



**VIRGIN ISLANDS
PUBLIC FINANCE AUTHORITY**

(a blended component of the Government
of the United States Virgin Islands)

**Management's Discussion and Analysis,
Basic Financial Statements and
Supplementary Information
September 30, 2009 and 2008**

Virgin Islands Public Finance Authority
(a blended component of the Government of the United States Virgin Islands)
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September 30, 2009 and 2008

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Report of Independent Auditors

To the Board of Directors of
The Virgin Islands Public Finance Authority

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses and changes in net assets, and of cash flows (collectively "the basic financial statements") present fairly, in all material respects, the financial position of The Virgin Islands Public Finance Authority (a blended component of The Government of the United States Virgin Islands) (the "Authority") at September 30, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

The management's discussion and analysis on pages 2 through 7 are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary Information included on pages 40 to 46, as of September 30, 2009 and for the year then ended are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

June 23, 2010

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2010
Stamp 2492304 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Management's Discussion and Analysis
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The Management and Board of Directors of the Virgin Islands Public Finance Authority (the "Authority") are pleased to present the following discussion and analysis of the Authority's financial performance for the fiscal years ended September 30, 2009 and 2008.

Please read this information in conjunction with the Authority's financial statements, which begin on page 8.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Virgin Islands Public Finance Authority (the "Authority"), a blended component of the Government of the US Virgin Islands, was created by the Virgin Islands Act No. 5365 (the "Act"), "The Government Capital Improvement Act of 1988", for the purposes of aiding the Government of the Virgin Islands (the "Government") in the performance of its fiscal duties and in effectively carrying out its governmental responsibility of raising capital for essential public projects. The Authority engages in business-type activities, grant management, and debt service fund administration on behalf of the Government.

Under the Authority's debt service fund, the Authority issue debt instruments (mainly bonds and notes) and loans the proceeds to the Government of the Virgin Islands under the same terms of the debt source. The proceeds from debt issuances are also managed on behalf of the Government of the Virgin Islands by the Authority. This management activities consist in investing the proceeds in permitted investments, managing the debt service reserves, make payments for capital projects for the benefit of the residents of the Virgin Islands and receive pledged revenues for the timely payment of principal and interest. Since the Authority holds the bond proceeds, disbursements on behalf of the Government of the Virgin Islands are recorded as reduction in the amounts due to the Government of the Virgin Islands in the balance sheet and are presented in the statement of cash flows as payments on behalf of the Government of the Virgin Islands.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, and Notes to the Financial Statements presented on pages 8 through 39 provide information about the activities of the Authority as a whole.

The Statement of Net Assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. The Statement of Revenues, Expenses and Changes in Net Assets provides information showing how the Authority's net assets changed during the most recent fiscal year. The Notes to the Financial Statements provide additional information regarding the financial statements.

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FINANCIAL HIGHLIGHTS

Following is a condensed financial information of the Authority for years 2009, 2008, and 2007:

	(in thousands)		
	2009	2008	2007
Condensed information from Statement of Net Assets			
Current assets	\$ 432,111	\$ 286,641	\$ 277,894
Non-current assets excluding capital assets	1,453,550	1,120,946	1,155,579
Capital assets (net of depreciation)	<u>50,256</u>	<u>49,350</u>	<u>47,186</u>
Total assets	<u>1,935,917</u>	<u>1,456,937</u>	<u>1,480,659</u>
Current liabilities	81,485	70,531	69,943
Long-term portion of bonds outstanding	1,252,036	1,034,553	1,068,154
Other Liabilities	<u>545,771</u>	<u>288,030</u>	<u>277,397</u>
Total liabilities	<u>1,879,292</u>	<u>1,393,114</u>	<u>1,415,494</u>
Net Assets			
Invested in capital assets, net of debt	28,847	27,668	27,020
Restricted	27,316	27,183	26,858
Unrestricted	<u>462</u>	<u>4,972</u>	<u>11,287</u>
Total net assets	<u>56,625</u>	<u>59,823</u>	<u>65,165</u>
Condensed information from Statement of Revenue, Expenses and Changes in Net Assets			
		4,000	
Operating revenues	12,534	10,652	12,811
Operating expenses	<u>(16,514)</u>	<u>(17,351)</u>	<u>(12,936)</u>
Operating income	(3,980)	(6,699)	(125)
Non-operating (expenses) income and other changes in net assets	<u>782</u>	<u>1,357</u>	<u>(1,057)</u>
Change in net assets	<u>\$ (3,198)</u>	<u>\$ (5,342)</u>	<u>\$ (1,182)</u>

Noncurrent assets, excluding capital assets, increased by \$331 million in 2009 and decreased by \$33 million in 2008 mainly due to new bond issuances and payments made by the Authority on behalf of the Government of the Virgin Islands, respectively.

Capital assets increased by \$906 thousand in 2009 (increased by \$2.1 million in 2008) mainly due to the improvements in the Authority's two commercial complexes.

Long-term portion of bonds outstanding increased by \$217 million in 2009 mainly due to the net effect of the issuance of the Series 2009 A Revenue bonds in the amount of \$250 million and repayments of debt service principal due on October 1, 2008 in the amount of \$35 million. Decrease in 2008 of \$34 million mainly due to repayment of debt service principal due on October 1, 2007 in the amount of \$32 million.

The net assets of the Authority decreased by \$3.1 million during fiscal year 2009 (decreased by \$5.3 million in 2008). The decrease in both years is mainly due to payments made by the Authority on behalf of the Government of the Virgin Islands.

In 2009, operating revenues experienced an increase of \$1.8 million (decreased by \$2.1 million in 2008) mainly due to the management fees received in connection with the bond and notes issued during the current fiscal year in the amount of \$3.5 million. Decrease in 2008 mainly due to the downturn in the economy.

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Commercial Complexes

The Authority manages two commercial complexes, The West Indian Company (WICO) and the King's Alley Management, Inc. (King's Alley). WICO is a port facility including a cruise ship pier, shopping mall and rental complex on the island of St. Thomas. King's Alley is a shopping mall and hotel, on the island of St. Croix.

Following is condensed financial information for WICO and King's Alley for the years ended 2009, 2008, and 2007:

	WICO			King's Alley		
	2009	2008	2007	2009	2008	2007
Operating Revenues	\$ 8,338	\$ 10,072	\$ 11,374	\$ 639	\$ 502	\$ 391
Operating Expenses	(8,390)	(9,031)	(8,974)	(937)	(888)	(694)
Operating Income (Loss)	(52)	1,041	2,400	(298)	(386)	(303)
Nonoperating Revenues	118	147	355	2	6	9
Nonoperating Expenses	(2,180)	(1,484)	(2,402)	(253)	-	-
Income (loss) before interfund transfers	(2,114)	(296)	353	(549)	(380)	(294)
Internal transfers	-	-	-	-	201	942
Change in Net Assets	\$ (2,114)	\$ (296)	\$ 353	\$ (549)	\$ (179)	\$ 648

WICO's operating revenues consist of agency fees charged to cruise lines and rental income. During fiscal year 2009, the decrease in income is due to a decrease in passenger arrivals from 1,754,557 in 2008 to 1,507,623 in 2009.

King's Alley operating loss of \$549 thousand is mainly due to an impairment loss of \$253 thousand, due to property damage to the King's Alley dock resulting from the passage of Hurricane Omar during October 2008. The King's Alley Hotel reopened its facilities during February 2008 after nearly four years of renovations.

Investment Management Activities

During the current year, the Authority (i) managed the assets of all of its bond series, (ii) note series, and (iii) defeased bonds.

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Investments under management for fiscal years 2009, 2008, and 2007 were as follows:

	Restricted Cash and Investments		
	(in thousands)		
	2009	2008	2007
Bonds and notes series	\$ 459,604	\$ 302,665	\$ 290,513
Defeased bond series	1,127	3,633	7,490
Investments under management	<u>460,731</u>	<u>306,298</u>	<u>298,003</u>
Other restricted cash, cash equivalents and investments	<u>4,535</u>	<u>5,480</u>	<u>5,402</u>
	<u><u>\$ 465,266</u></u>	<u><u>\$ 311,778</u></u>	<u><u>\$ 303,405</u></u>

Grant Management Activities

During the fiscal year 2009, the Authority formed the Office of Economic Opportunity to manage provide oversight of the American Recovery and Reinvestment Act of 2009. No funds were received by this office in 2009.

DEBT ADMINISTRATION

At September 30, 2009, the Authority had approximately \$1.3 billion in bonds outstanding as follows.

	Bonds			Bonds			Bonds		
	(in thousands)			(in thousands)			(in thousands)		
	Outstanding	New	Debt	Outstanding	New	Debt	Outstanding	New	Debt
	9/30/2007	Issuances	Payments	9/30/2008	Issuances	Payments	9/30/2009	Issuances	Payments
2009 Series	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -
2006 Series	219,490	-	(505)	218,985	-	(1,490)	217,495	-	-
2004 Series	88,725	-	(3,130)	85,595	-	(3,285)	82,310	-	-
2003 Series	262,155	-	(3,110)	259,045	-	(3,230)	255,815	-	-
2002 Series	6,785	-	(3,310)	3,475	-	(3,475)	-	-	-
1999 Series	105,410	-	(5,585)	99,825	-	(5,900)	93,925	-	-
1998 Series	429,405	-	(16,530)	412,875	-	(17,370)	395,505	-	-
Total	<u>\$ 1,111,970</u>	<u>\$ -</u>	<u>\$ (32,170)</u>	<u>\$ 1,079,800</u>	<u>\$ 250,000</u>	<u>\$ (34,750)</u>	<u>\$ 1,295,050</u>	<u>\$ -</u>	<u>\$ -</u>

In July 2009, the Authority issued the 2009 Series A Bonds. The proceeds were loaned to the Government of the Virgin Islands to provide a grant to Diageo USVI, Inc. for the construction and equipping of a rum production and maturation warehouse facility to be located on the island of St. Croix, (see Note 5).

At September 30, 2009, defeased bonds outstanding from prior years amounted to \$162.9 million (1999 Series) (\$162.9 million in 2008), \$121.2 million (1989 Series) (\$130.4 million in 2008) and \$125.4 million (1994 and 1992 Series) (\$138.3 million in 2008).

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Loans outstanding were as follows:

	Loans (in thousands)			Loans (in thousands)			Loans Outstanding 9/30/2009
	Outstanding 9/30/2007	New Issuances	Debt Payments	Outstanding 9/30/2008	New Issuances	Debt Payments	
	2009 W.C. BAN	\$ -	\$ -	\$ -	\$ -	\$ 100,000	
2009A TIR BAN	-	-	-	-	6,032	-	6,032
2009A Diageo BAN	-	-	-	-	29,615	(29,615)	-
2009 Revenue Note	-	-	-	-	8,000	-	8,000
2008 VIPD Note	-	7,650	(208)	7,442	-	(2,436)	5,006
2006 VIFD Note	2,734	-	(1,331)	1,403	-	(1,403)	-
2005 VIPD Note	1,441	-	(1,441)	-	-	-	-
WICO	22,015	2,216	(674)	23,557	564	(607)	23,514
Total	\$ 26,190	\$ 9,866	\$ (3,654)	\$ 32,402	\$ 144,211	\$ (34,061)	\$ 142,552

In September 2009, the Authority issued the 2009 Working Capital Bond Anticipation Note creating credit facilities with two local banks. The purpose of the notes is to provide a loan to the Government of the Virgin Islands to finance certain operating expenses of the Government (see Note 7).

In September 2009, the Authority issued the 2009 Tax Increment Revenue Bond Anticipation Note to provide a loan to the Government of the Virgin Islands to finance the development of a shopping complex on the island of St. Croix (see Note 7).

In June 2009, the Authority issued the 2009 Diageo Bond Anticipation Notes to provide a loan to the Government of the Virgin Islands for the start-up costs associated with the construction of a state-of-the-art rum distillery and storage facility (see Note 7).

In February 2009, the Authority issued the 2009A Revenue Loan Note to finance the purchase and installation of 911 communications equipment for the Virgin Islands Police Department (see Note 7).

Over the last three years the West Indian Company's operations have been negatively affected by the reduction in cruise ship traffic in its facilities caused in part by the economic recession and also by the relocation of cruise ships from its facilities to the nearby Crown Bay facility owned by the Virgin Islands Ports Authority. This situation is compounded by a minimum contribution in lieu of taxes of \$700,000, regardless of the operating results. As shown in the tables in the MD&A, these situations have resulted in reductions in revenues and operating income, leading to an operating loss of approximately \$52,000 in fiscal year 2009, as well as decreases in working capital (current assets less current liabilities) to approximately \$1.9 million and unrestricted net assets to approximately \$667,000. As a consequence, the Company did not comply, as of September 30, 2009 and for the year then ended, with Bank loan covenants requirement minimum operating revenue thresholds. At September 30, 2009, the Company did comply with the debt service reserve requirement of its loan agreement, which requires that it set aside sufficient cash for the following year's debt service requirements. The Company also had positive operating cash flow during fiscal year 2009. The Company requested and the Bank granted a waiver over the failure to comply with the minimum operating revenue for the fiscal year 2009. The waiver was granted during May 2010.

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**CURRENTLY KNOWN FACTS AFFECTING FINANCIAL POSITION OR RESULTS OF OPERATIONS-
ECONOMIC FACTORS**

Tax Collections

Bonds and notes issued by the Authority are supported by pledged rum excise tax revenues and gross receipts tax revenues as more fully described in Note 5 of the accompanying financial statements. Rum excise taxes are Federal excise tax collections from rum which are returned to the Government of the Virgin Islands from the Federal Government. Rum production occurs at one private facility. Gross receipts tax revenues are a tax on gross professional services and sales. Debt service payments of principal and interest from these revenue sources for the past three years are as follows:

	Year ending September 30,		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
	(in thousands)		
Excise rum tax	\$ 50,804	\$ 48,238	\$ 48,209
Gross receipts tax	\$ 44,390	\$ 42,220	\$ 40,982

The ability of the Government to meet its loan obligations to the Authority is dependent upon the collection of tax revenues.

Investment Performance and Agreements

The Authority investments include Aaa rated money market funds and commercial securities. Due to declining interest returns, the Authority entered into three debt service agreements during fiscal year 2002. The terms of the agreements provide a guaranteed return in exchange for the guaranty of Authority debt service reserves. The Authority received \$1.6 million in fees upon entering into the agreements and a guaranteed average rate of return of 5% to 6% on investments subject to the agreements.

Contacting the Company

This financial report is designed to provide users with a general overview of the Company's finances. If you have questions about this report or need additional financial information, contact the Authority:

Virgin Islands Public Finance Authority
32 & 33 Kongens Gade, Government Hill
St. Thomas, US Virgin Islands 00802
(340) 714-1635

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
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Statements of Net Assets
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	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 30,711,458	\$ 24,777,211
Restricted cash and cash equivalents	76,796,836	75,641,135
Restricted investments, at fair value	277,223,305	140,255,229
Receivables, net	1,158,292	1,246,081
Restricted loans receivable - Government of the U.S. Virgin Islands	45,336,255	39,925,118
Prepaid expenses and other assets	885,194	795,966
Total current assets	<u>432,111,340</u>	<u>282,640,740</u>
Noncurrent assets		
Restricted investments, at fair value	113,142,658	97,757,378
Restricted loan receivable - Government of the U. S. Virgin Islands	1,335,701,122	1,017,441,153
Bond discounts and issuance costs	4,705,752	5,748,395
Capital assets, net of depreciation	50,256,415	49,349,804
Total noncurrent assets	<u>1,503,805,947</u>	<u>1,170,296,730</u>
Total assets	<u>\$ 1,935,917,287</u>	<u>\$ 1,452,937,470</u>
LIABILITIES		
Current liabilities		
Accrued expenses and other liabilities	\$ 5,093,939	\$ 2,895,574
Loans payable related to capital assets	606,098	416,188
Notes payable	10,556,255	3,632,216
Deferred revenue	193,716	193,714
Bonds payable	33,050,000	34,750,000
Interest payable	31,985,043	28,643,698
Total current liabilities	<u>81,485,051</u>	<u>70,531,390</u>
Noncurrent liabilities		
Loans payable related to capital assets	22,908,792	23,140,793
Notes payable	108,481,122	5,212,733
Bonds payable (including a reduction of \$9,964,039 and \$10,496,872 in 2009 and 2008, respectively, due to a deferred amount on defeased bonds)	1,252,035,961	1,034,553,128
Restricted assets held for the Government of the U.S. Virgin Islands	271,212,273	141,238,948
Deferred revenue	-	193,716
Payable from restricted assets	143,168,837	118,243,685
Total non-current liabilities	<u>1,797,806,985</u>	<u>1,322,583,003</u>
Total liabilities	<u>1,879,292,036</u>	<u>1,393,114,393</u>
NET ASSETS		
Invested in capital assets, net of related debt	28,846,908	27,668,007
Restricted	27,316,460	27,183,366
Unrestricted	461,883	4,971,704
Total net assets	<u>\$ 56,625,251</u>	<u>\$ 59,823,077</u>

The accompanying notes are an integral part of these financial statements.

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	2009	2008
OPERATING REVENUES		
Charges for services	\$ 8,976,311	\$ 10,573,632
Other	<u>3,557,355</u>	<u>78,611</u>
Total operating revenues	<u>12,533,666</u>	<u>10,652,243</u>
OPERATING EXPENSES		
General and administrative	14,209,338	15,238,834
Depreciation and amortization	<u>2,305,033</u>	<u>2,112,630</u>
Total operating expenses	<u>16,514,371</u>	<u>17,351,464</u>
Operating (loss) income	<u>(3,980,705)</u>	<u>(6,699,221)</u>
NONOPERATING REVENUES		
(EXPENSES)		
Interest income		
Cash, cash equivalents and investments	5,833,503	6,055,283
Loans receivable	60,263,831	57,744,283
Other investment Income	193,714	193,714
Budgetary allocation	3,500,000	3,570,000
Amortization of bond discount and issuance costs	(2,546,516)	(2,002,577)
Amortization of deferred amount	(532,884)	(1,148,853)
Interest expense	(61,743,403)	(59,130,593)
Gain (loss) on fixed assets	(237,727)	2,500
Contribution to the USVI Government	<u>(700,000)</u>	<u>(100,000)</u>
Total nonoperating income	<u>4,030,518</u>	<u>5,183,757</u>
Income before transfers	49,813	(1,515,464)
TRANSFERS		
Payments on behalf of Government of the U. S. Virgin Islands	<u>(3,247,639)</u>	<u>(3,826,701)</u>
Change in net assets	(3,197,826)	(5,342,165)
Total net assets at beginning of fiscal year	<u>59,823,077</u>	<u>65,165,242</u>
Total net assets at ending of fiscal year	<u>\$ 56,625,251</u>	<u>\$ 59,823,077</u>

The accompanying notes are an integral part of these financial statements.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
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Statements of Cash Flows
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	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 10,358,558	\$ 11,251,457
Cash paid to suppliers and employees for services	(13,699,655)	(16,480,020)
Other cash receipts	3,557,355	-
Net cash used in operating activities	<u>216,258</u>	<u>(5,228,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(945,849,558)	(323,850,315)
Interest received on cash, cash equivalents and investments	6,898,029	14,994,054
Investment maturities and sales	793,496,202	311,773,746
Net cash (used in) provided by investing activities	<u>(145,455,327)</u>	<u>2,917,485</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sale of property and equipment	15,000	2,500
Proceeds from the issuance of long term debt	-	2,211,226
Acquisition of property and equipment	(3,049,910)	(4,241,096)
Proceeds from insurance claims	150,000	-
Interest payment on long-term debt related to capital assets	(1,479,572)	(1,297,316)
Principal payments on loans payable related to capital assets	(586,619)	(674,446)
Net cash provided by (used in) capital and related financing activities	<u>(4,951,101)</u>	<u>(3,999,132)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Funds received for debt service	151,159,468	122,030,948
Contribution to the USVI Government	-	(700,000)
Transfer from the Government of the U.S. Virgin Islands	-	5,041,500
Proceeds from issuance of bond and notes payable	391,140,545	7,650,000
Budgetary allocation	3,500,000	3,570,000
Interest paid on bonds and notes payable	(56,708,051)	(58,311,093)
Payment of issuance costs	(10,608,261)	(151,133)
Transfer to the Government of the U.S. Virgin Islands	(3,247,639)	(3,826,700)
Principal payments on bonds and notes payable	(65,993,087)	(32,166,611)
Payments on behalf of Government of the U.S. Virgin Islands	(251,962,857)	(47,074,245)
Net cash used in non-capital financing activities	<u>157,280,118</u>	<u>(3,937,334)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	7,089,948	(10,247,544)
Cash, cash equivalents and restricted cash at beginning of fiscal year	100,418,346	110,665,890
Cash, cash equivalents and restricted cash at end of fiscal year	<u>\$ 107,508,294</u>	<u>\$ 100,418,346</u>

The accompanying notes are an integral part of these financial statements.

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Statements of Cash Flows
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	2009	2008
Reconciliation of operating loss to net cash used in operating activities		
Operating (loss) income	\$ (3,980,705)	\$ (6,699,221)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,305,033	2,112,630
Reversal of (provision for) doubtful accounts	-	(41,490)
Changes in operating assets and liabilities that increase (decrease) cash		
Receivables	1,382,247	640,704
Accrued expenses and other liabilities	598,911	58,722
Prepaid expenses and other assets	(89,228)	(1,299,908)
Total adjustments	<u>4,196,963</u>	<u>1,470,658</u>
Net cash used in operating activities	<u>\$ 216,258</u>	<u>\$ (5,228,563)</u>
Supplemental information of non-cash investing and non capital financing activities		
Notes paid on behalf of the Authority by the Government of the USVI	<u>\$ 2,211,485</u>	<u>\$ 2,983,593</u>
Acquisition of equipment under capital leases	<u>\$ 564,460</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
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Notes to Financial Statements
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1. Reporting Entity and Significant Accounting Policies

Reporting Entity

The Virgin Islands Public Finance Authority (the "Authority"), a blended component of the Government of the US Virgin Islands, was created by the Virgin Islands Act No. 5365 (the "Act"), "The Government Capital Improvement Act of 1988", for the purposes of aiding the Government of the Virgin Islands (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, the Authority is vested with, but not limited to, the following powers: (i) to have perpetual existence as a corporation, (ii) to borrow money and issue bonds, (iii) to lend the proceeds of its bonds or other money to the Government or any agency, authority or instrumentality thereof, and to private entities, (iv) to establish one or more revolving loan funds with the proceeds of bonds issued by the Authority or issued by the Government or any agency, authority or instrumentality thereof and, (v) to invest its funds and to arrange for the investment of the funds of the Government or any agency, authority or instrumentality thereof. Pursuant to Section 8(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. The Authority also provides property management services as discussed further below under Activities of the Authority.

General Obligation Bonds

Pursuant to Section 8(b)(ii) of the Revised Organic Act, the Government is authorized to issue general obligation bonds for any public purpose provided that no such indebtedness be in excess of ten (10%) of the aggregate assessed valuation of the taxable real property in the U.S. Virgin Islands. Pursuant to 48 U.S.C. section 1574a (Public Law 94-932), the U.S. Virgin Islands is authorized to issue bonds or other obligations in anticipation of the matching funds to be received from the Federal Government pursuant to 26 U.S.C. section 7652 (b) (3). There is no legal limit on the value of bonds that the Government may issue pursuant to 48 U.S.C. section 1574a.

The significant accounting policies used by management in the preparation of its financial statements follow:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that these estimates are adequate. Actual results could differ from those estimates.

Basis of Presentation and Accounting

The Authority is a governmental enterprise fund. Accordingly, the financial statements have been prepared using the accrual method of accounting.

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The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America for a governmental enterprise fund, which are similar to those for private business enterprises. In accordance with Government Accounting Standard No. 20 issued by the Government Accounting Standard Board (GASB), the Authority follows all Financial Accounting Standard Board pronouncements (FASB's) and certain other pronouncements issued prior to November 30, 1989 that do not conflict with GASB standards. In accordance with paragraph 7 of GASB Statement No. 20, the Authority has elected to follow all nonconflicting FASB and other pronouncements issued after November 30, 1989. Expenses are recorded when incurred and revenues are recorded when earned.

The Authority accounts for refundings of debt under the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refunding of Debt by Proprietary Activities*. This Statement establishes standards of accounting and financial reporting for current and advance refundings resulting in defeasance of debt reported by proprietary activities. Refundings involve the issuance of new debt whose proceeds are used to repay immediately (current refunding) or at a future time (advance refunding) previously issued debt. This Statement requires for both current and advance refundings, that the difference between the reacquisition price and the net carrying amount of the old debt be deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred amount should be reported on the statement of condition (net assets) as an addition to or deduction from the new debt.

Statement of Cash Flows

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Activities of the Authority

The Authority performs a financial management function for the Government of the Virgin Islands consisting of the following activities:

Operations: Overall investment management and administrative activities of the Authority.

The West Indian Company: Property management activities related to the management of the West Indian Company ("WICO"), a wholly-owned subsidiary, consisting primarily of servicing cruise ships owned by established shipping lines.

King's Alley Management, Inc.: Property management activities related to King's Alley Management, Inc., a wholly owned subsidiary, formed on July 22, 2001, consisting primarily of managing the King's Alley Hotel, and a shopping center in Frederiksted, St.Croix.

Office of Economic Opportunity: Oversight of the activities attributable to the American Recovery and Reinvestment Act of 2009 (ARRA) formed on June 12, 2009.

Receivables

Receivables are recorded at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The adequacy of the allowance for doubtful accounts is evaluated by management based upon past collection experience and customers' financial condition.

Investments

Under GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for Most External Investments Pools*, the Authority reports investments at fair value in the statement of

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net assets and changes in the fair value in the statement of revenues, expenses and changes in net assets.

Under GASB Statement No. 40. *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*, common deposits and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk require certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The disclosures required by this statement are included in Note 2.

Investments are restricted by various bond resolutions of the Authority and the Act, generally, to direct obligations of the U.S. Government, the U.S. Virgin Islands, or any state, territory, possession or Commonwealth of the United 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.

Bonds Payable

Bonds payable managed by the Authority are as follows:

Series 2009 A Revenue Bonds: The proceeds of the bonds were issued to: (i) make a loan to the Government of the Virgin Islands to provide a grant to Diageo USVI Inc. to finance the costs of the acquisition, design, development, construction and equipping of a rum production and maturation warehouse facility to be located on St. Croix, (ii) pay in full the principal and interest due on the Subordinated Revenue Bond Anticipation Notes, Series 2009 A, (iii) pay capitalized interest on the Series 2009 A Bonds, (iv) fund the Series 2009 A Senior Lien Debt Service Reserve Subaccount, and (v) pay the costs of issuing the Series 2009 A Bonds.

Series 2006 Revenue Bonds: The proceeds of the bonds were issued to: (i) refund a portion of the Authority's Revenue Bonds, Series 1999 A, (ii) pay the cost of a termination fee in connection with an outstanding swap option agreement, (iii) fund certain capital projects, (iv) fund the debt service account, (v) pay certain costs of issuing the Series 2006 Bonds and, (vi) fund a net payment reserve account for a new swap agreement.

Series 2004 A Revenue Bonds: 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 newly created Virgin Islands Waste Management Authority, (v) fund the Series 2004A Senior Lien Debt Service Reserve Subaccount and (vi) pay certain costs of issuing the Series 2004A Bonds.

Series 2003 A Revenue Bonds: The proceeds of the bonds were issued to : (i) repay the Authority's outstanding principal on the Revenue Anticipation Notes, Series 2003, (ii) fund certain necessary public safety and other public sector capital development projects, (iii) fund the Debt Service Reserve Accounts in an amount necessary to satisfy debt service reserve requirements, and (iv) pay certain costs of issuing the 2003 Series A Bonds.

Revenue Bonds Series 2002: These bonds were issued to provide financing of certain federal-aid-transportation projects.

Series 1999 A Revenue Bonds: The proceeds of the 1999 bonds that were issued to (i) pay certain working capital obligations of the Government, (ii) pay the Government's outstanding 1999 tax and

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revenue anticipation note, (iii) fund the Series Debt Service Reserve Accounts and (iv) pay certain costs of issuing the Series 1999 A Bonds.

Series 1998 Revenue & Refunding Bonds: The proceeds of the 1998 Bonds were used to (i) advance refund for the outstanding prior debt of the Authority, (ii) repay the 1998 Revenue Anticipation Note, (iii) finance the payment of various capital projects, (iv) fund the Series Debt Service Reserve Accounts, and (v) pay certain costs of issuance of the 1998 Bonds.

Y2K: Activities related to funding the various upgrades, acquisitions, and improvements to the computer information systems owned by the Government of the Virgin Islands as a result of shortcomings in many electronic data processing systems, and other electronic equipment for identifying, and/or processing, transactions with the Year 2000.

Payments and Transfers on Behalf of Government

Transfers to the Government of the Virgin Islands include distributions from excess revenues of tax collections, in lieu of taxes and interest earned on other funds.

During the period ending September 30, 2009, there was \$26.6 million of capital expenditures disbursed from the restricted investments related to the 2009 A Revenue bonds. The disbursements from the 2009 A Revenue bonds are reported as a reduction of Restricted Assets held for the Government of the U.S. Virgin Islands.

During fiscal year 2009, the Authority charged the Government of the Virgin Islands and other entities under the private activity bond program, fees amounting to \$4.1 million for its investment and bond management services. As of September 30, 2009, the Authority charged \$75,000 (\$80,000 for 2008) to the Tobacco Settlement Financing Corporation for investment and management services.

During the period ended September 30, 2009, capital expenditures of \$7.3 million were disbursed from the restricted investments related to the 2006 Bonds. Capital expenditures of \$4.2 million and \$15.8 million were disbursed from the restricted investments related to the Series 2004 and 2003 Bonds, respectively. The disbursements are reported as a reduction of Restricted Assets held for the Government of the U.S. Virgin Islands, with the exception of \$352 thousand reported as payments on behalf of the Government from the 2003 Bond.

During the period ending September 30, 2009, there was \$2.5 million of capital expenditures disbursed from the restricted investments related to the 1992 Revenue bonds. The disbursements are recorded as payments on behalf of the Government.

Taxes

The Authority is a tax-exempt entity created by statute. The Authority shall not be required to pay any taxes or assessments on any of the property acquired or to be acquired by it, or on any of its operations or activities, or on any income derived from any of its operations or activities. Prior to June 2003, WICO was required, under a specific bill, to contribute the greater of ten percent of net revenues, or \$500,000 to the General Fund of the Government of the Virgin Islands. In June 2003, the Legislature approved and amended the annual payment in lieu of taxes to the greater of ten percent of net revenues, as defined or \$1,000,000. On October 10, 2007, the legislature decreased the \$1,000,000 annual in lieu of tax payment to \$700,000 retroactive to fiscal year 2006 and thereafter.

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Capital Assets

Capital assets are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. Estimated useful lives of capital assets are as follows:

	Years
Building and building improvements	5-40
Personal property and equipment	3-25

When assets are retired, the cost and related accumulated depreciation of the property is removed from the accounts and any gain or loss is recognized as nonoperating revenue or expense. Expenditures for major renewals and betterments are capitalized, while maintenance and repairs which do not extend the life of the assets are recorded as expenses.

The Authority evaluates whenever events or changes in circumstances indicate that the carrying amount of its capital assets have been impaired following the guidance of GASB 42, "Accounting and Financial Reporting for Impairment of capital assets and for Insurance recoveries". During 2009, the Authority realized an impairment loss amounting to \$253 thousand, due to property damage resulting from Hurricane Omar. No impairment was recorded in fiscal year 2008.

Operating and Nonoperating Revenues

Operating revenues of the Authority include revenues of the operating fund of the Authority, revenues from the West Indian Company complex, and King's Alley Management, Inc. complex. Nonoperating revenues consist of interest and dividend income generated from the restricted investments invested in short term investment instruments and budgetary allocations for operations.

Bond discounts and Issuance Costs

Bond discounts and issuance cost are deferred and amortized over the life of the debt. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt.

Intra-account Transfers

Investment earnings not otherwise restricted are transferred between Authority accounts in accordance with Board requests and Legislative acts. These amounts offset and, therefore, are not shown in the accompanying financial statements.

Fair Value of Financial Instruments

The Authority uses the following methods and assumptions in estimating its fair value disclosures:

Investments (restricted and assets held in trust): valued at quoted market prices when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or values obtained from independent pricing services.

Cash and cash equivalents and due to/from the Government of U.S. Virgin Islands, receivables, accounts payable and other accrued liabilities: the carrying amounts reported at cost or amortized cost in the statement of net assets for these instruments which amounts approximate their fair values.

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Net Assets

Net assets are reported in three categories: a) invested in capital assets, b) restricted and, c) unrestricted. Liabilities that relate to specific restricted assets which exceed those assets are reported as a reduction of unrestricted net assets. Also, all assets and liabilities of bond reserve accounts are considered to be part of restricted net assets.

Effect of Recent GASB Statements

The adoption of GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", and GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", in the opinion of management, did not have a material effect on the Authority's financial statements.

Reclassification

Certain reclassifications have been made to the 2008 financial statements to conform them to the 2009 presentation.

Future Adoption of GASB Statements

Following are statements issued by GASB that are effective in future years. The impact of the adoption of these statements has not been determined by management:

<u>Statement Number</u>		<u>Adoption Required in Fiscal Year</u>
51	Accounting and Financial Reporting for Intangible Assets	2010
53	Accounting and Financial Reporting for Derivative Instruments	2010
54	Fund Balance Reporting and Governmental Fund Type Definitions	2011
57	OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans	2012
58	Accounting and Financial Reporting for Chapter 9 Bankruptcies	2010

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2. Cash and Cash Equivalents

Cash and cash equivalents, segregated by category at September 30, 2009, are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
2009		
Restricted	\$ 77,017,844	\$ 76,796,836
Unrestricted	31,342,285	30,711,458
	<u>\$108,360,129</u>	<u>\$ 107,508,294</u>
	<u>Bank Balance</u>	<u>Carrying Amount</u>
2008		
Restricted	\$ 76,147,653	\$ 75,641,135
Unrestricted	25,584,021	24,777,211
	<u>\$101,731,674</u>	<u>\$ 100,418,346</u>

Restricted cash and cash equivalents represents cash segregated for debt service due under the Authority's debt agreements and capital projects.

Unrestricted cash and cash equivalents may be used for operational purposes but may not be used for payments of dividends which are restricted by loan covenants.

As of September 30, 2009, \$38,605,685 or 36%, of the Authority's deposits in banks were held at Banco Popular de Puerto Rico, \$5,113,705 or 5% of the Authority's deposits in banks were held at FirstBank Puerto Rico, and \$64,640,039 or 59% was held at Bank of New York. As of September 30, 2008, \$41,842,306 or 41%, of the Authority's deposits in banks were held at Banco Popular de Puerto Rico and \$59,889,368 or 59% was held at Bank of New York. Deposits held at First Bank are collateralized up to the amount secured by the FDIC. Deposits held at Banco Popular de Puerto Rico were fully collateralized.

Investments

Investments include investments restricted for specific purposes and investments held in trust. Pursuant to the requirements of the Indenture of Trust, certain assets of the Government are maintained in a reserve account controlled by the Authority, and may be used only for the payment of principal and interest on the 2009 Bond Series A, 2006 Bond Series, 2004 Bonds Series A, 2003 Bonds Series A, 1999 Bonds Series A and the 1998 Bonds Series A, B, C, D & E.

Pursuant to the requirements of the Loan Agreement between the bank and the Government, certain assets are maintained in a reserve account controlled by the Authority for the payment of principal and interest on the long-term note obtained to finance the acquisition of the West Indian Company, and to manage construction and project funds for the defeased bonds.

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Investments in the reserve accounts at September 30, 2009, were as follows:

	2009 Series A Bonds	2006 Series Bonds	2004 Series A Bonds	2003 Series A Revenue Bonds	1999 Series A Revenue Bonds	1998 Bonds Series A, B, C, D & E	Subtotal Bonds
Restricted							
Debt service reserve	\$ 53,612,429	\$ 182,375	\$ 9,906,948	\$ 16,620,407	\$ 25,556,451	\$ 96,950,783	\$ 202,829,393
Construction Funds	127,026,678	7,477,524	19,380,473	29,975,015	-	-	183,859,690
Project Fund	-	-	-	-	-	-	-
	<u>\$ 180,639,107</u>	<u>\$ 7,659,899</u>	<u>\$ 29,287,421</u>	<u>\$ 46,595,422</u>	<u>\$ 25,556,451</u>	<u>\$ 96,950,783</u>	<u>\$ 386,689,083</u>

	2009 Series A TIR Bond Anticipation Notes	2009 Series A Notes	2008 Series Notes	Subtotal Notes	Total Bonds and Notes
Restricted					
Debt service reserve	\$ 960,000	\$ -	\$ 240	\$ 960,240	\$ 203,789,633
Construction Funds	-	-	-	-	183,859,690
Project Fund	40,000	1,880,238	796,402	2,716,640	2,716,640
	<u>\$ 1,000,000</u>	<u>\$ 1,880,238</u>	<u>\$ 796,642</u>	<u>\$ 3,676,880</u>	<u>\$ 390,365,963</u>

Investments in the reserve accounts at September 30, 2008, were as follows:

	2006 Series Bonds	2004 Series A Bonds	2003 Series A Revenue Bonds	2002 Series Revenue Bonds	1999 Series A Revenue Bonds	1998 Bonds Series A, B, C, D & E	Subtotal Bonds
Restricted							
Debt service reserve	\$ 1,232,149	\$ 10,156,111	\$ 18,490,402	\$ 2,407,685	\$ 27,997,225	\$ 82,504,382	\$ 142,787,954
Construction Funds	15,762,177	23,396,109	43,987,267	4,736,102	-	-	87,881,655
Project Fund	-	-	-	-	-	-	-
	<u>\$ 16,994,326</u>	<u>\$ 33,552,220</u>	<u>\$ 62,477,669</u>	<u>\$ 7,143,787</u>	<u>\$ 27,997,225</u>	<u>\$ 82,504,382</u>	<u>\$ 230,669,609</u>

	2008 Series Notes	Total Bonds and Notes
Restricted		
Debt service reserve	\$ 228,420	\$ 143,016,374
Construction Funds	-	\$ 87,881,655
Project Fund	7,114,578	\$ 7,114,578
	<u>\$ 7,342,998</u>	<u>\$ 238,012,607</u>

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Restricted investments, categorized by investment type, and weighted average maturity, for September 30, 2009 and 2008, are as follows:

	2009		2008	
	Fair Value	Weighted Average Maturity (Years)	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	\$ 127,668,964		\$ 154,810,051	
Portfolio Investments:				
Commercial Paper	64,451,744	0.00	2,240,164	.50
Government agency notes	198,245,255	1.08	80,962,392	.47
Total fair value	262,696,999	0.82	83,202,556	.47
Total Investments	\$ 390,365,963		\$ 238,012,607	

Interest Rate Risk. Interest rate risk represents the exposure to fair market value losses arising from increasing interest rates. The Authority 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, all investments held by the Authority are short term in nature.

Credit Risk. The authorizing legislation of the Authority does not limit investments by credit rating categories. Authorizing legislation limits the investment choices of the Authority 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 deposits, guaranteed investment contracts, shares in mutual funds, investment companies, corporate commercial paper, money market portfolio and investment pools.

At September 30, 2009, the Authority's investment in money market funds were rated AAAM by Standard & Poor's, Aaa/AAA by Moody's Investor Service, and AAA/V1+ by Fitch. The Authority's investments in commercial securities were rated A-1+, AA+ or higher by Standard & Poor's and Aa2 by Moody's.

At September 30, 2008, the Authority's investment in money market funds were rated AAAM by Standard & Poor's, and Aaa by Moody's Investor Service. The Authority's investments in commercial securities were rated AAA by Standard & Poor's.

Concentration of Credit Risk. The Authority places no limit on the amount that may be invested in one issuer. At September 30, 2009, more than 5% of the Authority's investments and restricted cash were invested in: Goldman Financial Square Money Market No. 474 (16.45%), Goldman Financial Square Money Market No. 524 (19.50%), Federal National Mortgage Association (7.69%), US Treasury Notes (17.88%), US Treasury Bills (9.39%), GE Cap Corp Disc CP (5.07%), and Ford Credit Auto Receivables (9.09%).

At September 30, 2008, more than 5% of the Authority's investments and restricted cash were invested in: Goldman Financial Square Money Market No. 474 (31.82%), Goldman Financial Square Money Market No. 465 (10.38%), Fidelity Treasury Money Market No. 696 (23.53%), AIM Short Term Treasury #2 (6.33%) and Morgan Stanley DW (21.65%).

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Custodial Credit Risk. The Authority does not have a custodial credit risk policy. This is the risk that the Government will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2009, and 2008, all investments of the Authority were held in the name of The Bank of New York Trust Company, N.A., as Trustee for the Authority. Investments in the trust accounts are limited to the investments permitted by the trust indenture.

3. Loans Receivable

The Authority loaned the proceeds of the Series 2009A Notes, Series 2009B Notes, Series 2008 Notes, Series 2006 Notes, Series 2006 Revenue Bonds, Series 2005 Notes, 2003 Revenue Bonds Series A and the 1999 Bonds Series A to the Government of the Virgin Islands. The loans, which are secured with pledged gross receipts taxes collected pursuant to Title 3, Section 43 of the Virgin Islands Code, bear the same interest rate, maturities and repayment terms as the notes payable (see Note 5).

The Authority loaned the proceeds of the 2009 Bond Series A, 2004 Bond Series A and the 1998 Bond Series A, B, C, D and E to the Government of the Virgin Islands. The loans, which are secured with pledged matching fund revenues pursuant to Section 28(b) of the Revised Organic Act of the Virgin Islands, bear the same interest rates, maturities, and repayment terms as the bonds payable (see Note 5).

The Authority loaned the proceeds of the 2009 Series A Tax Increment Revenue Bond Anticipation Note to the Government of the Virgin Islands. The loan, which is secured by Island Crossings Incremental Tax Revenue, bears the same interest rate, maturity, and repayment terms as the note payable (see Note 5).

The Authority loaned the proceeds of the 2002 Revenue Bonds to the Government of the Virgin Islands. The loan, which is secured with US Department of Transportation, Federal Highway Administration reimbursement revenues, bear the same interest rate, maturities, and repayment terms as the bonds payable (see Note 5).

On September 30, 2009, the Government of the Virgin Islands advanced loan payments due on October 1, 2009. A summary of loan payments by associated bond series follows:

<u>Bond Series</u>	<u>Payment</u>
2006 Bonds	\$ 1,530,000
2004 Bonds	3,450,000
2003 Bonds	3,360,000
1999 Bonds	6,230,000
1998 Bonds	18,480,000
	<u>\$ 33,050,000</u>

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4. Capital Assets

	Balance 9/30/08	Additions	Impairment/ Disposal	Transfers	Balance 9/30/2009
Land	\$ 4,980,006	\$ -	\$ -	\$ 167,272	\$ 5,147,278
Buildings and building improvements	54,635,493	237,625	(484,615)	4,763,057	59,151,560
Personal property and equipment	3,499,045	120,005	(78,542)	-	3,540,508
Total	\$ 63,114,544	\$ 357,630	\$ (563,157)	\$ 4,930,329	\$ 67,839,346
Less - accumulated depreciation	(16,804,683)	(2,305,033)	160,431	-	(18,949,285)
	46,309,861	(1,947,403)	(402,726)	4,930,329	48,890,061
Construction in progress	3,039,943	3,256,740	-	(4,930,329)	1,366,354
	\$ 49,349,804	\$ 1,309,337	\$ (402,726)	\$ -	\$ 50,256,415

	Balance 9/30/2007	Additions	Impairment/ Disposal	Transfers	Balance 9/30/2008
Land	\$ 4,980,006	\$ -	\$ -	\$ -	\$ 4,980,006
Buildings and building improvements	47,251,285	65,205	-	7,319,003	54,635,493
Personal property and equipment	2,834,720	669,765	(19,842)	14,402	3,499,045
Total	\$ 55,066,011	\$ 734,970	\$ (19,842)	\$ 7,333,405	\$ 63,114,544
Less - accumulated depreciation	(14,747,005)	(2,077,520)	19,842	-	(16,804,683)
	40,319,006	(1,342,550)	-	7,333,405	46,309,861
Construction in progress	6,867,222	3,506,126	-	(7,333,405)	3,039,943
Total Capital Assets, net	\$ 47,186,228	\$ 2,163,576	\$ -	\$ -	\$ 49,349,804

5. Bonds Payable

A summary of bond activity (gross) for the period ended September 30, 2009, and 2008, follows (in thousands):

	Bonds (in thousands)			Bonds (in thousands)			Bonds
	Outstanding 9/30/2007	New Issuances	Debt Payments	Outstanding 9/30/2008	New Issuances	Debt Payments	Outstanding 9/30/2009
2009 Series	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -	\$ 250,000
2006 Series	219,490	-	(505)	218,985	-	(1,490)	217,495
2004 Series	88,725	-	(3,130)	85,595	-	(3,285)	82,310
2003 Series	262,155	-	(3,110)	259,045	-	(3,230)	255,815
2002 Series	6,785	-	(3,310)	3,475	-	(3,475)	-
1999 Series	105,410	-	(5,585)	99,825	-	(5,900)	93,925
1998 Series	429,405	-	(16,530)	412,875	-	(17,370)	395,505
Total	\$ 1,111,970	\$ -	\$ (32,170)	\$ 1,079,800	\$ 250,000	\$ (34,750)	\$ 1,295,050

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Bonds payable at September 30, 2009, and 2008, are comprised of the following (in thousands):

	2009	2008
2009 Series A Revenue Bonds		
Interest at 6.00% to 6.75%	\$ 250,000	\$ -
2006 Series Revenue Bonds		
Interest at 3.50% to 5.00%	217,495	218,985
2004 Series A Revenue Bonds		
Interest at 4.00% to 5.25%	82,310	85,595
2003 Series A Revenue Bonds		
Interest at 4.00% to 5.25%	255,815	259,045
2002 Series Revenue Bonds		
Interest at 2.50% to 5.00%	-	3,475
1999 Series A Revenue Bonds		
Interest at 4.20% to 6.50%	93,925	99,825
1998 Series A, B, C, D and E Revenue & Refunding Bonds Interest at 5.50% to 7.11%	<u>395,505</u>	<u>412,875</u>
Total Bonds payable	1,295,050	1,079,800
Less: Current portion	(33,050)	(34,750)
Deferred amount on defeased bonds	<u>(9,964)</u>	<u>(10,497)</u>
Long-term portion of bonds payable	<u>\$ 1,252,036</u>	<u>1,034,553</u>

On July 9, 2009, the Authority issued the 2009 Series A Bonds, the proceeds of which amounted to \$250,000,000. These bonds are secured by a pledge of Diageo Matching Fund Revenues (Matching Funds generated from the sale of Captain Morgan rum products), which includes certain funds established under the original indenture, the Third Supplemental Indenture and the 2009 Matching Fund Loan Note – Diageo Project, Series A issued by the Government. The bonds bear interest at 6.00% to 6.75% and mature from 2013 to 2038. The proceeds were loaned to the Government of the United States Virgin under the same terms as the bonds. The bonds are limited special obligations of the Authority. The bonds were issued to: (i) provide a grant to Diageo USVI, Inc. (“Diageo USVI”) to finance the costs of the acquisition, design, development, construction and equipping of a rum production and maturation warehouse facility to be located on St. Croix (the “Diageo Project”) (ii) redeem the Subordinated Revenue Bond Anticipation Notes (Virgin Islands Matching Fund Loan Notes – Diageo Project) Series 2009A issued to finance preliminary costs of the Diageo Project (iii) fund the Series 2009A Senior Lien Debt Service Reserve Account, (iv) pay capitalized interest on the Series 2009A Bonds, and (v) finance certain costs of issuance of the Series 2009A Bonds. The Series 2009A Bonds maturing on or after October 1, 2020 shall be subject to optional redemption on or after October 1, 2019 at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

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On September 28, 2006, the Authority issued the 2006 Series Bonds, the proceeds of which amounted to \$219,490,000. These bonds are secured by a pledge of the Trust estate, which includes certain funds established under the original Indenture, the Seventh Supplemental Indenture and the 2006 Gross Receipts Taxes Loan Note, Series issued by the Government. The proceeds were loaned to the Government of the United States Virgin Islands under the same terms as the Bonds. The bonds are limited special obligations of the Authority. The bonds bear interest at 3.50% to 5.00% and mature from 2007 to 2029. The proceeds of the bonds were issued to: (i) refund a portion of the Authority's Revenue Bonds, Series 1999 A, (ii) pay the cost of a termination fee in connection with an outstanding swap option agreement, (iii) fund certain capital projects, (iv) fund the Debt Service Reserve Account, (v) pay certain costs of issuing the Series 2006 Bonds and (vi) fund a net payment reserve account for a new swap agreement. The 2006 Series Bonds maturing on or before October 1, 2016 are not subject to optional redemption.

The advance refunding of the 2024 and 2020 to 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.

In February, 2008, the counterparty negotiated a settlement payment to the Authority to terminate the 2006 Basis Swap. The Authority received \$4.91 million from the counterparty, and a release of reserves of \$2.9 million to the Series 2006 bond project accounts.

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 to 2029 maturities of the 1999 Series A Bonds. Approximately \$175,125,168 in funds was deposited into the Escrow Fund accounts. At September 30, 2009, \$162,870,000 of defeased bonds are outstanding.

On December 1, 2004 the Authority issued the 2004 Series A Bonds, the proceeds of which amounted to \$94,000,000. 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 newly created Virgin Islands Waste Management Authority, (v) fund the Series 2004A Senior Lien Debt Service Reserve Subaccount and (vi) pay certain costs of issuing the Series 2004A Bonds. The Series A Bonds are not subject to optional redemption prior to October 1, 2014.

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On December 17, 2003, the Authority issued the Series 2003 A Revenue Bonds the proceeds of which amounted to \$268,020,000. These bonds are secured by a pledge of the Trust estate, which includes certain funds established under the original Indenture, the Fourth Supplemental Indenture and the 2003 Gross Receipts Taxes Loan Note, Series A issued by the Government. The bonds bear interest at 4.00% to 5.25% and mature from 2005 to 2022. The proceeds were loaned to the Government of the United States Virgin Islands under the same terms as the Bonds. The bonds are limited special obligations of the Authority. The bonds were issued to: (i) repay the Authority's outstanding Revenue Bond Anticipation Notes, Series 2003, (ii) fund certain necessary public safety and other public sector capital development projects, (iii) fund the Debt Service Reserve Accounts, and (iv) pay certain costs of issuing the Series 2003A Bonds. The 2003 Series A Bonds are not subject to optional redemptions prior to October 1, 2014.

On February 28, 2003, the Authority entered into a swaption contract that provided the Authority with an up-front payment of \$8.3 million. The swaption gave the counterparty the option to make the Authority enter into a pay-fixed, receive-variable interest rate swap. If the option was exercised, the Authority would then expect to issue variable-rate refunding bonds. The Authority had outstanding \$243,985,000 Series of 1999A Bonds with maturities from 2011 to 2029. The 1999A Bonds are callable by the Authority on October 1, 2010 at 101%. Having been advised by its underwriters and financial advisor that there were no net present value savings available to it by issuing conventional advance refunding bonds, the Authority sold a LIBOR based swaption to Lehman Brother Special Financing, Inc. on the 2024 and 2029 maturities, totaling \$162,870,000. Lehman purchased the swaption for \$8,367,000 and it is exercisable on July 1, 2010 only. As part of the 2006 Series Bonds, the swap option was terminated and the authority made a payment to Lehman Brothers as part of this termination for \$26,910,000.

On October 1, 2002, the Authority issued the Series 2002 Revenue Bonds ("Garvey Bonds"), the proceeds of which amounted to \$20,845,000. The bonds are special, limited obligations, secured solely by the pledge and assignment of the Government's security interest in Federal Highway Reimbursement Revenues. The bonds were issued to (i) fund construction costs related to renovation and construction of two sea docks, (ii) fund the Debt Service Reserve Accounts, and (iii) pay certain costs of issuing the bonds. The Series 2002 Bonds are not subject to redemption prior to maturity.

On November 1, 1999, the Authority issued the 1999 Series A Bonds, the proceeds of which amounted to \$299,880,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate income housing fund deposit as well as any prior liens or pledges. The bonds were issued to (i) pay certain working capital obligations of the Government, (ii) repay the Government's outstanding 1999 tax and revenue anticipation note, (iii) fund the Series Debt Service Reserve Accounts and (iv) pay certain costs of issuing the bonds. On September 28, 2006, the Authority advance refunded a portion of the 1999 Bonds with maturity dates of October 1, 2024 and 2029 totaling \$162,870,000.

On April 13, 1999, the Authority borrowed under a project revenue bond \$ 13.55 million, with an interest rate of 6.25%, to finance a portion of the Government's Year 2000 (Y2K) compliance effort including the costs related to transportation, installation and related hardware, software, consulting services and related expenses. The bond is payable in ten semi-annual payments of principal and interest with the first payment of interest only due January 1, 2000. The Government is responsible for all principal and interest payments on the 1999 Project Revenue Bond. The principal and interest payments are funded by periodic lease payments. These bonds matured on January 1, 2005.

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On May 1, 1998 the Authority issued the 1998 Series A, B, C, D, and E Bonds, which proceeds amounted to \$541,820,000. These bonds are not guaranteed by the Government, however, the Government has pledged the Matching Fund Revenues to the timely payment of principal and interest on the 1998 Series Bonds. These bonds were issued for the purpose of, among others, the advance refunding of previously issued bonds. The advance refunding of these bond series 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 million and an economic gain of approximately \$19 million.

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. Approximately \$304,520,000 in funds was deposited into the Escrow Fund accounts. At September 30, 2009, \$125,375,000 of defeased bonds were outstanding. The 1998 Series C Bonds and the 1998 Series D Bonds were issued to pay, on behalf of the Government, the full principal balance and interest on the 1998 Revenue Anticipation Note. The balance of the 1998 Series D Bond financed approximately \$ 11,600,000 in additional working capital. The 1998 Series E Bonds were designated to fund the construction of certain capital projects.

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, 2009, \$121,225,000 of defeased bonds was outstanding.

All assets held by irrevocable trusts for the refunding of prior outstanding debt and the corresponding liabilities are not included in the Authority's financial statements.

Pledged Funds

The Government has pledged and assigned Federal Highway Reimbursement Revenues to the timely payment of the principal and interest on the 2002 Series Revenue Bonds.

The Government has pledged Island Crossings Incremental Tax Revenue and proceeds of the anticipated Tax Increment Revenue Bond Anticipation Note to the timely payment of the principal and interest on the 2009 A Loan. Incremental Tax Revenue will be deposited into the Island Crossing Tax Increment Trust account in accordance with the Loan Agreement.

The Government has pledged Gross Receipts Taxes subject to the annual moderate income housing fund deposit, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2009 B1 and B2 Working Capital Notes, the Series 2009 Notes, Series 2008 Notes, Series 2006 Notes, 2006 Revenue Bonds, the Series 2003 A Bonds and the 1999 Series A Bonds. The Government has contracted an independent certified public accounting firm to provide quarterly verification of gross receipts deposits made to the collecting agent, in accordance with bond covenants.

The Government has pledged the Matching Fund Revenues, as described below, to the timely payment of principal and interest on the 2009 Series A Bonds, the 2004 Series A Bonds and the 1998 Series A, B, C, D and E Bonds. Thus, all amounts to be received by the Government from federal excise tax, mostly for rum, are deposited directly in a trust account from which the 2004 and 1998 Bonds are paid in accordance with the Indenture of Trust.

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

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

Interest on the 2009 Series A bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the 2009 Series A bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

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

Interest on the 2004 Series A bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the 2004 Series A bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

Interest on the 2003 Series A bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the 2003 Series A Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

Interest on the 2002 bonds is payable semi-annually on March 1 and September 1, and the principal is payable annually on September 1. The bonds matured on September 1, 2009.

Interest on the 1999 bonds is payable semi-annually on April 1 and October 1, and the principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the 1999 Series Bonds. The principal and interest payments on October 1 are funded by the Gross Receipts Taxes, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by Gross Receipts Taxes.

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Interest on the 1998 bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the 1998 Series bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

Interest expense related to bonds payable during the fiscal years ended September 30, 2009 and 2008 was as follows (in thousands):

	2009	2008
2009 Series Revenue Bonds	\$ 3,804	\$ -
2006 Series Revenue Bonds	10,522	10,574
2004 Series Revenue Bonds	4,263	4,427
2003 Series Revenue Bonds	12,813	12,942
2002 Series Revenue Bonds	174	339
1999 Series Bonds	5,892	6,224
1998 Revenue & Refunding Bonds	22,082	23,062
	<u>59,550</u>	<u>57,568</u>
Other interest expense mainly related to loans and notes payable outstanding	2,193	1,563
Total	<u>\$ 61,743</u>	<u>\$ 59,131</u>

Maturity dates and debt service requirements as of September 30, 2009, for the Series 2009 A Revenue Bonds are as follows (in thousands):

October 1	Series 2009 A Bonds		
	Principal	Interest	Total
2009	\$ -	\$ 12,156	\$ 12,156
2010	-	16,703	16,703
2011	-	16,703	16,703
2012	-	16,703	16,703
2013	4,040	16,581	20,621
2014-2018	24,590	78,518	103,108
2019-2023	34,370	68,739	103,109
2024-2028	47,870	55,232	103,102
2029-2033	66,825	36,279	103,104
2034-2037	72,305	10,172	82,477
	<u>\$ 250,000</u>	<u>\$ 327,786</u>	<u>\$ 577,786</u>

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Maturity dates and debt service requirements as of September 30, 2009, for the Series 2006 Revenue Bonds are as follows (in thousands):

October 1	Principal	Interest	Total
2009	\$ 1,530	\$ 5,261	\$ 6,791
2010	1,580	10,460	12,040
2011	2,705	10,397	13,102
2012	2,805	10,262	13,067
2013	2,905	10,122	13,027
2014-2018	16,225	48,319	64,544
2019-2023	70,185	40,725	110,910
2024-2028	97,785	19,649	117,434
2029	21,775	925	22,700
	<u>\$ 217,495</u>	<u>\$ 156,120</u>	<u>\$ 373,615</u>

Maturity dates and debt service requirements as of September 30, 2009, for the Series 2004 Revenue Bonds are as follows (in thousands):

October 1	Series 2004 A		Total
	Principal	Interest	
2009	\$ 3,450	\$ 2,131	\$ 5,581
2010	3,625	4,090	7,715
2011	3,805	3,909	7,714
2012	3,995	3,719	7,714
2013	4,195	3,519	7,714
2014-2018	24,405	14,156	38,561
2019-2023	31,505	7,055	38,560
2024	7,330	385	7,715
	<u>\$ 82,310</u>	<u>\$ 38,964</u>	<u>\$ 121,274</u>

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Maturity dates and debt service requirements as of September 30, 2009, for the Series 2003 Revenue Bonds are as follows (in thousands):

October 1	Series 2003 A		
	Principal	Interest	Total
2009	\$ 3,360	\$ 6,406	\$ 9,766
2010	3,495	12,678	16,173
2011	3,635	12,539	16,174
2012	3,815	12,357	16,172
2013	4,010	12,166	16,176
2014-2018	23,335	57,544	80,879
2019-2023	30,115	50,770	80,885
2024-2028	38,520	42,349	80,869
2029-2033	145,530	24,772	170,302
	<u>\$ 255,815</u>	<u>\$ 231,581</u>	<u>\$ 487,396</u>

Maturity dates and debt service requirements as of September 30, 2009, for the Series 1999 A Revenue Bonds is as follows (in thousands):

October 1	Series 1999 A		
	Principal	Interest	Total
2009	\$ 6,230	\$ 2,946	\$ 9,176
2010	6,580	5,541	12,121
2011	6,950	5,171	12,121
2012	7,395	4,720	12,115
2013	7,865	4,257	12,122
2014-2018	47,510	13,092	60,602
2019	11,395	726	12,121
	<u>\$ 93,925</u>	<u>\$ 36,453</u>	<u>\$ 130,378</u>

Maturity dates and debt service requirements as of September 30, 2009, for the 1998 bonds are as follows (in thousands):

October 1	Series 1998 A		Series 1998 E		Total 1998 Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2009	\$ 13,135	\$ 7,911	\$ 5,345	\$ 3,130	\$ 18,480	\$ 11,041	\$ 29,521
2010	13,835	15,138	5,665	5,954	19,500	21,092	40,592
2011	14,580	14,419	6,000	5,628	20,580	20,047	40,627
2012	15,380	13,646	6,355	5,283	21,735	18,929	40,664
2013	16,245	12,816	6,730	4,917	22,975	17,733	40,708
2014-2018	96,095	49,621	39,665	18,263	135,760	67,884	203,644
2019-2023	83,375	20,948	36,670	5,467	120,045	26,415	146,460
2024-2025	36,430	2,565	-	-	36,430	2,565	38,995
	<u>\$ 289,075</u>	<u>\$ 137,064</u>	<u>\$ 106,430</u>	<u>\$ 48,642</u>	<u>\$ 395,505</u>	<u>\$ 185,706</u>	<u>\$ 581,211</u>

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Total debt service payments for all bonds payable are summarized below (in thousands):

Total Debt Service October 1	Principal	Interest	Total
2009	\$ 33,050	\$ 39,941	\$ 72,991
2010	34,780	70,564	105,344
2011	37,675	68,766	106,441
2012	39,745	66,690	106,435
2013	45,990	64,378	110,368
2014-2018	271,825	279,513	551,338
2019-2023	297,615	194,430	492,045
2024-2028	227,935	120,180	348,115
2029-2033	234,130	61,976	296,106
2034-2037	72,305	10,172	82,477
	<u>\$ 1,295,050</u>	<u>\$ 976,610</u>	<u>\$ 2,271,660</u>

The 2009 Series A Bonds maturing after the dates below are redeemable at the option of the Authority, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

2009 Series A	Price
October 1, 2019 and thereafter	100%

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

2006 Series	Price
October 1, 2016 and thereafter	100%

The 2004 Series A Bonds maturing after the dates below are redeemable at the option of the Authority, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

2004 Series A	Price
October 1, 2014 and thereafter	100%

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The 2003 Series A Bonds are not subject to optional redemption prior to October 1, 2014. The Series 2002 Revenue Bonds are not subject to redemption prior to maturity. The Series 1999 A Bonds are not subject to optional redemption prior to October 1, 2010. The Authority may redeem these bonds at the respective redemption prices, expressed as a percentage of the principal amount redeemed as follows:

2003 Series A	Price
October 1, 2014 and thereafter	100%

1999 Series A	Price
October 1, 2010 through September 30, 2011	101%
October 1, 2011 and thereafter	100%

The 1998 Series A and E Bonds maturing after the dates below are redeemable at the option of the Authority, at prescribed redemption prices expressed as a percentage of the principal amount, as follows:

1998 Series A	Price
October 1, 2008 through September 30, 2009	101 %
October 1, 2009 through September 30, 2010	100.5%
October 1, 2010 and thereafter	100 %

1998 Series E	Price
October 1, 2008 through September 30, 2009	101 %
October 1, 2009 through September 30, 2010	100.5%
October 1, 2010 and thereafter	100 %

6. Basis Swap

In September 2006, the Authority entered into a Basis Swap in order to offset interest expense in connection with the Series 2006 Virgin Islands Public Finance Authority Revenue Bonds ("Series 2006 Bonds").

In February, 2008, the Authority received \$4.91 million from the counterparty, and a release of cash reserves of \$2.9 million as part of the termination of the swap agreement.

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7. Long-Term Loans and Notes

Long-term loans and notes outstanding were as follows:

	Loans (in thousands)			Loans (in thousands)			Loans Outstanding 9/30/2009
	Outstanding 9/30/2007	New Issuances	Debt Payments	Outstanding 9/30/2008	New Issuances	Debt Payments	
2009 W.C. BAN	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	\$ 100,000
2009A TIR BAN	-	-	-	-	6,032	-	6,032
2009A Diageo BAN	-	-	-	-	29,615	(29,615)	-
2009 Revenue Note	-	-	-	-	8,000	-	8,000
2008 VIPD Note	-	7,650	(208)	7,442	-	(2,436)	5,006
2006 VIFD Note	2,734	-	(1,331)	1,403	-	(1,403)	-
2005 VIPD Note	1,441	-	(1,441)	-	-	-	-
WICO	22,015	2,216	(674)	23,557	564	(607)	23,514
Total	<u>\$ 26,190</u>	<u>\$ 9,866</u>	<u>\$ (3,654)</u>	<u>\$ 32,402</u>	<u>\$ 144,211</u>	<u>\$ (34,061)</u>	<u>\$ 142,552</u>

On September 18, 2009, the Authority entered into Subordinated Lien Revenue Bond Anticipation Notes (the "Series 2009B Notes") creating credit facilities with two local banks: 1) the Series 2009B-1 Note with First Bank of Puerto Rico (the "Agent Lender") in the amount of \$150 million, and 2) the Series 2009B-2 Note with Banco Popular de Puerto Rico (the "Syndicate Lender") in the amount of \$100 million. The purpose of the Series 2009B Notes is to provide a loan to the Government of the Virgin Islands in the amount of \$250 million (the "Series 2009B Gross Receipts Taxes Loan Notes") to finance (i) certain operating expenses of the Government, and (ii) to pay costs of the issuance. The Series 2009B Gross Receipts Taxes Loan Notes are general obligations of the Government. The Government has also pledged a security interest in gross receipts tax collections. The Series 2009B Notes mature on October 1, 2012. Interest is assessed at 400 points above the 90-day LIBOR rate, not to exceed a maximum interest rate of 5.50%. Interest payments are due the first business day of the month, effective October 1, 2009. As of September 30, 2009, the Authority had drawn \$100 million under the Series 2009B Notes (\$60 million from the Agent Lender and \$40 million from the Syndicate Lender) and loaned that amount to the Government.

On September 25, 2009, the Authority entered into a Bond Anticipation Note Purchase Agreement with a local bank. Under the terms of the Note Purchase Agreement, the bank will purchase up to \$15,700,000 in federally taxable Bond Anticipation Notes (the "Series 2009A Notes") issued by the Authority. The purpose of the Series 2009A Notes is to provide a loan to the Government of the Virgin Islands (the "Series 2009A Tax Increment Revenue Loan Note") to finance the development of a shopping complex on the island of St. Croix. The financing is provided under Tax Increment Financing legislation enacted in October 2008 by the Government. Both the Series 2009A Notes, and the Series 2009 Tax Increment Revenue Loan Note have a term of three years, maturing on October 1, 2012 with interest of 300 points above the J.P. Morgan Chase Prime Rate or 6.25%, whichever is higher. On October 1, 2012, the Series 2009A Notes will convert to a term loan with payments made in eleven quarterly payments and a final payment on October 1, 2015. Under the terms of the Series 2009A Notes, the Authority may issue Tax Increment Revenue Bonds to defease the debt prior to that date. As of September 30, 2009, the Authority had sold \$6,031,528 in Series 2009A Notes to the local bank, and loaned that amount to the Government. The proceeds were used to: i) fund a capitalized interest account, ii) pay costs of issuance, and iii) fund the first phase of the development of the shopping complex.

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On June 29, 2009, the Authority entered into a Subordinated Revenue Bond Anticipation Note Purchase Agreement with J P. Morgan Securities, Inc, to purchase \$29,615,000 in Subordinated Revenue Bond Anticipation Notes (the "Series 2009A Notes"). The purpose of the Series 2009A Notes is to provide a loan to the Government of the Virgin Islands (the "Series 2009A Matching Fund Loan Notes – Diageo Project"). The Government will provide a grant to Diageo USVI, Inc. for start-up costs associated with the construction of a state of the art rum distillery and storage facility on the island of St. Croix. The Series 2009A Notes have a term of five and one-half months, maturing on December 15, 2009, with interest rates of 1.3075% from June 29, 2008 to July 28, 2009, and interest rates based on the 1-Month LIBOR rate plus 200 basis points thereafter. The Series 2009A Notes were paid on July 9, 2009 with the proceeds of the Series 2009A Subordinated Revenue Fund Bonds.

On February 12, 2009, the Authority issued the Subordinate Lien Revenue Bond Anticipation Notes, Series 2009A (Virgin Islands Gross Receipts Taxes Loan Note) in the aggregate amount of \$8,000,000 (the "Series 2009 A Notes"). The Series 2009A Notes accrue interest at a rate of 4.75% due at maturity on February 1, 2010. The proceeds of the Series 2009A Notes were loaned to the Government of the Virgin Islands under the same terms, for the purposes of (i) financing the purchase and installation of 911 communication equipment for the Virgin Islands Police Department, and (ii) paying certain costs of issuing the Series 2009A Notes.

On August 12, 2008, the Authority issued the Subordinate Lien Revenue Notes, Series 2008A (Virgin Islands Gross Receipts Taxes Loan Note) in the aggregate amount of \$7,650,000 (the "Series 2008 Notes"). The Series 2008 Notes accrue interest monthly at a rate of 4.75% for 36 months. The proceeds of the Series 2008 Notes were loaned to the Government of the Virgin Islands under the same terms, for the purposes of (i) financing the acquisition of a fleet of vehicles for the Virgin Islands Police Department, and (ii) paying certain costs of issuing the Series 2008 Notes.

On September 7, 2006, the Authority issued the Subordinate Lien Revenue Notes, Series 2006 (Virgin Islands Gross Receipts Taxes Loan Note) in the aggregate amount of \$4,000,000 (the "Series 2006 Notes"). The Series 2006 Notes accrue interest monthly at a rate of 4% for 36 months. The proceeds of the Series 2006 Notes were loaned to the Government of the Virgin Islands under the same terms, for the purposes of (i) financing the acquisition of fire fighting , fire suppression and fire safety equipment & training and renovations & repairs to fire stations territory-wide, and (ii) paying certain costs of issuing the Series 2006 Notes.

On June 1, 2008, the West Indian Company refinanced its outstanding loans and obtained additional financing for \$2.3 million, increasing the facility to \$23,500,000. The loan will be repaid in 120 consecutive monthly installments of \$154,953 (representing principal and interest) and a final payment of the outstanding principal balance plus any unpaid interest in 2018. The loan may be prepaid, in whole or in part, at any time without penalty.

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The Company has guaranteed the notes and has pledged all leases and revenues to secure the loans. Pursuant to the requirement of the Loan Agreements the West Indian Company maintains restricted cash in a reserve account controlled by the Company for the payment of principal and interest on the long-term notes. This Debt Service Reserve Fund will be equal to one year's debt service payments. As of September 30, 2009 and 2008, as required by the Loan Agreements, the West Indian Company has funded 100% of this amount, which is presented in the statement of net assets as restricted cash in the amount of \$1,897,152 at September 30, 2009 (2008 - \$1,875,184).

As part of the loan agreements, no dividends may be declared and no additional equity interests may be granted during the term of the loans without the lenders approval.

Over the last three years, the West Indian Company's operations have been negatively affected by the reduction in cruise ship traffic in its facilities caused in part by the economic recession and also by the relocation of cruise ships from its facilities to the nearby Crown Bay facility owned by the Virgin Islands Ports Authority. This situation is compounded by a minimum contribution in lieu of taxes of \$700,000, regardless of the operating results. These situations have resulted in reductions in revenues and operating income, leading to an operating loss of approximately \$52,000 in fiscal year 2009, as well as decreases in working capital (current assets less current liabilities) to approximately \$1.9 million and unrestricted net assets to approximately \$667,000. As a consequence, the Company did not comply, as of September 30, 2009 and for the year then ended, with Bank loan covenant requirement minimum operating revenue thresholds. At September 30, 2009, the Company did comply with the debt service reserve requirement of its loan agreement, which requires that it set aside sufficient cash for the following year's debt service requirements. The Company also had positive operating cash flow during fiscal year 2009. The Company requested and the Bank granted a waiver over the failure to comply with the minimum operating revenue for fiscal year 2009. The waiver was granted during May 2010.

Future minimum payments of principal for the five years subsequent to September, 2009, and thereafter are as follows:

Fiscal Year	2009 B Working	2009 TIR	2009 A	2008		WICO	Total
	Capital Bond	Bond	Revenue	VIPD			
	Anticipation	Anticipation	Loan	Notes	Notes		
	Notes	Notes	Notes	Notes	Notes		
2010	\$ -	\$ -	\$ 8,000,000	\$ 2,556,255	\$ -	\$ 606,098	\$ 11,162,353
2011	-	-	-	2,449,594	-	463,755	2,913,349
2012	-	-	-	-	-	493,340	493,340
2013	100,000,000	85,729	-	-	-	524,811	100,610,540
2014	-	108,931	-	-	-	558,290	667,221
Thereafter	-	5,836,868	-	-	-	20,868,596	26,705,464
	100,000,000	6,031,528	8,000,000	5,005,849	-	23,514,890	142,552,267
Less current portion	-	-	8,000,000	2,556,255	-	606,098	11,162,353
Total	\$ 100,000,000	\$ 6,031,528	\$ -	\$ 2,449,594	\$ -	\$ 22,908,792	\$ 131,389,914

The Authority has pledged WICO revenues to the timely payment of principal and interest of the loan. Interest expense during the period ended September 30, 2009, and 2008, amounted to \$1.4 million and \$1.3 million, respectively.

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8. Commitments

Future Minimum Lease Payments

The Authority entered into a twenty-year lease for a property in St. Croix from February 15, 1996 through February 15, 2016. Future minimum lease payments for the remaining periods are as follows:

2010	\$ 55,000
2011	55,000
2012	70,000
2013	70,000
2014 - 2016	<u>210,000</u>
Total future minimum payments	<u>\$ 460,000</u>

9. Contingencies

The Authority has a loan receivable amounting to approximately \$1.381 billion (\$1.057 billion in 2008) from the Government (see Note 3). The principal and interest to be paid by the Government to the Authority on the loans receivable is mainly derived from excise taxes on exported rum received by the Government and gross receipts taxes, as more fully described in Note 6 under Pledged Funds. The principal and interest is subsequently passed-through for payment of the 2009A, 2006, 2004, 2003, 2002, 1999 and 1998 Bonds and the Series 2009A, 2009 TIR, 2008 and 2006 Notes.

The Government maintains a program, established pursuant to law, in which it provides a subsidy to stabilize the cost of molasses to the only Virgin Islands rum producer to ensure the competitive pricing of rum produced in the Virgin Islands. The effect of the molasses payments is to maintain the competitive position of the Virgin Islands rum producer relative to the rum producers in other countries in which local molasses supplies are readily available. The molasses subsidy is administered by the Commissioner of Finance through the establishment of a legislatively mandated Molasses Subsidy Fund. In the event of a deficiency in the Molasses Subsidy Fund, the Commissioner of Finance could seek legislative appropriation of additional funds, as required, from the Legislature of the Virgin Islands. The Legislature, however, is not obligated to appropriate such amounts.

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

The Authority is party to a Memorandum of Agreement with the Virgin Islands Department of Education to administer \$5 million in funds appropriated by the Virgin Islands Legislature to be expended as follows: (i) the development of engineering specifications and plans for the Virgin Islands public schools and (ii) repairs, renovations and upgrades sat specified Virgin Islands public schools. The agreement was executed on September 28, 2007.

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During the normal course of business, the Authority is a defendant in various lawsuits. In the opinion of management and legal counsel, the outcome of these cases and resulting liability, if any, is either adequately covered by insurance or should not materially affect the Authority's financial position.

10. Concentration of Risk

All of the matching fund revenues are derived from federal excise taxation of the sale of rum produced in the Virgin Islands. For every proof gallon of rum produced in the Virgin Islands and exported to the U.S. mainland, \$10.50 is returned to the territory. In 1999, and as extended in subsequent years, the excise tax rebate was temporarily increased to \$13.25 per proof gallon. The current extension expired on December 31, 2009. As of the date of this report, the new bill extending this provision is currently before the Senate for reconciliation with the House version. All the rum production in the Virgin Islands is by a single producer.

11. Pension Plan

Substantially all of the Authority's employees are covered by the Employee Retirement System of the Government of the U.S. Virgin Islands (the "System"), a cost sharing multiple-employer defined benefit pension plan. The System is a public employee retirement plan sponsored by the Government of the U.S. Virgin Islands that was created by Act No. 479, approved on June 24, 1959. The System became operative on October 1, 1959, at which date contributions by employees and the Government commenced. Substantially all full-time employees of the Government and its related agencies are covered by the System.

The System provides for retirement, death and disability benefits for employees and their dependents. The administrator of the System is responsible for its proper operation, subject to orders, resolutions and directives of a Board of Trustees. The governor of the U.S. Virgin Islands, with the approval of the Legislature, could change the required contributions from the employers and employees. Although the Government has not expressed any intent to terminate the Plan, it may do so at any time. In the event of termination of the Plan, the rights of all affected participants and beneficiaries to whom benefits have accrued under the Plan shall be nonforfeitable to the extent funded.

Government and members contributions are set by statute. The Government's required contribution is 14.5%. Required member contributions are 8% of the annual salary for regular employees, 9% for senators and 10% for certain employees covered by Act 5226. The Government's contributions, together with the members' contributions and the income of the System should theoretically be sufficient to provide adequate actuarially determined reserves to cover the payment of the annuities and benefits provided by the System. The latest actuarial valuation as of September 30, 2001, indicates that the current combined statutory employer and employee contribution rates are not sufficient to meet the cost of the System on an actuarial reserve, as required by law. The System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained from the System's Administrator. The Authority's contribution to the System is 14.5% of each employee's regular salary.

12. Conduit Debt

In November 2002, the Authority and the Government issued private activity bonds, the Refinery Facilities Revenue Bonds (HOVENSA Coker Project), the "Series 2002 Tax-Exempt Bonds", amounting to \$63.8 million and \$63 million, respectively (\$126.8 million in total) to finance costs of construction of a coker plant for a refinery on the island of St. Croix. The bonds have an interest

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rate of 6.50% and are limited obligations of the Authority and the Government, payable solely from and are secured by, a pledge and assignment of the amounts payable under a loan agreement between the Authority, Government and the refinery. The refinery is responsible for all debt service payments of the private activity bonds. The Authority is not obligated for the repayment of the bonds. The bonds are not reported as liabilities in the Authority's basic financial statements. As of September 30, 2008, \$126.8 million of the bonds remain outstanding.

In December 2003, the Authority issued private activity bonds, the Refinery Facilities Senior Secured Tax-Exempt Revenue Bonds (HOVENSA Refinery), the "Series 2003 Tax-Exempt Bonds", amounting to \$74.2 million, to finance the costs of a Clean Fuels Program for a refinery on the island of St. Croix. The Clean Fuels Program consists of three major projects to comply with regulatory standards for low sulfur gasoline. The Clean Fuels Program is a federally mandated program effective January 2004. The bonds have an interest rate of 6.125% and are limited obligations of the Authority, payable solely from, and secured by, a pledge and assignment of the amounts payable under a loan agreement between the Authority and the refinery. The refinery is responsible for all debt service payments of the private activity bonds. The Authority is not obligated for the repayment of the bonds. The bonds are not reported as liabilities in the Authority's basic financial statements. As of September 30, 2008, \$74.2 million of the bonds remain outstanding.

In April 2004, the Authority issued private activity bonds, the Refinery Facilities Senior Secured Tax-Exempt Revenue Bonds (HOVENSA Refinery), the "Series 2004 Tax-Exempt Bonds", amounting to \$50.6 million, to finance construction of a delayed coking unit for a refinery on the island of St. Croix. The bonds have an interest rate of 5.875% and are limited obligations of the Authority, payable solely from, and secured by, a pledge and assignment of the amounts payable under a loan agreement between the Authority and the refinery. The refinery is responsible for all debt service payments of the private activity bonds. The Authority is not obligated for the repayment of the bonds. The bonds are not reported as liabilities in the Authority's basic financial statements. As of September 30, 2008, \$50.6 million of the bonds remain outstanding.

In March 2007, the Authority issued private activity bonds, the Refinery Facilities Senior Secured Tax-Exempt Revenue Bonds (HOVENSA Refinery), the "Series 2007 Tax-Exempt Bonds", amounting to \$104.1 million, to finance modifications to diesel and gasoline desulfurization units for a refinery on the island of St. Croix. The bonds have an interest rate of 4.70% and are limited obligations of the Authority, payable solely from, and secured by, a pledge and assignment of the amounts payable under a loan agreement between the Authority and the refinery. The refinery is responsible for all debt service payments of the private activity bonds. The Authority is not obligated for the repayment of the bonds. The bonds are not reported as liabilities in the Authority's basic financial statements. As of September 30, 2008, \$104.1 million of the bonds remain outstanding.

13. Subsequent Events

On October 1, 2009, the Authority issued the Series 2009A-1, Series 2009A-2, Series 2009B, and Series 2009C Revenue and Refunding Bonds, the proceeds of which amounted to \$458,840,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Fourth Supplemental Indenture and the Series 2009 Loan Notes issued by the Government. The proceeds were loaned to the Government of the United States Virgin Islands under the same terms as the bonds. The bonds are limited special obligations of the Authority. The Series 2009A-1 and the Series 2009A-2 Bonds were issued to: (i) finance various capital projects of the Government, (ii) fund the Series 2009A Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009A-1 and 2009A-2 Bonds. The Series 2009A-1 Bonds amount to \$86,350,000 and mature from 2010 to

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2039 at interest rates from 3.00% to 5.00%. The Series 2009A-2 Bonds amount to \$8,650,000 and mature from 2010 to 2011 at an interest rate of 3.00%. The Series 2009B Bonds were issued to: (i) current refund the Series 1998A Revenue and Refunding Bonds (Senior Lien/Refunding Bonds), (ii) fund the Series 2009B Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009B Bonds. The Series 2009B Bonds amount to \$266,330,000 and mature from 2010 to 2025 at an interest rate of 5.00%. The Series 2009C Bonds were issued to: (i) current refund the Series 1998E Revenue and Refunding Bonds (Subordinate Lien/Capital Program Bonds), (ii) fund the Series 2009C Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009C Bonds. The Series 2009C Bonds amount to \$97,510,000, and mature from 2010 to 2022 at an interest rate of 5.00%. The Series 2009A-1, Series 2009A-2, and Series 2009B Bonds maturing on or after October 1, 2019 are subject to an optional redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

On December 17, 2009, the Authority issued the Series 2009 A Bonds, amounting to \$39.2 million, to finance the costs of the development, acquisition, construction and installation of a wastewater treatment facility and to fund certain preliminary costs of the alteration, upgrade, expansion and renovation of the Cruzan distillery on St. Croix., to establish debt service reserves, and to finance costs of issuance of the 2009A Bonds. These bonds are special limited obligations of the Authority payable from and secured by a pledge of the Cruzan Trust estate which includes certain funds established under the Subordinated Indenture and the First Supplemental Subordinate Indenture of Trust.

On January 4, 2010, the Authority's Office of Economic Opportunity received a federal grant in the amount of \$1,294,854 from the U.S. Department of Commerce under the American Recovery and Reinvestment Act of 2009. The grant was awarded for the development of a U.S. Virgin Islands Broadband Mapping and Planning System. The grant period is from January 1, 2010 through December 31, 2014.

On January 22, 2010, the Authority's Office of Economic Opportunity, the agency designated to coordinate and manage American Recovery and Reinvestment ("ARRA") grants, reported that the U.S. Virgin Islands has received \$128 million in formula funds (the majority of which funded projects of the Energy Office, the VIHFA, the Department of Public Works, Law Enforcement, and the VIHA), and has submitted \$173 million in competitive ARRA grant applications.

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Summarized Statement of Net Assets
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Description	Total from Business Type Activities	Total from Debt Service Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	30,711,458	\$ -	\$ 30,711,458
Restricted cash and cash equivalents	1,897,152	74,899,684	76,796,836
Restricted Investments, at fair value	-	277,223,305	277,223,305
Receivables, net	763,288	395,004	1,158,292
Restricted loan receivable Government of the U.S. Virgin Islands	-	45,336,255	45,336,255
Prepaid expenses and other assets	885,194	-	885,194
Total current assets	<u>34,257,092</u>	<u>397,854,248</u>	<u>432,111,340</u>
Noncurrent assets:			
Restricted Investments, at fair value	-	113,142,658	113,142,658
Restricted loan receivable Government of the U.S. Virgin Islands	-	1,335,701,122	1,335,701,122
Bond discount & issuance costs	208,231	4,497,521	4,705,752
Capital assets:			
Land and improvements	5,147,278	-	5,147,278
Construction in progress	1,366,354	-	1,366,354
Buildings and building improvements	59,151,560	-	59,151,560
Personal Property and equipment	3,540,508	-	3,540,508
Less: accumulated depreciation	(18,949,285)	-	(18,949,285)
Total noncurrent assets	<u>50,464,646</u>	<u>1,453,341,301</u>	<u>1,503,805,947</u>
Total assets	<u>\$ 84,721,738</u>	<u>\$ 1,851,195,549</u>	<u>\$ 1,935,917,287</u>
LIABILITIES			
Current Liabilities:			
Accrued expenses	5,093,939	\$ -	\$ 5,093,939
Loans payable related to capital assets	606,098	-	606,098
Bonds payable	-	33,050,000	33,050,000
Interest payable	-	31,985,043	31,985,043
Notes payable	-	10,556,255	10,556,255
Deferred Revenue	-	193,716	193,716
Due to (from) other PFA funds	400,105	(400,105)	-
Total current liabilities	<u>6,100,142</u>	<u>75,384,909</u>	<u>81,485,051</u>
Noncurrent liabilities			
Loans payable related to capital assets	22,908,792	-	22,908,792
Bonds payable	-	1,262,000,000	1,262,000,000
Notes payable	-	108,481,122	108,481,122
Deferred amount on defeased bonds	-	(9,964,039)	(9,964,039)
Restricted assets held for Government of the U.S. Virgin Islands	20,397,032	250,815,241	271,212,273
Payable from restricted assets	990,603	142,178,234	143,168,837
Total noncurrent liabilities	<u>44,296,427</u>	<u>1,753,510,558</u>	<u>1,797,806,985</u>
Total Liabilities	<u>50,396,569</u>	<u>1,828,895,467</u>	<u>1,879,292,036</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,846,908	-	28,846,908
Restricted	-	27,316,460	27,316,460
Unrestricted	5,478,261	(5,016,378)	461,883
Total net assets	<u>\$ 34,325,169</u>	<u>\$ 22,300,082</u>	<u>\$ 56,625,251</u>

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Statement of Net Assets – from Business Type Activities
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Description	Operating	The West Indian Company	King's Alley Management Inc.	Grant Administration	Total from Business Type Activities
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 25,886,212	\$ 3,195,174	\$ 683,587	\$ 946,485	\$ 30,711,458
Restricted cash and cash equivalents	-	1,897,152	-	-	1,897,152
Receivables, net	33,750	729,538	-	-	763,288
Prepaid expenses and other assets	-	811,611	73,583	-	885,194
Total current assets	<u>25,919,962</u>	<u>6,633,475</u>	<u>757,170</u>	<u>946,485</u>	<u>34,257,092</u>
Noncurrent assets:					
Bond discount & issuance costs	-	208,231	-	-	208,231
Capital assets:					
Land and improvements	-	5,147,278	-	-	5,147,278
Construction in progress	-	1,366,354	-	-	1,366,354
Buildings and building improvements	-	49,289,517	9,862,043	-	59,151,560
Personal Property and equipment	-	3,422,228	118,280	-	3,540,508
Less: accumulated depreciation	-	(16,869,118)	(2,080,167)	-	(18,949,285)
Total noncurrent assets	<u>-</u>	<u>42,564,490</u>	<u>7,900,156</u>	<u>-</u>	<u>50,464,646</u>
Total assets	<u>\$ 25,919,962</u>	<u>\$ 49,197,965</u>	<u>\$ 8,657,326</u>	<u>\$ 946,485</u>	<u>\$ 84,721,738</u>
LIABILITIES					
Current Liabilities:					
Accrued expenses	\$ 1,003,458	\$ 4,069,087	\$ 21,394	\$ -	\$ 5,093,939
Loans payable related to capital assets	-	606,098	-	-	606,098
Due to (from) other PFA funds	(1,540,803)	-	643,558	1,297,350	400,105
Total current liabilities	<u>(537,345)</u>	<u>4,675,185</u>	<u>664,952</u>	<u>1,297,350</u>	<u>6,100,142</u>
Noncurrent liabilities					
Loans payable related to capital assets	-	22,908,792	-	-	22,908,792
Restricted assets held for Government of the U.S. Virgin Islands	20,322,490	-	74,542	-	20,397,032
Payable from restricted assets	990,603	-	-	-	990,603
Total noncurrent liabilities	<u>21,313,093</u>	<u>22,908,792</u>	<u>74,542</u>	<u>-</u>	<u>44,296,427</u>
Total Liabilities	<u>20,775,748</u>	<u>27,583,977</u>	<u>739,494</u>	<u>1,297,350</u>	<u>50,396,569</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	20,946,752	7,900,156	-	28,846,908
Restricted	-	-	-	-	-
Unrestricted	5,144,214	667,236	17,676	(350,865)	5,478,261
Total net assets	<u>\$ 5,144,214</u>	<u>\$ 21,613,988</u>	<u>\$ 7,917,832</u>	<u>\$ (350,865)</u>	<u>\$ 34,325,169</u>

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Statement of Net Assets – from Debt Service Fund
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Description	2009 B Working Capital Bond Anticipation Note	2009A TIR Bond Anticipation Note	2009A Series Revenue Bond - Diageo	2009A Bond Anticipation Note	2009A Revenue Loan Note	2008 Series Notes	2006 Series Revenue Bonds	2006 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Garvey Bonds	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Others	Total From Debt Service Fund
ASSETS															
Current Assets:															
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	100,638	-	3,804,498	-	-	-	10,242,570	-	5,581,294	10,338,424	-	9,175,822	29,994,802	5,661,636	74,899,684
Restricted Investments, at fair value	-	1,000,000	159,781,759	-	1,880,238	796,642	7,659,899	-	21,491,910	29,998,636	-	255,219	54,359,002	-	277,223,305
Receivables, net	135,616	-	-	-	239,573	19,815	-	-	-	-	-	-	-	-	395,004
Restricted loan receivable Government of the U.S. Virgin Islands	-	-	-	-	8,000,000	2,556,255	1,580,000	-	3,625,000	3,495,000	-	6,580,000	19,500,000	-	45,336,255
Investments at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total current assets	236,254	1,000,000	163,586,257	-	10,119,811	3,372,712	19,482,469	-	30,698,204	43,832,060	-	16,011,041	103,853,804	5,661,636	397,854,248
Noncurrent assets:															
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Investments, at fair value	-	-	20,857,348	-	-	-	-	-	7,795,511	16,596,786	-	25,301,232	42,591,781	-	113,142,658
Restricted loan receivable Government of the U.S. Virgin Islands	100,000,000	6,031,528	250,000,000	-	-	2,449,594	214,385,000	-	75,235,000	248,960,000	-	81,115,000	357,525,000	-	1,335,701,122
Bond discount & issuance costs	-	-	-	-	-	-	-	-	-	-	-	2,887,801	1,609,720	-	4,497,521
Capital assets:															
Land and improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings and building improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less: accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total noncurrent assets	100,000,000	6,031,528	270,857,348	-	-	2,449,594	214,385,000	-	83,030,511	265,556,786	-	109,304,033	401,726,501	-	1,453,341,301
Total assets	\$ 100,236,254	\$ 7,031,528	\$ 434,443,605	\$ -	\$ 10,119,811	\$ 5,822,306	\$ 233,867,469	\$ -	\$ 113,728,715	\$ 309,388,846	\$ -	\$ 125,315,074	\$ 505,580,305	\$ 5,661,636	\$ 1,851,195,549

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Statement of Net Assets – from Debt Service Fund
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Description	2009 B Working Capital Bond Anticipation Note	2009A TIR Bond Anticipation Note	2009A Series Revenue Bond - Diageo	2009A Bond Anticipation Note	2009A Revenue Loan Note	2008 Series Notes	2006 Series Revenue Bonds	2006 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Garvey Bonds	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Others	Total From Debt Service Fund
LIABILITIES															
Current Liabilities:															
Accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loans payable related to capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds payable	-	-	-	-	-	-	1,530,000	-	3,450,000	3,360,000	-	6,230,000	18,480,000	-	33,050,000
Interest payable	135,616	-	3,804,498	-	239,573	19,815	5,260,844	-	2,131,294	6,406,437	-	2,945,822	11,041,144	-	31,985,043
Notes payable	-	-	-	-	8,000,000	2,556,255	-	-	-	-	-	-	-	-	10,556,255
Deferred Revenue	-	-	-	-	-	-	-	-	-	-	-	105,307	88,409	-	193,716
Due to (from) other PFA funds	-	-	-	-	-	-	-	-	-	(78,012)	-	-	-	(324,093)	(400,105)
Total current liabilities	135,616	-	3,804,498	-	8,239,573	2,576,070	6,790,844	-	5,581,294	9,690,425	-	9,281,129	29,609,553	(324,093)	75,384,909
Noncurrent liabilities															
Loans payable related to capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds payable	-	-	250,000,000	-	-	-	215,965,000	-	78,860,000	252,455,000	-	87,695,000	377,025,000	-	1,262,000,000
Notes payable	100,000,000	6,031,528	-	-	-	2,449,594	-	-	-	-	-	-	-	-	108,481,122
Deferred amount on defeased bonds	-	-	-	-	-	-	-	-	-	-	-	(9,964,039)	-	-	(9,964,039)
Restricted assets held for Government of the U.S. Virgin Islands	100,638	1,000,000	127,054,875	-	1,880,238	796,642	10,929,250	-	19,380,473	30,547,002	-	-	53,785,652	5,340,471	250,815,241
Payable from restricted assets	-	-	53,584,232	-	-	-	182,375	-	9,906,948	16,696,419	-	25,795,868	32,108,933	3,903,459	142,178,234
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total noncurrent liabilities	100,100,638	7,031,528	430,639,107	-	1,880,238	3,246,236	227,076,625	-	108,147,421	299,698,421	-	103,526,829	462,919,585	9,243,930	1,753,510,558
Total Liabilities	100,236,254	7,031,528	434,443,605	-	10,119,811	5,822,306	233,867,469	-	113,728,715	309,388,846	-	112,807,958	492,529,138	8,919,837	1,828,895,467
NET ASSETS															
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-	-	12,507,116	13,051,167	1,758,177	27,316,460
Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,016,378)	(5,016,378)
Total net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,507,116	\$ 13,051,167	\$ (3,258,201)	\$ 22,300,082

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Summarized Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2009

Description	Total from Business Type Activities	Total from Debt Service Fund	Total
OPERATING REVENUES			
Charges for services	\$ 8,976,311	\$ -	\$ 8,976,311
Other operating revenues	3,557,355	-	3,557,355
Total operating revenues	12,533,666	-	12,533,666
OPERATING EXPENSES			
General and administrative	14,090,855	118,483	14,209,338
Depreciation	2,305,033	-	2,305,033
Total operating expenses	16,395,888	118,483	16,514,371
Operating income (loss)	(3,862,222)	(118,483)	(3,980,705)
NONOPERATING REVENUES (EXPENSES)			
Interest income:			
Cash & Investments	202,405	5,631,098	5,833,503
Loans receivable	-	60,263,831	60,263,831
Other investment income	-	193,714	193,714
Budgetary allocation	3,500,000	-	3,500,000
Interest expense	(1,479,572)	(60,263,831)	(61,743,403)
Amortization of bond discount/issuance costs	-	(2,546,516)	(2,546,516)
Amortization of deferred amount	-	(532,884)	(532,884)
Gain (loss) on sale/impairment of fixed assets	(237,727)	-	(237,727)
Contribution in lieu of taxes	(700,000)	-	(700,000)
Total nonoperating revenue (expenses)	1,285,106	2,745,412	4,030,518
Income (loss) before contributions and transfers	(2,577,116)	2,626,929	49,813
Payments on behalf of GVI	(401,318)	(2,846,321)	(3,247,639)
Internal transfers	(352,486)	352,486	-
Change in net assets	(3,330,920)	133,094	(3,197,826)
Total net assets-beginning	\$ 37,656,089	22,166,988	59,823,077
Total net assets-ending	\$ 34,325,169	\$ 22,300,082	\$ 56,625,251

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statement of Revenues, Expenses and Changes in Net Assets – From Business Type Activities
Year Ended September 30, 2009

Description	Operating	The West Indian Company	King's Alley Management Inc.	Grant Administration	Total from Business Type Activities
OPERATING REVENUES					
Charges for services	\$ -	\$ 8,337,651	\$ 638,660	\$ -	\$ 8,976,311
Other operating revenues	3,557,355	-	-	-	3,557,355
Total operating revenues	3,557,355	8,337,651	638,660	-	12,533,666
OPERATING EXPENSES					
General and administrative	7,069,000	6,605,076	416,664	115	14,090,855
Depreciation	-	1,784,975	520,058	-	2,305,033
Total operating expenses	7,069,000	8,390,051	936,722	115	16,395,888
Operating income (loss)	(3,511,645)	(52,400)	(298,062)	(115)	(3,862,222)
NONOPERATING REVENUES (EXPENSES)					
Interest income:					
Cash & Investments	97,862	103,039	1,504	-	202,405
Loans receivable	-	-	-	-	-
Other investment income	-	-	-	-	-
Budgetary allocation	3,500,000	-	-	-	3,500,000
Interest expense	-	(1,479,572)	-	-	(1,479,572)
Amortization of bond discount/issuance costs	-	-	-	-	-
Amortization of deferred amount	-	-	-	-	-
Gain (loss) on sale/impairment of fixed assets	-	15,000	(252,727)	-	(237,727)
Contribution in lieu of taxes	-	(700,000)	-	-	(700,000)
Total nonoperating revenue (expenses)	3,597,862	(2,061,533)	(251,223)	-	1,285,106
Income (loss) before contributions and transfers	86,217	(2,113,933)	(549,285)	(115)	(2,577,116)
Payments on behalf of GVI	(50,568)	-	-	(350,750)	(401,318)
Internal transfers	(352,486)	-	-	-	(352,486)
Change in net assets	(316,837)	(2,113,933)	(549,285)	(350,865)	(3,330,920)
Total net assets-beginning	5,461,051	23,727,921	8,467,117	-	\$ 37,656,089
Total net assets-ending	\$ 5,144,214	\$ 21,613,988	\$ 7,917,832	\$ (350,865)	\$ 34,325,169

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statement of Revenues, Expenses and Changes in Net Assets –
From Debt Service Fund
Year Ended September 30, 2009

Description	2009 Series B Working Capital Bond Anticipation Note	2009A TIR Bond Anticipation Note	2009A Series Revenue Bond - Diageo	2009A Bond Anticipation Note	2009A Revenue Loan Note	2008 Series Notes	2006 Series Revenue Bonds	2006 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Garvey Bonds	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Others	Total From Debt Service Fund
OPERATING REVENUES															
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other operating revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPERATING EXPENSES															
General and administrative	-	-	-	-	-	-	-	-	-	-	-	-	71,048	47,435	118,483
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	71,048	47,435	118,483
Operating income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	(71,048)	(47,435)	(118,483)
NONOPERATING REVENUES (EXPENSES)															
Interest income:															
Cash & Investments	19,472	19,090	84,164	421,212	-	-	503,137	-	228,723	31,448	220,288	1,734,732	2,279,877	88,955	5,631,098
Loans receivable	135,616	-	3,804,498	10,609	239,573	295,434	10,521,688	33,268	4,262,588	12,812,875	173,750	5,891,644	22,082,288	-	60,263,831
Other investment income	-	-	-	-	-	-	-	-	-	-	-	105,306	88,408	-	193,714
Interest expense	(135,616)	-	(3,804,498)	(10,609)	(239,573)	(295,434)	(10,521,688)	(33,268)	(4,262,588)	(12,812,875)	(173,750)	(5,891,644)	(22,082,288)	-	(60,263,831)
Amortization of bond discount/issuance costs	(19,472)	(19,090)	(84,164)	(421,212)	-	-	(503,137)	-	(228,723)	(31,448)	(232,164)	(568,092)	(439,014)	-	(2,546,516)
Amortization of deferred amount	-	-	-	-	-	-	-	-	-	-	-	(532,834)	(50)	-	(532,884)
Gain (loss) on sale of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution in lieu of taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total nonoperating revenue (expenses)	-	-	-	-	-	-	-	-	-	-	(11,876)	739,112	1,929,221	88,955	2,745,412
Income (loss) before contributions and transfers	-	-	-	-	-	-	-	-	-	-	(11,876)	739,112	1,858,173	41,520	2,626,929
Payments on behalf of GVI	-	-	-	-	-	-	-	-	-	(352,486)	-	-	-	(2,493,835)	(2,846,321)
Internal transfers	-	-	-	-	-	-	-	-	-	352,486	-	-	-	-	352,486
Change in net assets	-	-	-	-	-	-	-	-	-	-	(11,876)	739,112	1,858,173	(2,452,315)	133,094
Total net assets-beginning	-	-	-	-	-	-	-	-	-	-	11,876	11,768,004	11,192,994	(805,886)	22,166,988
Total net assets-ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,507,116	\$ 13,051,167	\$ (3,258,201)	22,300,082