94 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 million and $29 million for the St. Croix and the St. Thomas treatment facilities, respectfully.

The Stipulation also establishes certain interim deadlines and performance standards that must be met by the Government pending completion of the new facilities. In addition, the Stipulation establishes specified 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 of its outstanding obligations pursuant to the stipulation.

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 (1) 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, (2) identify practicable, available, reliable, and cost-effective potential mitigation measures, and (3) 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 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.

Workers' Compensation Liability

The Government is exposed to risk of loss related to workers' compensation claims. The Government is self-insured for this risk. Self-insured risk liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend upon such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the claims liability amount in fiscal year 2015, as recorded in the Government Insurance Fund are as follows (expressed in thousands):

Claims payable, beginning of year	$ 27,131
Incurred claims and changes in estimates	8,201
Payments for claims and adjustments expenses	(3,279)
Claims payable, end of year	$ 32,053

The Government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Bond Credit Ratings

On February 12, 2013, Moody's Investors Service withdrew the ratings on the U.S. Virgin Islands general obligation gross receipts tax debt, issued through PFA, due to the lack of sufficient financial and operating information, and the late issuance of audited financial statements.

On October 9, 2014, Fitch Ratings affirmed a BBB rating for general obligation gross receipts tax debt of the PFA.

On August 13, 2015 Fitch downgraded the U.S. Virgin Islands matching fund bonds from a BBB rating to a BBB- rating due to revised consumption trends which have resulted in reduced production of rum products.

Pension Reform Joint Task Force

In response to a recommendation in a September 27, 2011 audit report from the Office of the Inspector General, U.S. Department of Interior, the PG formed the Pension Reform Joint Task Force (the Task Force) to address the declining fiscal condition of the Government Employees Retirement System. The Office of the Inspector General's audit report had concluded that, due to insufficient contribution levels, and an unbalanced ratio of active to retired members, the retirement system of the U.S. Virgin Islands may default within 14 to 19 years. More recent actuarial reports indicate that the system may default by the year 2025.

The Task Force has 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 50 to 55 and the regular retirement age from 60 to 65, (vi) limit the cost of living increase, and (vii) change the formula used to calculate benefits. The Task Force continues to work with the Legislature, and hearings were held at the Legislature in May 2014 and March 2015. On February 5, 2015, GERS increased employee contribution rates by 1% to be implemented over a three year period and to be effective for three years. PG contributions increased by 3% from 17.5% to 20.5% for the next five years.

Component Units

In September 1989, WAPA Electric facilities were damaged by Hurricane Hugo. WAPA reconstructed the facilities with proceeds from insurance and FEMA. Subsequent to the receipt of funds, FEMA de-obligated approximately $7.9 million in questioned costs. Approximately $2.6 million of these questioned costs related to an oil spill that was subsequently settled with FEMA. During 1998, WAPA submitted a second appeal for $4.4 million of the remaining questioned costs, and agreed to refund approximately $900 thousand of questioned costs to FEMA. During 1999, FEMA denied the second appeal and formally closed the disaster claim. WAPA has recorded a liability for $4.1 million related to the questioned costs. FEMA has not made a formal request for repayment of the funds.

In October 2008, WAPA Electric facilities on the island of St. Croix were damaged by Hurricane Omar. WAPA expended $2.7 million for storm cleanup and system restoration through June 2010. The Territory was declared a federal disaster after the hurricane and is eligible for reimbursement of 75% of what was expended according to the category of the damage. WAPA Electric has recorded a receivable from FEMA through the Office of Management and Budget – Public Assistance (OMB-PA) amounting to approximately $1.2 million.

In August 2010, WAPA Electric facilities were damaged by Hurricane Earl. WAPA has expended over $2 million for storm clean-up and restoration, which was completed in October 2010. The Territory was declared a Federal disaster area after the Hurricane and is eligible for reimbursement of 75% - 80% of what was expended according to the category damage. WAPA recorded a receivable of $1.1 million from FEMA through the Virgin Islands Territorial Emergency Management Agency (VITEMA) Public Assistance Program as of June 30, 2014.

WAPA has signed purchase power agreements with several companies to integrate a combined 18MW of solar electricity into the WAPA's electrical grid system. The agreements are for between 20 and 25 years, expiring between 2022 and 2027. WAPA will not own the solar assets, but will be able to purchase solar generated electricity at contracted rates.

In July 2013, the Governing Board of WAPA voted unanimously to approve an agreement between WAPA and the Vitol Group to build new infrastructure, convert existing turbines, as well as store and supply fuel for propane-based power generation. The project is designed to reduce the WAPA's fuel costs by 30% and therefore intended to allow for significant savings to the WAPA's rate payers. The project budgeted costs of approximately $90 million are to be paid upfront by Vitol Group.

In November 2014, the project budget was revised to $150.0 million. WAPA will have the right to use the power generation facilities and obligation to repay the majority of the ultimate project costs fronted by Vitol based on a 10 years amortization schedule (with the option to complete payment in 7 years) to be finalized once the project has reached substantial completion, which includes construction and successful testing. The project has revised targeted completion dates in fiscal year 2016.

On September 30, 2011, WAPA Electric entered into a Memorandum of Agreement (MOA) with viNGN, Inc., a Virgin Islands corporation and wholly owned subsidiary of the PFA. The MOA terms call for WAPA Electric to provide in-kind contributions in connection with a federal grant received by viNGN, Inc. The in-kind contributions consist of the use of certain facilities, equipment and communications infrastructure. The total in-kind match value budgeted by WAPA was $15.2 million. The term of the MOA is twenty-five (25) years upon execution, with two additional twenty-five (25) year terms unless either party provides a written notice of non-renewal not less than twelve (12) months, but no sooner than twenty-four (24) months prior to the expiration of the original term or any additional term.

In 2011, the Water System of WAPA entered into two agreements with a private company to build, operate and maintain two reverse osmosis facilities, one on St. Croix and one on St. Thomas, and sell the water from the facilities to WAPA. The agreements both have 20-year terms expiring through 2032. The amounts paid by the Water System to Seven Seas Corporation under the agreements were $7.9 million and $7.4 million for 2015 and 2014, respectively.

In 2002, the Federal Aviation Administration (FAA) conducted an on-site wildlife evaluation of the Anguilla Landfill, which is located next to the St. Croix airport. The FAA determined that the landfill posed an environmental and navigational threat to the airport due to flocks of birds that reside in the landfill area. The FAA stated it may require VIPA to repay $9.3 million in federal grants and has refused further discretionary grants for the airport until VIPA shows progress toward closing the landfill. The matter was mitigated in fiscal year 2013, and VIPA is now eligible for grants.

In 2004, the Anguilla Landfill was transferred to the jurisdiction of the WMA. WMA subsequently entered into a consent decree with EPA, extending the closure date of the landfill to the year 2020, while diverting incoming solid waste to a newly constructed transfer station. Under the consent decree, WMA must pay penalties of $50 thousand in installment of $12.5 thousand for the years ending September 30, 2012 through 2016. The $50 thousand was paid in fiscal year 2014 by WMA.

As of September 30, 2015 the Government and WMA have accrued stipulated penalties associated with the consent decree of $8.9 million. The Government has recorded a liability of $5.9 million related to the stipulated penalties as of September 30, 2015.

The Governor Juan F. Luis Hospital and Medical Center owns a 40% interest in a radiology practice that operates within the hospital. The radiology practice pays rent to the hospital and the hospital pays for services to hospital patients. As of September 30, 2015, the hospital owed the radiology practice $8.5 million.

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 as a result of any judgment under the V.I. Code.

14. Retirement Systems

Effective October 1, 2014, the Government implemented 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*. Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows of resources.

Plan Description and Benefits

Full time employees of the Government are members of GERS, a single-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 20 hours per week. Persons over the age of 55 may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after 10 years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

Tier I: Employees hired prior to September 30, 2005
Tier II: Employees hired on or after October 1, 2005

Regular employees who have completed 30 years of credited service or have attained age 60 with at least 10 years of credited service are eligible for a full service retirement annuity. Members who are considered “safety employees” as defined in the Code are eligible for full retirement benefits when they have earned at least 20 years of service or have reached the age of 55 with at least 10 years of credited service. Regular and safety employees who have attained age 50 with at least 10 years of credited service may elect to retire early with a reduced benefit.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for Tier I members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service. Average compensation for Tier II members is determined by averaging the most recent five years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during the service.

The maximum annual salary that can be used in this computation is $65,000, except for senators and judges, whose annual salary is used.

GERS is a blended component unit included in the financial reporting entity and is presented as a 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 Employees' Retirement System of the Government of the Virgin Islands, 3438 Kronprindsens Gade, St. Thomas, Virgin Islands 00802.

Contribution Information

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required contribution for Tier I and Tier II members through December 31, 2014 was 17.5% of the member's annual salary. Effective January 1, 2015, the Government's required contribution was increased to 20.5% of the Tier I and Tier II member's annual salary.

Effective January 1, 2015, Tier I member contributions increased by 1% to 9% of annual salary for regular employees, and will increase an additional 1% on January 1, 2016 and January 1, 2017. Member contributions for Tier I senators will increase 1% to 10% on January 1, 2015, and will increase an additional 1% on January 1, 2016 and January 1, 2017. Member contributions for Tier I judges will increase by 1% to 12% on January 1, 2015, and will increase an additional 1% on January 1, 2016 and January 1, 2017. Member contributions for safety (hazardous employees) will increase by 1% to 11% on January 1, 2015, and will increase an additional 1% on January 1, 2016 and January 1, 2017.

Effective February 5, 2015, Tier II member contributions increased by 1% to: 9.5% of annual salary for regular employees, and will increase an additional 1% on January 1, 2016 and January 1, 2017. Member contributions for Tier II senators will increase 3% to 14% on February 5, 2015. Member contributions for Tier II judges will increase by 3% to 14% on February 5, 2015. Member contributions for safety (hazardous employees) will increase by 1% to 11.625% on February 5, 2015, and will increase an additional 1% on January 1, 2016 and January 1, 2017.

Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Effective July 1, 2009, GERS Board of Trustees approved an effective annual interest rate on refunded contributions of 2% per annum.

Net Pension Liability

The net pension liability of the Plan is measured as of September 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014.

For the year ended September 30, 2015, the Government recognized $74 million of pension expense, inclusive of amortization of deferred outflows of pension related items. Given the limited historical information provided to the Government by GERS, it was not practical for the Government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. As such, and consistent with GASB Statement No. 71, the Government recognized a beginning deferred outflows of resources only for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the plan's fiscal year. No other beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions have been recognized.

Following is a schedule of deferred outflows and deferred inflows allocated to the Government in the computation of net pension liability (expressed in thousands):

Governmental Funds	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 27,989	$ -
Net difference between projected and actual investment earnings on pension plan investments	21,515	-
Changes in assumptions	188,213	-
Changes in proportion and differences between contributions and proportional share of contributions	6,973	23,392
Contributions made subsequent to measurement date*	64,357	-
Total deferred outflows and inflows of resources	$ 309,047	$ 23,392

The table above does not include deferred outflows and deferred inflows for certain component units that did not adopt GASB 68. Amounts reported as deferred outflows and inflows, exclusive of contributions made after the measurement date, will be recognized in pension expense as follows:

Year Ending September 30:	Net Deferred Outflows
2016	$ 55,325
2017	55,325
2018	55,325
2019	55,323
Total deferred net outflows of resources	$ 221,298

Actuarial Assumptions

Actuarial assumptions used in the computation of pension liability and deferred outflows and inflows of resources were as follows:

Valuation date:	October 1, 2014
Measurement date:	September 30, 2014
Inflation rate:	2.85%
Salary Increases:	4.00% including inflation
Investment rate of return:	4.42% net of pension plan investment expense, including inflation
Mortality rates:	RP-2000 Healthy Annuitant Mortality Table set forward 2 years.
Funding method:	Entry Age Normal Cost using the level percent of salary funding method.

Investment Rate of Return

The long-term expected rate of return of 7.5% on pension plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date of September 30, 2014, are summarized in the following table:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate Of Inflows**
Domestic equity	45%	6.99%
International equity	10%	7.49%
Fixed income	40%	2.59%
Alternatives	5%	4.29%
Total	100%	

Discount Rate

The discount rate used to measure total pension liability was 4.42% as of September 30, 2014 and 4.87% as of September 30, 2013. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the increases in the employee contribution rates effective January 1, 2015, 2016 and 2017. Using the above assumptions, GERS fiduciary net position is not projected to be available to make all projected future benefit payments to current plan members. The plan's long-term expected rate of return on pension plan investments of 7.5% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a 20-year AA Municipal Bond Index was applied. As of September 30, 2014, that rate was 4.11%.

The discount rate to measure the total pension liability as of September 30, 2013 (the measurement date for fiscal year ended September 30, 2014), was developed using the same method as described above, but a 20-Year AA Municipal Bond Index of 4.53% as of September 30, 2013 was applied to those periods where projected benefit payments were not covered by projected assets.

Changes in the Net Pension Liability
(Expressed in thousands)

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) - (b)**
Balances at September 30, 2014	$ 3,982,567	$ 1,252,509	$ 2,730,058
Changes for the year:			
Service cost	65,275	-	65,275
Interest	191,114	-	191,114
Change in assumptions	241,527	-	241,527
Change in contributions rates	(40,422)	-	(40,422)
Differences between expected and actual experience	35,918	-	35,918
Contributions - employer	-	68,299	(68,299)
Contributions – employee	-	34,020	(34,020)
Net investment income	-	50,427	(50,427)
Benefit payments, including refunds of employee contribution	(247,070)	(247,070)	-
Administrative expense	-	(18,868)	18,868
Other changes	-	3,574	(3,574)
Net changes	246,342	(109,618)	355,960
Balance at September 30, 2015	$ 4,228,909	$ 1,142,891	$ 3,086,018

Certain component units with a combined net pension liability proportionate share of $80 million did not adopt GASB 68 for the year ended September 30, 2015.

Sensitivity of Proportionate Share of the Net Pension Liability t1o Changes in the Discount Rate

Following is a schedule of net pension liability for the Government calculated using the discount rate of 4.42%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.42%) or one percentage point higher (5.42%) than the current rate (expressed in thousands):

Allocable Share for Primary Government	**1% Decrease (3.42%)**	**Current Discount (4.42%)**	**1% Increase (5.42%)**
Net pension liability	$ 3,583,207	$ 3,086,018	$ 2,665,638

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 75 years as of the date of the legislation, to retire without reduction of annuity. Members, who have attained the age of 50 with at least 10 but less than 30 years of credited service, may add an additional 3 years to their age for this computation. Members with 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% 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 as of September 30, 2015, of which $26.9 million had 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.

Postemployment Benefits

In addition to the pension benefits described, 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 cost-sharing, multiple employer defined benefit OPEB plan, in which all component units of the PG participate and contribute. All employees who retire from government service after attaining age 55 with at least 30 years of service; except for policemen and firemen who can retire with at least 20 years of service, are eligible for these benefits.

Based on census data included in the October 1, 2013 actuarial valuation of OPEB, approximately 7,862 active employees, 7,869 service retirees, 2,051 spouses of service and disability retirees covered for medical and dental benefits, 295 disability retirees, and 215 deferred vested (i.e., non-retired employees who have already terminated employment with the PG, but who are eligible for medical and life insurance benefits when they subsequently reach the qualifying age) meet the eligibility requirements of OPEB.

Healthcare, prescription and dental insurance is provided through negotiated contracts with private insurance companies. Participants in the plan may elect coverage for their spouses and dependent children. Participants are required to contribute 35% of medical, prescription and dental premiums.

Effective October 1, 2013, separate medical premiums for non-Medicare retirees and Medicare retirees are being used to determine contribution requirements, instead of a premium blended with active costs. Retirees of UVI that participate in the 403(b) retirement plan may obtain coverage on a fully contributory basis. Life insurance is offered to retirees on a fully contributory basis.

The contribution requirements of plan members and the PG are legislated within the V.I. Code, and may be amended, by the Virgin Islands Legislature. The plan is a non-funded pay-as-you-go plan, and expenditures are paid as they become due. For the years ended September 30, 2015 and 2014, the Legislature budgeted, and paid, $37.4 and 48.9 million for retiree health insurance payments.

The PG's postemployment benefit cost is calculated on the annual required contribution of the PG, an amount actuarially determined. The first actuarial valuation was prepared as of October 1, 2007, in accordance with provisions of GASB Statement 45— *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and has been updated by the actuarial consultant on October 1, 2009, 2011 and 2013. Prior to the implementation of GASB Statement 45, the PG did not report an OPEB obligation.

The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and amortize any unfunded actuarial liabilities over a period not to exceed an open thirty (30) year period.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the PG's annual postemployment benefits cost, percentage of OPEB costs contributed, and the net OPEB obligation (expressed in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	$ 89,962	35.06%	$ 201,423
9/30/2012	$ 80,322	45.65%	$ 245,079
9/30/2013	$ 71,176	43.95%	$ 284,974
9/30/2014	$ 65,247	47.77%	$ 319,056
9/30/2015	$ 67,713	43.63%	$ 357,224

Annual OPEB Cost and Net Postemployment Benefit Obligation

The following table shows the components of the PG's annual postemployment benefits cost for the fiscal year ended September 30, 2015, and the changes in the net estimated obligation for future payments of benefits (expressed in thousands):

Annual required contribution	$ 68,344
Interest on underfunded OPEB obligation	11,167
Adjustment to underfunded OPEB obligation	(11,798)
Annual OPEB cost	67,713
Employer contributions	(29,545)
Change in the net OPEB obligation	$ 38,168
Net OPEB obligation - beginning of year	$ 319,056
Change in the net OPEB obligation	38,168
Net OPEB obligation - end of year	$ 357,224

Actuarial Accrued Liability and Funding Status

Actuarial Valuation Date	October 1, 2013
Actuarial Accrued Liability (AAL)	$ 1,015,109
Unfunded AAL	$ 1,015,109
Funded Ratio	0%

The PG's obligation to provide health insurance to retirees is an unfunded plan. The actuarial valuation of the amount required to fund the plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Estimated annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members), and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the PG and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities, and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the first actuarial valuation dated October 1, 2007, liabilities at October 1, 2008 were rolled back to October 1, 2007. In subsequent valuation reports, actual benefit payments were used for the fiscal years ended September 30, 2009 through 2015.

Covered health care and dental care expenses were assumed to increase in future years based on the claims experience for fiscal years 2014 and 2015, and a trend assumption beginning at 7.5% for pre-Medicare retirees, 6.5% for post-Medicare retirees, 6.5% for dental benefits, and grading down to an ultimate rate of 4.5% in fiscal year 2021 and after. The entry age normal actuarial cost method with costs on a level percentage of payroll basis was used to determine the annual required cost of OPEB benefits to retirees. Amortization is over an open thirty (30) year period as a level percentage of payroll. Payroll growth is assumed to be 3% per year for purposes of amortization.

This method is consistent with the cost method used by GERS and typically produces the most level annual required contribution each subsequent year as a percentage of payroll. The normal cost was rolled back using the ultimate trend rate. A discount rate of 3.5% per annum was used, compounded annually. The valuation assumed that the annual unit cost per covered individual (i.e., retiree or spouse) for medical, prescription drugs and dental care for the fiscal year ended September 30, 2015, was $7,166, $1,547 and $200 for retirees under age 65; and $999, $1,578 and $200 for retirees over age 65.

The normal cost reflects the average age of the covered population and is based on claims experience for the fiscal years ended September 30, 2014 and 2015, with a two-thirds weighting applied to the more recent year.

Combined experience and a combined cost were used for the pre-65 and post-65 populations. A composite cost was developed for retirees and spouses by combining their claim experience. Dependent children claims were included in developing the composite retiree and spouse cost. Costs were adjusted to reflect the anticipated lag in claim payment. An administrative loading was added as well.

WICO Employee Retirement Plan

The WICO Employee Retirement Plan (the Plan) is a defined contribution retirement and savings plan sponsored by the Company, covering the Company's employees not governed by a collectible bargaining agreement. The Plan is administered by Weber Shapiro & Co. LLP. Under the provisions of the Plan, the employees must contribute at least 3% of their gross compensation and may contribute up to 7% of their compensation. The Company matches 3% of the employees' contribution plus a non-elective distribution at the discretion of the Company, which is divided among eligible employees, proportionate to compensation.

Required contributions to the pension and savings plan made and charged to operations were approximately $119,000 for the year ended September 30, 2015. Total contributions made to the Plan by the covered employees during 2015 amounted to $125,700. The Company does not offer other post-retirement benefits to its employees.

University TIAA-CREF Defined-Contribution Plan

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. Total contributions made by the University to TIAA-CREF and GERS participant accounts amounted to $2.3 million (unaudited) and $1.5 million (unaudited), respectively for the fiscal year ending September 30, 2015.

15. Liquidity

Governmental Activities

At September 30, 2015, the Government reported an unrestricted net deficit in governmental activities amounting to $4 billion. The net deficit resulted from: 1) the 2008 financial markets collapse and subsequent recession resulting in a reduction in income tax revenue and increase in unemployment, 2) increases in costs of operations, and 3) the negative effect of certain Internal Revenue Service regulations resulting in a reduction of economic development companies operating in the Territory. For the year ended September 30, 2015, the Government has implemented a new accounting standard (GASB Statement No. 68) which requires the reporting of pension liabilities and pension expense based on actuarial computations of those amounts. As a result of this new accounting standard, the Government has included long-term pension liabilities amounting to $2.3 billion in the current fiscal year, and has reported additional pension expense of $75 million.

Following is a summary of the Government's unrestricted net deficit for governmental activities for fiscal years 2011 through 2015:

Fiscal Year	**Governmental Unrestricted Net Deficit**	**(Increase)/ Decrease**
2011	$ (1,630,549)	$ (221,948)
2012	(1,697,066)	(66,517)
2013	(1,837,805)	(140,739)
2014	(1,484,069)	353,736
2015	(3,470,433)	(1,986,364)

The Government has initiated specific actions to improve its liquidity and future cash flows. The Government established the Office of Economic Opportunity to generate jobs, to promote energy efficient appliances and automobiles, and to improve infrastructure. The Government has also legislated increases in local taxes such as the gross receipts taxes and hotel taxes.

General Fund

At September 30, 2015, the Government reported a fund deficit in the General Fund of $58.8 million. This fund deficit balance represents a decrease in the General Fund balance of $28.9 million from the preceding fiscal year, mainly due to the issuance of working capital loans to offset deficits resulting from expenditures exceeding revenues.

Following is a summary of the General Fund balance for fiscal years 2015, 2014 and 2013:

Fiscal Year	Committed	Assigned	Unassigned	Total
2013	$ 27,314	$ -	$ (120,026)	$ (92,712)
2014	12,126	-	(99,794)	(87,668)
2015	14,687	576	(74,073)	(58,810)

16. Fund Deficit

The following non-major funds have a net fund deficit as of September 30, 2015 (in thousands):

Governmental Funds			
Rural Library Extension	$ 572	Water & Electric System Projects	$ 1,698
Employment Security Administration	2,302	Sewer System Fund	175
Federally Aided Education Program	9,597	District Potable Water Fund	4,962
Air & Water Pollution Control	7,314	Paternity And Child Support	11,872
Virgin Islands Planning Board Projects	3,000	District Street Light Fund	15,478
Highway Safety	4,600	Virgin Islands Law Enforcement	4,658
Virgin Islands Energy Office	3,655	Forensic Science	74
Virgin Islands National Guard Federal and State Agreement	2,760	Vocational Rehabilitation	1,848
		Hurricane Hugo Insurance Claims	3,908
Food Stamp Welfare Federal Programs/Department	2,434	Virgin Islands Army National Guard	2,266
		Emergency Drought Relief	163
Conservation	4,272	Outdoor Recreation Program	32
Federal Aided Community Action Agency	187	Narcotics Strike Force Forfeiture	2
Commission On Aging	50	Small Business Development Administration Managerial And Technical Assistance	8
Elementary/Secondary Education	19		
Job Training Partnership Act Of 1983-1984	8,614	Juvenile Detention Center Fund Non-Lapsing	14
Civil Defense Protection	849	Natural Resource Reclamation	2,205
Health Information Council Assistance	18	Section 12 Bond Proceeds	31,449
Drug Education Training Program	123	Road Fund	6,330
Federal Health Program Not On Federal Letter Of Credit System	489	Major Repair And Improvement	58
Boating Safety Program	584	Fishery and Wildlife Projects	33
		Net fund deficit	$ 138,672

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	4
Virgin Islands Lottery	2,996
Consumer Protection Fund	200
Virgin Islands Housing Finance Authority	2,898
Homestead and Home Revolving Fund	344
Net fund deficit	$ 14,344

17. Restatements to Beginning Net Position (Deficit)

Governmental Activities - Statement of Net Position

Beginning unrestricted net position of governmental activities in the government-wide financial statements was restated as follows (expressed in thousands):

	Net Position (Deficit)		
Governmental Activities	**As Previously Reported**	**Adjustments**	**As Restated**
Unrestricted net deficit	$ (1,442,988)	$ (2,027,445)	$ (3,470,433)

Adjustments to the unrestricted net deficit are mainly due to $2.015 billion in connection with the implementation of GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenditures. The Statement requires the pension liability to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan. The pension liability measurement date under GASB 68 is one year prior to the financial statements (the measurement date). The adjustment represents the estimated liability as of September 30, 2013, reflected in the opening net deficit of governmental activities as of September 30, 2014. Additional adjustments were made by the Government to adjust for certain capital assets as of September 30, 2014 and to account for changes in the amortization method of bond premiums and discounts to the effective interest method.

Component Units

Beginning net position of certain discretely presented component units was restated to correct account balances reported in prior years as follows (expressed in thousands); these adjustments were primarily related to the adoption of GASB 68.

	Beginning Net Position		
Component Unit	**As Previously Reported**	**Adjustments**	**As Restated**
Virgin Islands Housing Authority	$ 81,912	$ -	$ 81,912
Virgin Islands Port Authority	236,603	(83,337)	153,266
Virgin Islands Water and Power Authority:			
Electric System	45,195	(163,907)	(118,712)
Water System	52,889	(34,094)	18,795
Virgin Islands Government Hospital and Health Facilities Corporation:			
Roy L. Schneider Hospital	39,429	(110,511)	(71,082)
Juan F. Luis Hospital	(8,573)	(82,002)	(90,575)
University of the Virgin Islands (unaudited)	78,788	(56,516)	22,272
Other component units	239,526	(66,861)	172,665
Net position	$ 765,769	$ (597,228)	$ 168,541

18. Subsequent Events

Primary Government

On November 26, 2015, PFA extended an irrevocable standby letter of credit in favor of Delta Airlines, Inc. amounting to $650 thousand with First Bank Puerto Rico through November 26, 2016. The letter of credit was established under a Revenue Guarantee Agreement (Agreement) between Delta Airlines, Inc. and the U.S. Virgin Islands of Tourism as part of an agreement for Delta Airlines, Inc. to continue flights to the island of St. Croix.

On December 1, 2015, the United States District Court of the Virgin Islands, Bankruptcy Division, St. Croix, Virgin Islands, approved a purchase agreement for the sale of the HOVENSA oil refinery and related facilities located in St. Croix to ArcLight Capital Partners (ArcLight). The HOVENSA facility had been closed since 2012. As part of the agreement the Government and HOVENSA closed certain lawsuits for the payment of income tax refunds amounting to $236 million for tax years 2006, 2007 and 2008 and settled an ongoing lawsuit related to an outstanding settlement agreement for $43.5 million due to natural resource damages.

Also on December 1, 2015, the PG entered into an operating agreement with Limetree Bay Terminals, LLC (Limetree), a wholly-owned affiliate of ArcLight, agreeing to lease the former HOVENSA, Inc. oil refining facility for a twenty-five (25) year term, with a fifteen (15) year extension term and to refurbish, operate and explore expansion of the oil terminal, investing $125 million within the first two years. Limetree made a payment of $90 million to HOVENSA, Inc. for the existing facility, and $30 million to wind down the site. Limetree agreed to make an upfront payment to the PG amounting to $220 million upon entering the agreement, as well as $15 million in other payments In addition, the buyer agreed to provide $15 million in electric supply at the request of the PG. The buyer receives exemptions from taxes as part of the agreement, and agrees to pay variable terminal payments of 10% of terminal revenues due on the last day of each quarter.

On December 14, 2015, PFA issued the Series 2015 Federal Highway Grant Anticipation Revenue Bonds (Series 2015 Bonds) amounting to $89.9 million. The Government has pledged federal highway grant revenues and certain transportation trust fund revenues for the timely payment of the Series 2015 Bonds. The Series 2015 Bonds bear interest at rates from 3.0% to 5.0% with payments due on March 1st and September 1st and principal payments due on September 1st a final maturity on September 1, 2033. The Series 2015 Note was issued to: (i) to finance certain operating expenses of the PG, (ii) to fund certain costs of issuing the Series 2015 Note and (iii) to establish certain debt service accounts in connection with the Series 2015 Note. On December 18, 2015, an additional $20 million was drawn from the Series 2014 E Notes (Virgin Islands Gross Receipts Tax Loan Notes), bringing the total withdrawn to $60 million. On January 8, 2016, $50 million of the outstanding balance was repaid.

On December 18, 2015, Congress enacted the Protecting Americans from Tax Hikes Act of 2015. This Act legislated an extension of the (matching funds) rum excise tax cover over rate of $13.25 per proof gallon through December 31, 2016.

On March 2, 2016, WICO received a non-revolving line of credit and conversion to commercial term loan with Banco Popular in the amount of $11.6 million. The loan proceeds will be utilized to assist in completion of the cruise ship dock construction and other renovations.

On April 14, 2016, PFA and the Government entered into a settlement agreement with three professional firms that provided services in connection with the Series 2006 arbitrage payment obligations. The Government paid $13.64 million in connection with an IRS audit of the arbitrage liability in a prior year. Under the terms of the settlement agreement, the professional firms paid $8.1 million to settle the litigation.

Component Units

On May 18, 2016, the Electric System of WAPA presented testimony before the Legislature of the Virgin Islands in support of Bill no 31-0256, which proposes to lower the interest on customer deposits from 4.75% compounded annually to the average interest rates offered by banks.

On May 13, 2016, the Electric System of WAPA completed all filing requirements to draw down funds on the Rural Utilities Services loan program. It is anticipated that funds will be released to WAPA in June 2016.

On March 31, 2016, Moody's Investor's Services placed on review for downgrade the WAPA Electric's Baa3 Electric System revenue bonds rating and the Ba1 electric system subordinated revenue bonds rating. On June 6, 2016, Moody's Investor Services further downgraded the Electric System revenue bond rating to Ba2 from Baa3, and the electric system subordinated revenue bond rating to Ba3 from Ba1.

On November 30, 2015, the Water and Power Authority Electric System's Governing Board authorized the Authority to file a petition with the Commission for permanent rates for the Electric System. On December 2015 the Authority file for such rate increase before the Commission. On May 13. 2016, the Authority filed for an emergency interim Electric System base rate relief in the form of a cash reserve.

On November 30, 2015, the Water and Power Authority Water System Governing Board authorized the Authority to file a petition with the Commission for permanent base rates for the Water System.

On July 30, 2015 the Legislature of the Virgin Islands through Act 774 officially changed the name of the Virgin Islands Public Television System to the Virgin Islands Public Broadcasting System. The change is effective November 2015.

In June 2016, GERS received $7 million from the Internal Revenue Matching Funds as stipulated under Act No. 7261 Section 13 (Bill No. 29-0123).

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2015, the statement of net position date through June 27, 2016, the date the financial statements were available to be issued, and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Government's financial statements for the year ended September 30, 2015.

Required
Supplementary Information

Government of the United States Virgin Islands

Schedule of Funding Progress

Postemployment Benefits Other Than Pensions

Actuarial valuation Date	(a) Actuarial value of Assets	(b) Unfunded actuarial accrued liability (UAAL)	(c) Actuarial accrued liability (a)+(b)	(d) Funded Ratio (a)/(c)	(e) Annual covered Payroll	UAAL as a percentage of covered payroll (b)/(e)
10/1/2007	$ –	$ 976,455,000	$ 976,455,000	–	N/A	N/A
10/1/2009	$ –	$ 1,069,562,000	$ 1,069,562,000	–	$418,467,000	255.59%
10/1/2011	$ –	$ 1,133,327,000	$ 1,133,327,000	–	$403,389,000	280.95%
10/1/2013	$ –	$ 982,484,000	$ 982,484,000	–	$298,873,000	240.55%

Additional Note Disclosure - Annual OPEB Cost and Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2008	$ 78,185,000	40.36%	$ 46,629,000
9/30/2009	$ 82,004,000	42.34%	$ 93,195,000
9/30/2010	$ 85,946,000	42.89%	$ 143,002,000
9/30/2011	$ 89,962,000	35.06%	$ 201,423,000
9/30/2012	$ 80,322,000	45.65%	$ 245,079,000
9/30/2013	$ 71,176,000	43.95%	$ 284,974,000
9/30/2014	$ 65,247,000	47.77%	$ 319,056,000
9/30/2015	$ 67,713,000	43.63%	$ 357,224,000

Government of the United States Virgin Islands

Schedule of Contributions

September 30,	**2015**
Actuarially required contributions	$ 200,089,791
Contributions in relation to actuarially required contributions	64,325,068
Contribution deficiency (excess)	$ 135,764,723
Covered-employee payroll	$ 355,603,633
Plan fiduciary net position as a percentage of the total pension liability	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 is as of the latest fiscal year.

Government of the United States Virgin Islands

Schedule of Changes in the Government's Net Pension Liability and Related Ratios

September 30,	**2015**
Total pension liability	
Service cost	$ 65,274,936
Interest	191,113,749
Changes of benefit terms	(40,421,809)
Differences between expected and actual experience	35,917,905
Changes of assumptions	241,527,329
Benefit payments, including refunds of employee contributions	(247,069,503)
Net change in total pension liability	246,342,607
Total pension liability – beginning	3,982,566,780
Total pension liability – ending (a)	$ 4,228,909,387
Plan fiduciary net position	
Contributions – employer	68,298,617
Contributions – employee	34,020,107
Net investment income	50,426,921
Benefit payments, including refunds of employee contributions	(247,069,503)
Administrative expenses	(18,867,491)
Other	3,573,611
Net change in plan fiduciary net position	(109,617,738)
Plan fiduciary net position – beginning	1,252,509,113
Plan fiduciary net position – ending (b)	1,142,891,375
Net pension liability – ending (a) – (b)	$ 3,086,018,012
Plan fiduciary net position as a percentage of the total pension liability	27.26%
Covered-employee payroll	$ 355,603,633
Net pension liability as percentage of covered-employee payroll	867.83%

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).

Government of the United States Virgin Islands

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

(in thousands)

Year Ended September 30, 2015	Original Budget	Revised Budget	Actual	Variance
Revenues:				
Taxes	$ 459,170	$ 459,170	$ 621,801	$ 162,631
Federal grants and contributions	–	–	10,919	10,919
Charges for services	13,998	13,998	10,903	(3,095)
Interest and other	146,058	146,058	43,333	(102,725)
Total revenues	619,226	619,226	686,956	67,730
Expenditures:				
Current:				
General government	410,914	412,339	474,913	(62,574)
Public safety	105,329	105,329	57,343	47,986
Health	71,129	88,555	45,313	43,242
Public housing and welfare	71,023	78,964	59,822	19,142
Education	163,976	165,276	174,675	(9,399)
Transportation and communication	32,881	32,884	18,564	14,320
Culture and recreation	20,959	21,024	7,299	13,725
Total expenditures	876,211	904,371	837,929	66,442
Deficiency of revenues over expenditures	(256,985)	(285,145)	(150,973)	1,288
Other financing sources (uses):				
Bonds issued	–	–	–	–
Loans issued	–	–	80,000	80,000
Debt service:				
Principal	–	–	(1,121)	(1,121)
Interest	–	–	(316)	(316)
Transfers from other funds	90,252	90,252	113,302	23,050
Transfer to other funds	(2,082)	(2,082)	(4,443)	(2,361)
Total other financing sources, net	88,170	88,170	187,422	99,252
Excess (deficiency) of revenues and net other financing sources over expenditures	$ (168,815)	$ (196,975)	$ 36,449	$ 100,540

See accompanying notes to the Schedule.

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 GAAP basis, except for encumbrances, which are reported as expenditures for budget reporting purposes, by the Virgin Islands Office of Management and Budget (OMB) working in conjunction with other Government offices and agencies. 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.

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 in the excess (deficiency) of revenue and net other financing sources over expenditures for the year ended September 30, 2015, is presented below (expressed in thousands):

Excess of revenues and net other financing sources over expenditures	$ 100,540
Entity difference – deficiency of revenues and net other financing over expenditures – activities with budgets not legally adopted	71,682
Excess of revenues and net other financing sources over expenditures – GAAP basis (net change in fund balance)	$ 28,858

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.