

**Virgin Islands Public Finance Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)**

**Management's Discussion and Analysis and
Financial Statements
(with Independent Auditor's Report Thereon)
Year Ended September 30, 2023**

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



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Independent Auditor's Report

The Board of Directors
Virgin Islands Public Finance Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Virgin Islands Public Finance Authority (the Authority), a blended component unit of the Government of the U.S. Virgin Islands (the Government), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Virgin Islands Public Finance Authority as of September 30, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matters

As discussed in Note 18 to the financial statements, the Authority's ability to repay its obligations and finance its operations is highly dependent on payments from the Government. The Government currently faces various fiscal, economic, and liquidity challenges. There are no assurances that the Government's plans will be sufficient to avoid defaulting on its debts to the Authority. Our opinion is not modified with respect to this matter.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and Schedule of the Authority's Proportionate Share of the Net Pension Liability and Schedule of the Authority's Pension Contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BDO USA, P.C.

September 29, 2025

**Management's
Discussion and Analysis (unaudited)**

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis (unaudited)

The purpose of the following management's discussion and analysis of the financial performance and activity of the Virgin Islands Public Finance Authority (the Authority) is to help readers understand the basic financial statements of the Authority for the year ended September 30, 2023, with selected comparative information for the year ended September 30, 2022. This discussion has been prepared by management and should be read in conjunction with the basic financial statements and the notes thereto, which follow this section.

The Authority

The Authority, a blended component unit of the Government of the U.S. Virgin Islands (the Government), 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 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, grants management, and investment and debt service fund administration on behalf of the Government.

Under the Authority's investment and debt service fund administration, the Authority issues debt instruments (mainly bonds and notes) and loans the proceeds to the Government under the same terms of the debt source. The proceeds from debt issuances are also managed by the Authority on behalf of the Government. These management activities consist of investing the proceeds in permitted investments, managing the debt service reserves, making payments for capital projects for the benefit of the residents of the Virgin Islands and receiving pledged revenues for the timely payment of principal and interest. Since the Authority holds the bond proceeds, disbursements on behalf of the Government are recorded as reductions in the amounts due to the Government in the Statement of Net Position and are presented in the Statement of Cash Flows as payments on behalf of the Government.

The following component units, provide services entirely or almost entirely to the Authority, or have outstanding debt that is expected to be paid entirely or almost entirely with the Authority's resources:

- The West Indian Company Limited (WICO)
- King's Alley Management, Inc. (KAMI)
- viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN)
- Lonesome Dove Petroleum, Co. (Lonesome Dove)

The activities of the component units are blended in the Authority's financial statements.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis (unaudited)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to Financial Statements.

- The Statement of Net Position is prepared on an economic resources measurement focus and reports information about the Authority using accounting methods similar to those used by private sector companies (accrual basis of accounting) and presents all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Authority, with the difference reported as net position.
- The Statement of Revenues, Expenses, and Changes in Net Position presents information on how the Authority's net position changed during the fiscal year. All changes in the net position are reported as soon as underlying event giving rise to the changes occurs regardless of the timing of related cash flows.
- The Statement of Cash Flows provides data regarding all cash inflows the Authority receives from its ongoing operations and includes all cash outflows that pay for business activities. The Statement of Cash Flows provides an analysis of the operating, investing non-capital, and capital and related financing activities and their effect on cash and cash equivalents.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided within. Additional schedules for the Authority's pension obligations and contributions are provided in the required supplementary information accompanying the financial statements.

Virgin Islands Public Finance Authority
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Management's Discussion and Analysis (unaudited)

Summary of Financial Results

Statement of Net Position - Table 1 summarizes the Authority's Statement of Net Position (expressed in thousands).

Table 1: Summary of Statements of Net Position

<i>September 30,</i>	2023	2022	Change	% Change
Assets				
Current assets	\$ 439,606	\$ 394,073	\$ 45,533	12%
Noncurrent Assets				
Noncurrent assets, excluding capital assets	737,751	712,437	25,314	4%
Capital assets, net	86,785	88,307	(1,522)	(2)%
Total Noncurrent Assets	824,536	800,744	23,792	3%
Total Assets	1,264,142	1,194,817	69,325	6%
Deferred Outflows of Resources	10,336	9,719	617	6%
Total Assets and Deferred Outflows of Resources	\$ 1,274,478	\$ 1,204,536	\$ 69,942	6%
Liabilities				
Current liabilities	\$ 197,531	\$ 229,915	\$ (32,384)	(14)%
Noncurrent Liabilities				
Long-term bonds payable, net	620,815	668,278	(47,463)	(7)%
Other long-term liabilities	404,672	266,117	138,555	52%
Total Noncurrent Liabilities	1,025,487	934,395	91,092	10%
Total Liabilities	1,223,018	1,164,310	58,708	5%
Deferred Inflows of Resources	7,138	4,277	2,861	67%
Total Liabilities and Deferred Inflows of Resources	1,230,156	1,168,587	61,569	5%
Net Position				
Net investment in capital assets	4,908	8,563	(3,655)	(43)%
Restricted for debt service	33,126	30,866	2,260	7%
Restricted for capital improvement	13	110	(97)	(88)%
Unrestricted deficit	6,275	(3,590)	9,865	275%
Total Net Position	\$ 44,322	\$ 35,949	\$ 8,373	23%

During fiscal year 2023, current assets increased by approximately \$45.5 million compared to the prior year. This growth was primarily driven by a \$33.7 million increase in restricted cash and cash equivalents, a \$7.7 million rise in amounts due from the Government, and a \$3.2 million increase in restricted investments. Additional contributing factors included a \$2.2 million increase in restricted loans receivable, a \$141,000 increase in leases receivable, a \$654,000 increase in federal grant receivable, and a \$2.9 million increase in other receivables. These gains were partially offset by a \$4.9 million decrease in unrestricted cash and cash equivalents. The net change in restricted cash was largely attributable to \$83.5 million in funds held for payments to the Rum companies, which was offset by a \$49.7 million reduction in restricted cash previously designated for debt service and payments related to the GERS funding note.

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Management's Discussion and Analysis (unaudited)

Noncurrent assets, excluding capital assets increased by \$25.3 million mainly due to an increase in restricted investments of \$19.6 million, an increase in lease receivable of \$102,000 and an increase in restricted loans receivable of \$7.2 million. These increases were offset by a decrease in due from various governments of \$1.3 million and a decrease in restricted intangible assets of \$327,000.

Leased and capital assets decreased by \$1.5 million mainly due to the acquisition of capital assets of \$7.5 million, and depreciation and amortization expense of \$9.0 million. Deferred outflows of resources increased by \$617,000 mainly due to increases in pension deferrals of \$1.4 million offset by a reduction in deferred losses on bond refundings of \$749,000.

For fiscal year 2023, current liabilities decreased from the prior fiscal year by \$32.4 million, mainly due to the decrease in amount due to GERS of \$34.0 million, a decrease in accounts payable, accrued expenses, and other liabilities of \$364,000, a decrease in current notes payable of \$704,000, and a decrease in deferred grant revenue of \$2.6 million. The decreases were offset by an increase in current bonds payable of \$5.3 million. Noncurrent liabilities increased by \$91.1 million, mainly due to an increase in notes payable of \$56.3 million, an increase in due to the government for debt service of \$100.1 million, and an increase in due to the government for federal reimbursement of \$6.0 million. These increases were offset by a decrease in long-term bonds payable of \$47.5 million, a decrease in due to the government for construction funds of \$21.5 million, a decrease in accrued expenses of \$1.3 million, a decrease in long-term lease liability of \$463,000, a decrease in pension liability of \$484,000, and a decrease in leases held on behalf of the Bureau of Internal Revenue of \$327,000.

Statement of Revenues, Expenses, and Changes in Net Position - Table 2 summarizes the Authority's revenues, expenses, and changes in net position for the year ended September 30, 2023 and 2022 (expressed in thousands):

Table 2: Summary of Statements of Revenues, Expenses, and Changes in Net Position

<i>Year ended September 30,</i>	2023	2022	Change	% Change
Operating revenues	\$ 21,132	\$ 10,297	\$ 10,835	105%
Operating expenses	33,010	35,554	(2,544)	(7)%
Operating Loss	(11,878)	(25,257)	13,379	53%
Non-operating revenues	20,251	16,407	3,844	23%
Change in Net Position	\$ 8,373	\$ (8,850)	\$ 17,223	195%
Net Position, beginning of year	\$ 35,949	\$ 44,799	\$ (8,850)	(20)%
Net Position, end of year	\$ 44,322	\$ 35,949	\$ 8,373	23%

For fiscal year 2023, the Authority reported operating revenues of \$21.1 million, reflecting an increase of \$10.8 million compared to the prior year. This growth was primarily driven by a \$6.3 million increase in revenue generated by WICO, attributable to higher passenger fees following the lifting of the No Sail Order by the Centers for Disease Control and Prevention (CDC) in September 2022. Additionally, royalties received by Lonesome Dove increased by \$3.9 million, resulting from higher production volumes and remittances during the year.

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Management's Discussion and Analysis (unaudited)

Operating expenses decreased by \$2.5 million, primarily due to a \$1.3 million reduction in PFA administrative services and a \$2.1 million reduction in Office of Disaster Recovery expenses. These decreases were partially offset by a \$0.9 million increase in viNGN expenses.

The Authority reported an increase in non-operating revenues of \$3.8 million mainly due to federal grants increasing by \$4.0 million, an increase in shared cost agreement of \$274,000 offset by a decrease in the budgetary allocation from the Government of \$500,000.

Capital Assets

Following is a schedule of capital assets of the Authority as of September 30, 2023 and 2022:

	Balance September 30, 2022	Additions	Disposals/ Adjustments	Transfers	Balance September 30, 2023
Total Capital Assets Not Being Depreciated	\$ 12,082,010	\$ 5,413,886	\$ -	\$ (373,822)	\$ 17,122,074
Capital assets, being amortized or depreciated:					
Personal property and equipment	71,623,012	157,712	(39,420)	350,667	72,091,971
Buildings and building improvements	72,563,630	665,284	-	23,155	73,252,069
Intangible assets	20,973,568	-	-	-	20,973,568
Right-to-use buildings and building improvements	2,825,262	94,980	-	-	2,920,242
Total Capital Assets Being Amortized or Depreciated	167,985,472	917,976	(39,420)	373,822	169,237,850
Less: accumulated amortization or depreciation:					
Personal property and equipment	(34,327,355)	(3,707,578)	39,420	-	(37,995,513)
Buildings and building improvements	(46,992,339)	(2,966,728)	-	-	(49,959,067)
Intangible assets	(9,403,283)	(685,619)	-	-	(10,088,902)
Right-to-use buildings and building improvements	(1,037,931)	(493,210)	-	-	(1,531,141)
Total Accumulated Amortization or Depreciation	(91,760,908)	(7,853,135)	39,420	-	(99,574,623)
Total Capital Assets Being Amortized or Depreciated, Net	76,224,564	(6,935,159)	-	373,822	69,663,227
Total Capital Assets, Net	\$ 88,306,574	\$ (1,521,273)	\$ -	\$ -	\$ 86,785,301

Virgin Islands Public Finance Authority
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Management's Discussion and Analysis (unaudited)

Debt Administration

Bonds payable - Table 3 summarizes the Authority's outstanding bonds payable for the year ended September 30, 2023 (expressed in thousands):

Table 3: Summary of Bonds Payable

	Balance September 30, 2022	Bond Issuance	Principal Payments	Balance September 30, 2023
Bonds Payable				
Gross Receipts Revenue Bonds	\$ 559,920	\$ -	\$ (31,630)	\$ 528,290
Federal-Aid Highway Bonds	62,905	-	(4,429)	58,476
Direct Placement Bonds Payable				
Tax Increment Financing Bonds	9,534	-	(3,123)	6,411
WICO Port Facilities Revenue Bonds	52,625	-	-	52,625
Total Bonds Payable	\$ 684,984	\$ -	\$ (39,182)	\$ 645,802

Loans and notes payable - Table 4 summarizes the Authority's outstanding loans and notes payable for the year ended September 30, 2023 (expressed in thousands):

Table 4: Summary of Loan and Note Series Payable

	Balance September 30, 2022	New Issuances	Principal Payments	Loan Forgiveness	Balance September 30, 2023
2019 TIF Project Developer Note	\$ 1,552	\$ -	\$ (15)	\$ -	\$ 1,537
2023 Revenue Anticipation Loan (LOC)	-	55,909	-	-	55,909
viNGN Mortgage	-	450	-	-	450
WICO Paycheck Protection Program Loan	717	-	-	(717)	-
Total Notes and Loans	\$ 2,269	\$ 56,359	\$ (15)	\$ (717)	\$ 57,896

Activities of the Authority

The Authority owns and manages two Virgin Islands commercial rental complexes, a Texas corporation holding company for oil and gas royalty interests, and a Virgin Islands bandwidth fiber optic network distributor.

The Virgin Islands commercial complexes are The West Indian Company Limited (WICO) and the King's Alley Management, Inc. (KAMI). WICO is a port facility including a cruise ship pier, and rental complex on the island of St. Thomas. KAMI is a shopping mall on the island of St. Croix. Lonesome Dove Petroleum Co. (Lonesome Dove) was transferred to the Authority through court receivership proceedings in the District Court of the Virgin Islands. Lonesome Dove's assets were held by the court due to tax obligations owed to the Government. viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN) is owned by the Government through the Authority. The main purpose of viNGN is to design, develop, engineer, construct, and manage a middle mile wholesale fiber optic network.

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Management's Discussion and Analysis (unaudited)

Following is condensed financial information for WICO, King's Alley and Lonesome Dove (expressed in thousands):

Table 5: Condensed Financial Information for WICO, KAMI, and Lonesome Dove

September 30,

	WICO		KAMI		Lonesome Dove	
	2023	2022	2023	2022	2023	2022
Condensed Statement of Net Position						
Assets						
Current assets	\$ 14,295	\$ 12,145	\$ 3,288	\$ 4,501	\$ 334	\$ 173
Non-current assets	38,265	40,724	-	-	7,709	8,036
Total Assets	52,560	52,869	3,288	4,501	8,043	8,209
Liabilities						
Current liabilities	13,565	12,840	-	2	-	-
Non-current liabilities	53,122	52,860	619	619	7,709	8,036
Total Liabilities	66,687	65,700	619	621	7,709	8,036
Deferred inflows of resources	3,205	2,729	-	-	-	-
Total Liabilities and Deferred Inflows of Resources	69,892	68,429	619	621	7,709	8,036
Total Net Position (Deficit)	\$ (17,332)	\$ (15,560)	\$ 2,669	\$ 3,880	\$ 334	\$ 173
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	\$ 9,424	\$ 3,081	\$ -	\$ 152	\$ 5,009	\$ 1,124
Operating expenses	9,350	9,426	7	484	448	56
Operating Income (Loss)	74	(6,345)	(7)	(332)	4,561	1,068
Non-operating (expenses) revenues	(1,846)	(1,227)	(1,204)	1,540	(4,400)	(940))
Change in Net Position	(1,772)	(7,572)	(1,211)	1,208	161	128
Net Position, beginning of year, as restated	(15,560)	(7,988)	3,880	2,672	173	45
Net Position (Deficit), end of year	\$ (17,332)	\$ (15,560)	\$ 2,669	\$ 3,880	\$ 334	\$ 173

For fiscal year 2023, WICO's assets amounted to \$52.5 million, of which \$9.6 million represented cash and cash equivalents, \$4.7 million represented receivables, prepaid expenses and other current assets and \$38.2 million represented capital assets net of accumulated depreciation. Current and other assets increased by \$2.1 million mainly due to an increase in net receivables of \$2.6 million, an increase in lease receivable of \$175,000 and an increase in prepaid expense of \$182,000, offset by a decrease in cash and cash equivalents of \$786,000. Capital assets decreased by \$2.8 million due to the net effect of acquisition of assets of \$177,000 and depreciation expense of \$3.0 million.

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For fiscal year 2023, WICO's liabilities amounted to \$66.7 million, of which \$51.6 million represented bonds payable, \$10.6 million represented a payable to the Government, \$1.4 million represented accrued expenses, \$1.7 million represented interest payable, and \$1.4 million represented compensated absences payable. Current and other liabilities increased by \$725,000 mainly due to an increase in interest payable of \$677,000, an increase in payments in lieu of taxes (PILOT) due to the Government of \$631,000, net increases in accrued expense and lease liability of \$129,000 offset by a decrease in direct borrowing of \$717,000. Long-term liabilities increased by \$262,000 due to an increase in long-term bonds payable of \$45,000, an increase in long-term compensated absences of \$34,000 and an increase in long-term accrued expenses of \$183,000.

For fiscal year 2023, operating revenues of \$9.4 million increased by \$6.3 million from the prior year mainly due to increased passenger fees received resulting from the recovery of the cruise ship industry following the removal of Coronavirus (COVID-19) related travel restrictions.

Operating expenses of \$9.3 million decreased by \$76,000 primarily due to a decrease in general and administrative expenses of \$120,000 offset by an increase in depreciation and amortization of \$44,000. WICO reported an increase in net non-operating income (expenses) of \$619,000 mainly due to an increase in loan forgiveness of \$717,000, a decrease in bond issuance costs of \$2.2 million, a decrease in interest expense of \$642,000 and a net increase in other revenue of \$1.1 million, offset by a decrease in Federal Emergency Management Agency (FEMA) grant revenue of \$4.0 million.

For fiscal year 2023, KAMI's current assets decreased by \$1.2 million due to a decrease in cash and cash equivalents of \$1.2 million related to the purchase of land on behalf of the Government. Operating revenue decreased by \$152,000 due to the sale of King's Alley Hotel in the prior fiscal year.

For fiscal year 2023, Lonesome Dove's current assets increased by \$161,000 due to an increase in cash and cash equivalents and prepaid expense. Intangible lease holdings of Lonesome Dove decreased by \$327,000 due to amortization of assets. Operating revenues from oil and gas leases increased by \$3.9 million due to an increase in oil prices and increased collections.

Virgin Islands Public Finance Authority
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Management's Discussion and Analysis (unaudited)

Following is condensed financial information for viNGN (expressed in thousands):

Table 6: Condensed Financial Information for viNGN

<i>Year ended September 30,</i>	2023	2022
Condensed Statement of Net Position		
Assets		
Current assets	\$ 2,189	\$ 4,582
Capital assets, net	54,104	52,259
Total Assets	56,293	56,841
Liabilities		
Current liabilities	1,316	3,547
Non-current liabilities	38,366	37,845
Total Liabilities	39,682	41,392
Total Net Position	\$ 16,611	\$ 15,449
Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Operating revenues	\$ 4,965	\$ 4,644
Operating expenses	10,390	9,490
Operating Loss	(5,425)	(4,846)
Non-operating revenues	6,587	867
Change in Net Position	1,162	(3,979)
Net Position, beginning of year	15,449	19,428
Net Position, end of year	\$ 16,611	\$ 15,449

For fiscal year 2023, viNGN's assets amounted to \$56.3 million, of which \$206,000 represented cash and cash equivalents, \$1.2 million represented federal grant receivable, \$782,000 represented other current assets, and \$54.1 million represented net lease and capital assets.

Current assets decreased by \$2.4 million mainly due to the net effect of a decrease in cash and cash equivalents of \$3.1 million, offset by an increase in federal grants receivable of \$654,000. Capital assets increased by \$1.8 million due to the net effect of acquisition of assets of \$5.1 million and depreciation and amortization expense of \$3.3 million.

For the fiscal year ended September 30, 2023, operating revenues increased by \$321,000 mainly due to an increase in services to one service provider. Operating expenses increased by \$900,000 mainly due to an increase in general and administrative expenses of \$939,000, offset by a decrease in depreciation and amortization expense of \$39,000. The Company reported a increase in non-operating revenues of \$5.7 million, mainly due to an increase in federal grant revenues of \$5.7 million.

Virgin Islands Public Finance Authority
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Management's Discussion and Analysis (unaudited)

Significant Current-Known Facts

The following are currently known facts that could have a potential significant effect on financial position and changes in the financial position in future years:

Tax Collections and Financial Condition of the Government

Bonds and notes issued by the Authority are supported by loans made to the Government, which are repaid solely by pledged rum excise tax revenues and gross receipts tax revenues, as more fully described in Notes 7 and 8 of the financial statements. Rum excise taxes are Federal excise tax collections from rum which are returned to the Government from the U.S. Federal Government. Rum production occurs at two private facilities. Gross receipts tax revenues are a tax on gross professional services and sales. Property tax revenues are a tax on assessed property values or incremental values in financing districts.

Debt service payments of principal and interest from these revenue sources for fiscal year ended September 30, 2023 and 2022 are as follows (expressed in thousands):

Table 7: Summary of Debt Service Payments by Revenue Source

<i>Year ended September 30,</i>		2023		2022
Gross receipts tax	\$	58,686	\$	58,657
Federal highway grants		7,575		7,576
Excise rum tax		-		82,994

While the Bonds and Notes issued by the Authority are supported by the Government's pledge of tax revenues, the Authority is highly dependent on the Government to repay its loan obligations to the Authority and to fund the Authority's operations. The Government faces significant fiscal and economic challenges related to continuing structural deficits, high levels of debt, and unfunded pension obligations. As of the date of this report, all payments on the bonds and notes issued by the Authority have been made as required, and the Authority complied with all related covenants.

Credit Ratings and Access to Markets

The matching funds bonds and gross receipts tax bonds of the Authority experienced credit rating downgrades in 2017 due to the financial and budgetary challenges experienced by the Government. Such downgrades are likely to negatively impact the Authority and Government's ability to access credit markets or to access them at supportable rates in the foreseeable future. In December 2019, Standard & Poor's Global Ratings raised the Government's outlook from "negative" to "stable" and affirmed its "A" rating on the Series 2015A Bonds. In October 2021 and February 2022, Moody's Investors Service updated its review of the Authority's bonds as "stable", with a continued rating of "Caa3". In March 2023, Moody's Investor Service withdrew its ratings, as debt obligations for which it served as a reference no longer had outstanding ratings.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis (unaudited)

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's customers, creditors, and other interested persons with a general overview of its finances and to demonstrate the Authority's accountability for the funds it receives. If you have questions about this report, or need additional financial information, contact:

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

Financial Statements

**Virgin Islands Public Finance Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)**

Statement of Net Position

September 30, 2023

Assets

Current Assets

Cash and cash equivalents	\$ 35,718,257
Restricted cash and cash equivalents	304,935,642
Restricted investments, at fair value	39,747,971
Receivables, net	3,764,735
Due from the Government	8,250,000
Grants receivable	1,352,367
Leases receivable	379,946
Restricted loans receivable - the Government	43,830,629
Prepaid expenses and other assets	1,626,127

Total Current Assets	439,605,674
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Noncurrent Assets

Restricted investments, at fair value	71,367,566
Lease receivable	6,764,467
Restricted loans receivable - Virgin Islands Waste Management Authority	750,000
Restricted loans receivable - the Government	585,203,679
Due from various Governments	65,956,010
Capital assets, net	86,785,301
Restricted intangible assets, net	7,709,333

Total Noncurrent Assets	824,536,356
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Total Assets	1,264,142,030
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Deferred Outflows of Resources

Deferred losses on bond refunding, net	2,850,354
Deferred amounts related to pension	7,485,831

Total Deferred Outflows of Resources	10,336,185
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Total Assets and Deferred Outflows of Resources	\$ 1,274,478,215
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See accompanying notes to financial statements.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)

Statement of Net Position

September 30, 2023

Liabilities

Current Liabilities

Due to the Government Employees' Retirement System of the U.S. Virgin Islands	\$ 123,996,500
Accounts payable, accrued expenses, and other liabilities	16,074,023
Compensated absences payable	63,860
Deferred grant revenue	135,132
Lease liability	511,903
Notes payable	27,718
Bonds payable	41,919,401
Interest payable	14,802,862

Total Current Liabilities	197,531,399
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Noncurrent Liabilities

Accrued expenses	66,139,521
Compensated absences payable	1,307,782
Deferred revenue	662,240
Lease liability	927,338
Notes payable	57,868,390
Net pension liability	10,636,791
Bonds payable, net of net unamortized bond premiums and discounts	620,815,061
Due to the Virgin Islands Waste Management Authority	424,411
Due to the Government - construction funds	113,455,406
Due to the Government - debt service funds	139,540,605
Due to the Government - federal reimbursements	6,000,000
Leases held on behalf of the Virgin Islands Bureau of Internal Revenue	7,709,333

Total Noncurrent Liabilities	1,025,486,878
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Total Liabilities	1,223,018,277
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Deferred Inflows of Resources

Deferred amounts related to leases	2,939,028
Deferred amounts related to pension	4,199,035

Total Deferred Inflows of Resources	7,138,063
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Total Liabilities and Deferred Inflows of Resources	1,230,156,340
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Net Position

Net investment in capital assets	4,907,760
Restricted for:	
Debt service	33,125,582
Capital improvements	13,349
Unrestricted	6,275,184

Total Net Position	\$ 44,321,875
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See accompanying notes to financial statements.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)

Statement of Revenues, Expenses and Changes in Net Position

Year ended September 30, 2023

Operating Revenues	
Charges for services	\$ 20,911,652
Other operating revenues	220,366
Total Operating Revenues	21,132,018
Operating Expenses	
General and administrative	25,156,918
Depreciation and amortization	7,853,135
Total Operating Expenses	33,010,053
Operating Loss	(11,878,035)
Non-operating Revenues (Expenses)	
Investment income (loss):	
Cash, cash equivalents, and investments	2,952,038
Loans receivable - the Government	29,413,263
Budgetary allocation	11,500,000
Grants revenue	14,013,809
Loan forgiveness	717,200
Employment retention tax credit	378,218
Shared cost agreement	274,473
Interest expense	(32,864,753)
Transfers to the Government	(4,400,000)
Gain on sale of fixed assets	3,000
Debt issuance costs	(15,500)
Other revenue	134,901
Land purchase on behalf of the Government of the U.S. Virgin Islands	(1,203,910)
Contribution to the Government of the U.S. Virgin Islands	(652,201)
Total Non-operating Revenues, Net	20,250,538
Change in Net Position	8,372,503
Net Position, beginning of year	35,949,372
Net Position, end of year	\$ 44,321,875

See accompanying notes to financial statements.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)

Statement of Cash Flows

Year ended September 30, 2023

Cash Flows from Operating Activities	
Cash received from customers	\$ 18,411,685
Cash paid to employees	(9,572,990)
Cash paid to suppliers	(17,960,548)
Cash received from Matching Fund Special Purpose Securitization Corporation	123,996,500
Cash paid to Government Employees' Retirement System of the U.S. Virgin Islands	(157,996,500)
Net Cash Used in Operating Activities	(43,121,853)
Cash Flows from Investing Activities	
Purchases of investments	(460,212,795)
Interest received on cash, cash equivalents, and investments	6,357,948
Investment maturities and sales	437,285,341
Net Cash Used in Investing Activities	(16,569,506)
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	(6,331,862)
Disposal of capital assets	3,000
Bond issuance costs	(15,500)
Principal payments on lease liability	(405,181)
Interest payments on loan related to capital assets	(2,630,668)
Interest paid on lease liability	(60,461)
Net Cash Used in Capital and Related Financing Activities	(9,440,672)
Cash Flows from Noncapital Financing Activities	
Funds received for debt service	73,179,364
Proceeds from line of credit	56,359,479
Payment of issuance costs	(2,121,686)
Budgetary allocation	3,750,000
Interest paid on bonds and notes payable	(33,270,616)
Grants	12,090,386
Transfer to the Government	(19,593,945)
Principal payments on bonds payable	(39,183,159)
Payments on behalf of the Government	46,042,033
Other cash inflows	636,699
Net Cash Provided by Noncapital Financing Activities	97,888,555
Net Increase in Cash, Cash Equivalents, and Restricted Cash	28,756,524
Cash, Cash Equivalents, and Restricted Cash, beginning of year	311,897,375
Cash, Cash Equivalents, and Restricted Cash, end of year	\$ 340,653,899
Cash, cash equivalents, and restricted cash include:	
Cash and cash equivalents	\$ 35,718,257
Restricted cash and cash equivalent	304,935,642
	\$ 340,653,899

**Virgin Islands Public Finance Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)**

Statement of Cash Flows

Year ended September 30, 2023

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (11,878,035)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Provision for doubtful accounts	118,431
Depreciation and amortization	7,853,135
Other income	134,901
Changes in assets, deferred outflows of resources, liabilities, and deferred inflow of resources:	
Receivables	(2,973,665)
Accounts payable, accrued expenses, and other liabilities	(3,131,203)
Compensated absences payable	33,885
Prepaid expenses and other assets	(50,574)
Net pension liability	(484,417)
Due to the Government Employees' Retirement System of the U.S. Virgin Islands	(34,000,000)
Deferred outflows of resources - pension related	(1,366,393)
Deferred inflows of resources - pension related	2,622,082
Total Adjustments	(31,243,818)
Net Cash Used in Operating Activities	\$ (43,121,853)
Noncash Noncapital Financing Activities	
Forgiveness of loan	\$ 717,200
Accrued expenses related to professional services	65,956,010

See accompanying notes to financial statements.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

1. Reporting Entity

The Virgin Islands Public Finance Authority (the Authority), a blended component unit of the Government of the U.S. Virgin Islands (the Government), was created by the Virgin Islands Act No. 5365 (the Act) and The Government Capital Improvement Act of 1988, for the purposes of aiding the Government in the performance of its fiscal duties and in effectively carrying out its governmental responsibility of raising capital for essential public projects. Under the enabling legislation, 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.

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 financial statements of the Authority are not intended to present fairly the financial position and results of operations of the Government. Only the financial position and results of operations of the Authority and its component units are included in the reporting entity.

Blended Component Units

The following component units, provide services entirely or almost entirely to the Authority, or have outstanding debt that is expected to be paid entirely or almost entirely with the Authority's resources:

- The West Indian Company Limited (WICO)
- King's Alley Management, Inc. (KAMI)
- viNGN, INC. d/b/a Virgin Islands Next Generation Network (viNGN)
- Lonesome Dove Petroleum, Co. (Lonesome Dove)

A component unit is reported as blended when either (1) the component unit's governing body is substantively the same as the Authority, and (a) there is a financial benefit or burden relationship between the Authority and the component unit, or (b) management of the Authority has operational responsibility for the component unit, or (2) the component unit provides services entirely, or almost entirely, to the Authority or otherwise exclusively, or almost exclusively, benefits the

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

Authority, or (3) the component unit's outstanding debt is expected to be repaid entirely or almost entirely with resources of the Authority.

Although these entities are legally separate, they are reported as part of the Authority since they operate for the sole purpose of assisting and supporting the Authority in accomplishing its mission of providing management and financial services for the benefit of the Authority. The governance of each blended component unit is controlled by the Authority through the selection of the members of the Boards of Directors of each unit.

Activities of the Authority

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

- *Operations* - Overall investment management and administrative activities of the Authority.
- *WICO* - Property management activities related to the management of WICO, a blended component unit of the Authority, consisting primarily of servicing cruise ships owned by established shipping lines.
- *KAMI* - Property management activities related to KAMI, a blended component unit of the Authority, formed on July 22, 2001, consisting primarily of managing a shopping center in Frederiksted, St. Croix and property acquisitions on behalf of the primary Government.
- *viNGN* - Operating entity in connection with the broadband expansion project formed on March 8, 2010, a blended component unit of the Authority. viNGN was incorporated on October 22, 2010, and its articles of incorporation were duly filed with the Office of the Lieutenant Governor of the United States Virgin Islands on October 12, 2010.
- *Lonesome Dove* - Operating entity consisting of subleased interests in oil and gas leases and mineral interest located in eleven states, a blended component unit of the Authority. On August 9, 2016, the Authority received all of the shares of Lonesome Dove to satisfy certain tax obligations due to the Government.
- *Disaster Recovery* - Management of federal disaster recovery grants and oversight of contracts through two business units:
 - Office of Disaster Recover (ODR).
 - Recovery Grant Management (RGM).

See Note 16 for condensed financial statements of the major component units.

2. Summary of Significant Accounting Policies

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted, standard-setting body for establishing governmental accounting and financial reporting standards.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

Measurement Focus and Basis of Accounting

The Authority complies with all applicable GASB pronouncements. The operations of the Authority are presented as an enterprise fund and as such, the financial statements are reported using the economic measurement focus and the accrual basis of accounting.

Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority include revenues of the operating fund of the Authority, revenues from WICO pier and rental operations, viNGN sale of bandwidth, and Lonesome Dove oil lease revenue. Operating expenses for the Authority include general and administrative expenses and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Standards for external financial reporting for state and local governments require that resources be classified for accounting and reporting purposes into net position categories and to report the changes in net position. Net position represents the residual interest in the Authority's assets after liabilities are deducted and consist of the following categories:

- *Net Investment in Capital Assets* - Capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt and accounts payable attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. The portion of debt attributed to the unspent debt proceeds or deferred inflows of resources is included in the same net position component as the unspent proceeds.
- *Restricted* - These result when constraints on the use of net position, are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provision or enabling legislation.
- *Unrestricted* - Net position that is not subject to externally imposed stipulations.

Taxes

The Authority is exempt from the payment of all U.S. Virgin Islands taxes on all its assets and income. However, WICO is required to make an annual payment in lieu of taxes (PILOT) to the Government, of the greater of ten percent of net revenues or \$700,000 retroactive to fiscal year 2006 and thereafter.

Cash and Cash Equivalents

Cash and cash equivalents of the Authority consist of cash on hand, demand accounts, certificates of deposit with maturities of three months or less when purchased, short-term U.S. Government

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

and its agencies' obligations maturing within three months and collateralized by U.S. Government obligations.

By law, bank and trust companies designated as depositories of public funds of the Government and its instrumentalities are to maintain corporate surety bonds or pledge collateral satisfactory to the Commissioner of Finance of the U.S. Virgin Islands to secure all governmental funds deposited.

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

Investments

The Authority reports investments at fair value in the Statement of Net Position and changes in the fair value in the Statement of Revenues, Expenses, and Changes in Net Position. Investments are restricted by various bond resolutions of the Authority and the Act, generally, to direct obligations of the United States Government, the United States 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. The Authority has retained investment managers and investments are held in trust by a commercial bank on behalf of the Authority.

Current investments include shares or interests in money market funds, short-term United States Government and its agencies' obligations, and investment agreements which mature in three months or less and are not designated for payment of current debt. Long-term investments are funds held in debt service reserve accounts not intended to convert to cash in the next fiscal year.

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.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of amounts paid by the Authority for services not yet provided by vendors, which primarily relate to property and liability insurance.

Capital Assets

Capital assets are recorded at cost and depreciated and amortized using the straight-line method over the estimated useful life of the assets. The capitalization threshold for capital assets is \$5,000 for the Authority, KAMI, and Lonesome Dove and \$500 for WICO and viNGN.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

Estimated useful lives of capital assets are as follows:

	Years
Buildings and building improvements	5 - 40
Personal property and equipment	3 - 25
Intangible assets	2 - 75

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

Leases

Lessee

The Authority, WICO and viNGN are party to multiple leases of nonfinancial assets as a lessee. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability. Lease assets are reported with capital assets and lease liabilities are reported separately on the statement of net position.

Lessor

The Authority and WICO have leased to third-parties multiple nonfinancial assets. The Authority recognizes a lease receivable and a deferred inflow of resources in the Statement of Net Position.

At the commencement of the lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments receivable.

Virgin Islands Public Finance Authority
(A Blended Component Unit of the Government of the U.S. Virgin Islands)

Notes to Financial Statements

The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Authority uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The Authority recognizes payments received for short-term leases with a lease term of 12 months or less as revenue when earned. In accordance with GASB 87, such short-term leases are not included as lease receivables or deferred inflows in the Statement of Net Position.

Compensated Absences

Unpaid vacation and sick leave compensation, as well as the Authority's share of related social security taxes, is accrued as benefits are earned by the employees if attributable to past services and if it is probable the Authority will compensate the employees for such benefits. Amounts accrued are measured using salary rates in effect as of September 30.

The change in compensated absences is as follows for the year ended September 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences payable	\$1,337,757	\$ 372,335	\$ (338,450)	\$1,371,642	\$ 63,860

Debt Refundings

Debt 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. For both current and advance refundings, the difference between the reacquisition price and the net carrying amount of the old debt is classified as a deferred outflow of resources on the statement of net position 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.

Bond Discounts and Premiums

Bond discounts and premiums are amortized over the term of the related debt using the effective interest rate method. Bonds payable are reported net of the applicable bond discounts or premiums. Issuance costs are reported as expenses in the year incurred.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, as well as additions to and deductions from the pension plan fiduciary net position

Virgin Islands Public Finance Authority
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Notes to Financial Statements

have been determined on the same basis as they are reported in the financial statements of the Government Employees' Retirement System of the U.S. Virgin Islands (GERS). Authority contributions are recognized when due and the Authority has a legal requirement to provide the contributions. Also see Note 14.

Deferred Outflows of Resources and Deferred Inflows of Resources

The Authority reports separate sections in the Statement of Net Position for deferred inflows of resources and deferred outflows of resources. These separate financial statement elements represent a consumption or receipt of resources that applies to a future period and therefore will not be recognized as an inflow or outflow of resources until then.

Charges for Services

The Authority and its component units generate their revenue from the operations which includes revenues from pier and rental operations, sale of bandwidth, oil lease revenue, and hotel income. Revenues are recognized when they are realized or realizable and are earned. Revenues are realized when cash or claims to cash (receivable) are received in exchange for goods or services.

Customers representing more than 10% of total revenues for viNGN during the year ended September 30, 2023, are as follows:

Year ended September 30, 2023

Broadband VI LLC	49%
Alliance Data Services	16%
Total	65%

Grants and Contributions

The Authority may, from time-to-time, receive Federal and state government grants. The assets and revenues arising from government grants are recorded when the Authority meets the eligibility requirements. If resources are received in advance of satisfying certain eligibility requirements, the recognition of revenues is deferred.

Intra-account Transfers

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

Use of Estimates in the Preparation of Financial Statements

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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Virgin Islands Public Finance Authority
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Notes to Financial Statements

Adoption of Accounting Pronouncements

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

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for the Authority's financial statements for periods ending after June 15, 2022. The Authority has evaluated this Statement and has determined there is no impact on the financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription - Based Information Technology Agreements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for the Authority's financial statements for periods ending after June 15, 2022. The Authority has evaluated this Statement and has determined there is no impact on the financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Some issues addressed by this Statement include clarification of provisions in Statement No. 87, *Leases* and Statement No. 96, *Subscription-Based Information Technology Arrangements*, as well as providing terminology used in Statement 53 to refer to resource flows statements. The requirements of this Statement are effective for the Authority's financial statements during various periods beginning after June 15, 2023. The Authority has evaluated this Statement and has determined there is no impact on the financial statements.

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

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

Virgin Islands Public Finance Authority
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Notes to Financial Statements

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

3. Cash and Cash Equivalents

Cash and cash equivalents, segregated by category are as follows:

September 30, 2023

	Bank Balance	Carrying Amount
Restricted:		
Cash	\$ 255,559,433	\$ 255,136,636
Money market funds	-	49,799,006
	255,559,433	304,935,642
Unrestricted cash	36,760,763	35,718,257
Total	\$ 292,320,196	\$ 340,653,899

Unrestricted cash and cash equivalents may be used for operational purposes. Restricted cash and cash equivalents represent cash and money market funds segregated for debt service due under the Authority's debt agreements and capital project funds held for the Government.

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposit may not be returned. The Authority does not have a custodial risk policy. The Authority maintains its deposits at four financial institutions which at times may exceed federally insured limits. Generally, the Federal Deposit Insurance Corporation insures depositor funds up to \$250,000. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its deposits.

As of September 30, 2023, 16.51% of the Authority's deposits in banks were held at Banco Popular de Puerto Rico, 2.33% were held at UMB Bank, N.A., 78.67% were held at Bank of New York, 2.49% were held at First Bank Puerto Rico and \$2,500 was held at Merchant's Commercial Bank. Petty cash of \$3,086 was held at WICO and viNGN. Deposits held at UMB Bank, N.A. for WICO of \$7.9 million are not collateralized.

4. Restricted 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 bonds and notes.

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Restricted investments in the reserve accounts are as follows:

September 30, 2023

	Debt Service Funds	Construction Funds	Total
Series 2015 A Federal-Aid Highway Bonds	\$ 8,178,789	\$ 31,453,352	\$ 39,632,141
Series 2014 D Revenue Bonds	393,595	-	393,595
Series 2014 C Revenue and Refunding Bonds	12,060,638	1,123,348	13,183,986
Series 2014 A Revenue Bonds	3,095,875	-	3,095,875
Series 2012 C Revenue Bonds	911,501	3,767,861	4,679,362
Series 2012 A & B Revenue and Refunding Bonds	12,477,183	-	12,477,183
Series 2006 A Revenue Bonds	20,860,219	12,100	20,872,319
Series 1999 A Gross Receipts Pledged Revenue	63,188,776	-	63,188,776
Subtotal Bonds Restricted Investments	121,166,576	36,356,661	157,523,237
Series 2022 Community Facilities Trust Account	3,391,306	-	3,391,306
Less: money market funds classified as cash and cash equivalents	(49,799,006)	-	(49,799,006)
Net Restricted Investments	\$ 74,758,876	\$ 36,356,661	\$ 111,115,537

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

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

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

Level 3 - Inputs are significant unobservable inputs.

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

The following section describes the valuation technique methodologies the Authority is using to measure its investments:

- *Money Market Funds and Commercial Paper* - Investments in money market funds and commercial paper, which at the time of purchase have a maturity of one year or less, are valued at amortized cost.
- *Government Agency Securities* - The government agency securities are classified as Level 2 instruments as their fair value is based on quoted values stated by the bank's mark-to-market estimate using a stated fixed rate. The interest rate is observable at commonly quoted indexes for the full term of the instruments.

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Investments, categorized by investment type and weighted average maturity, at September 30, 2023, are as follows:

		Weighted Average Maturity (Years)
Investments, at fair value		
Government agency securities	\$ 53,463,836	2.955
Other Investments		
Commercial paper	2,987,022	0.002
Money market funds	54,664,679	-
Total Restricted Investments	\$ 111,115,537	2.957

Interest Rate Risk - Interest rate risk is the risk that changes in an interest rate will adversely affect the fair value of an investment. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates. As a means of keeping the interest-rate risk low, the majority of 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, 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.

As of September 30, 2023, the Authority's investment in money market funds were rated AAAM, by Standard & Poor's and Aaa-mf by Moody's Investors Service. The Authority's investments in commercial paper were rated A-1 by Standard & Poor's and P-1 by Moody's Investors Service. The Authority's investments in Government agencies were rated AAA to AA- by Standard & Poor's and Aa2 to Aaa by Moody's Investors Service.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested in one issuer. As of September 30, 2023, more than 5.0% of the Authority's investments were invested in: Federated Government Obligation No. 5 (40.74%); Goldman FS Treasury Admin No. 465 and 524 (13.22 %), Invesco Treasury Institutional No. 1931 (10.97%), State of California (8.54%), Federal Home Loan Bank (5.70%), Federal Home Loan Mortgage (5.40%) and Federal Farm Credit Bank (4.96%).

Custodial Credit Risk - The Authority does not have a custodial credit risk policy. The custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution or other counterparty, the Authority will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. For the year ended September 30, 2023, 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.

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5. Restricted Loans Receivable

Restricted loans receivable represents amounts due from the Government in connection with the issuance of long-term debt. Under the Authority's investment and debt service fund administration, the Authority issues debt instruments (mainly bonds and notes) and loans the proceeds to the Government under the same terms of the debt source. In connection with each issuance, the Government has pledged specific revenues to repay the loans (and in turn the Authority uses those pledged resources to repay the bonds and notes). The Authority is fully dependent on receiving pledged revenues for the timely payment of principal and interest on the restricted receivables which are its predominant source for the Authority to repay its bonds and other obligations. The Authority has evaluated the collectability of its restricted loans receivable from the Government based on current information including payment history and an assessment of the Government's current creditworthiness, and its ability to continue meeting principal and interest payments in accordance with loan agreements.

The Authority loaned the drawdowns from of the Series 2023 Revenue Anticipation Note to the Government. The loan is secured by a pledge of a certificate of deposit in the amount of \$134.0 million held by FirstBank Puerto Rico. Additional payment sources for the Series 2023 Note include: (i) the General Fund of the Government, and (ii) federal stimulus appropriations that are legally available to be used for debt servicing purposes (see Note 8).

The Authority loaned the proceeds of the Series 2015 Federal-Aid Highway Bonds to the Government. The loan, which is secured by Federal Highway Grant Revenues, pursuant to the Revised Organic Act of 1954, the Virgin Islands Code and the Federal Highway Grant Anticipation Bond Act, bears the same interest rates, maturities, and repayment terms as the bonds payable (see Note 7).

The Authority loaned the proceeds of the Series 2023 Revenue Anticipation Note, Series 2019 A TIF Revenue and Refunding Bonds, the 2019 TIF Project Developer Note, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 A Revenue Bonds, Series 2012 C Revenue Bonds, Series 2012 A and B Revenue and Refunding Bonds, and Series 2006 A Revenue Bonds, to the Government. 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 and bonds payable (see Note 7 and Note 8).

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Restricted loans receivable from the Government are comprised of the following:

September 30, 2023

	Short-Term	Long-Term
Series 2006 A Revenue Bonds	\$ 18,165,000	\$ 101,395,000
Series 2012 A and B Revenue and Refunding Bonds	9,940,000	111,480,000
Series 2012 C Revenue Bonds	455,000	18,375,000
Series 2014 A Revenue Bonds	2,325,000	30,900,000
Series 2014 C Revenue and Refunding Bonds	7,385,000	187,375,000
Series 2014 D Revenue Bonds	290,000	3,540,000
Series 2015 Federal-Aid Highway Bonds	4,650,000	53,825,000
Series 2019 A TIF Project Developer Note	16,227	1,520,403
Series 2019 A TIF Revenue and Refunding Bonds	604,402	5,806,579
Series 2023 Revenue Anticipation Note	-	55,909,479
	43,830,629	570,126,461
Unamortized bond discounts and premiums	-	15,077,218
Total	\$ 43,830,629	\$ 585,203,679

On September 30, 2023, the Government advanced bond payments due on October 1, 2023, to the Authority. A summary of bond payments by associated bond series are as follows:

Series 2006 A Revenue Bonds	\$ 17,515,000
Series 2012 A and B Revenue and Refunding Bonds	9,195,000
Series 2012 C Revenue Bonds	430,000
Series 2014 A Revenue Bonds	2,210,000
Series 2014 C Revenue and Refunding Bonds	7,045,000
Series 2014 D Revenue Bonds	270,000
Total	\$ 36,665,000

At September 30, 2023, the Authority did not consider the loans due from the Government to be impaired and has not reported an allowance for uncollectible balances.

On October 26, 2016, the Authority entered into a short-term, ninety (90) day non-interest-bearing loan agreement with the Virgin Islands Waste Management Authority (VIWMA) in the amount of \$750,000 to provide working capital to VIWMA. The loan repayment was contingent on the release of the Virgin Islands Legislature of landfill investment capital and other working capital which did not occur during the fiscal year. As of September 30, 2023, the amount due from VIWMA under the loan was \$750,000.

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6. Capital Assets

Capital assets as of September 30, 2023, are comprised as follows:

September 30, 2023

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 5,763,178	\$ -	\$ -	\$ -	\$ 5,763,178
Construction in progress	6,318,832	5,413,886	-	(373,822)	11,358,896
Total Capital Assets Not Being Depreciated	12,082,010	5,413,886	-	(373,822)	17,122,074
Capital assets being depreciated or amortized:					
Personal property and equipment	71,623,012	157,712	(39,420)	350,667	72,091,971
Buildings and improvements	72,563,630	665,284	-	23,155	73,252,069
Intangible assets	20,973,568	-	-	-	20,973,568
Right-to-use buildings and building improvements	2,825,262	94,980	-	-	2,920,242
Total Capital Assets Being Depreciated or Amortized	167,985,472	917,976	(39,420)	373,822	169,237,850
Less: accumulated depreciation or amortization for:					
Personal property and equipment	(34,327,355)	(3,707,578)	39,420	-	(37,995,513)
Buildings and improvements	(46,992,339)	(2,966,728)	-	-	(49,959,067)
Intangible assets	(9,403,283)	(685,619)	-	-	(10,088,902)
Right-to-use buildings and building improvements	(1,037,931)	(493,210)	-	-	(1,531,141)
Total Accumulated Depreciation or Amortization	(91,760,908)	(7,853,135)	39,420	-	(99,574,623)
Total Capital Assets Being Depreciated or Amortized, Net	76,224,564	(6,935,160)	-	373,822	69,663,227
Total Capital Assets, Net	\$ 88,306,574	\$ (1,521,273)	\$ -	\$ -	\$ 86,785,301

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Restricted Intangibles Assets

With the passage of Act No. 7864 on April 8, 2016, the Legislature of the Virgin Islands authorized the Authority to receive, hold, and manage the shares of Lonesome Dove and to provide for the disposition of any income realized from Lonesome Dove to satisfy tax obligations owed to the Government. Lonesome Dove owns various ownership interests in oil and gas wells, reserves, and acreage blocks valued in July 2016 at \$9.8 million.

Lonesome Dove's ownership interests are recorded as restricted intangible assets in the Statement of Net Position and are amortized over the useful life of the oil and gas wells. A corresponding liability is recorded to the Virgin Islands Bureau of Internal Revenue since any income realized from the oil and gas wells are restricted to the payment of Lonesome Dove's tax liability. For the year ended September 30, 2023, the amortization expense related to restricted intangible assets was approximately \$327,000.

7. Bonds Payable

Bonds payable activity for the year ended September 30, 2023, was as follows (expressed in thousands):

	Beginning September 30, 2022	Additions	Reductions	Ending September 30, 2023	Due Within One Year
Bonds payable:					
Gross Receipts Revenue Bonds	\$ 559,920	\$ -	\$ (31,630)	\$ 528,290	\$ 36,665
Federal-Aid Highway Bonds	62,905	-	(4,429)	58,476	4,650
Direct Placement Bonds payable:					
WICO Port Facilities Revenue Bonds	52,625	-	-	52,625	-
Tax Increment Financing Bonds	9,534	-	(3,123)	6,411	604
Total Bonds Payable	<u>\$ 684,984</u>	<u>\$ -</u>	<u>\$ (39,182)</u>	<u>645,802</u>	<u>\$ 41,919</u>
Unamortized premiums and discounts				<u>16,932</u>	
Total Bonds Payable, Net				<u>\$ 662,734</u>	

Long-term debt consists of (expressed in thousands):

September 30, 2023

Revenue Bonds payable:		
Gross Receipts Revenue Bonds	\$	528,290
Federal-Aid Highway Bonds		58,476
Direct Placement Bonds payable:		
WICO Port Facilities Revenue Bonds		52,625
Tax Increment Financing Direct Placement Bonds		6,411
Total	\$	<u>645,802</u>

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Gross Receipts Revenue Bonds

A summary of Gross Receipts Revenue bonds activity for the year ended September 30, 2023, follows (expressed in thousands):

	Balance September 30, 2022	Principal Payments	Balance September 30, 2023
Series 2014 D Revenue Bonds	\$ 4,355	\$ (255)	\$ 4,100
Series 2014 C Revenue and Refunding Bonds	208,510	(6,705)	201,805
Series 2014 A Revenue Bonds	37,535	(2,100)	35,435
Series 2012 C Revenue Bonds	21,215	(1,955)	19,260
Series 2012 A and B Revenue and Refunding Bonds	134,335	(3,720)	130,615
Series 2006 A Revenue Bonds	153,970	(16,895)	137,075
Total	\$ 559,920	\$ (31,630)	\$ 528,290

Gross Receipts Revenue Bonds payable as of September 30, 2023, in which federal arbitrage regulations apply are comprised of the following (expressed in thousands):

Series 2014 D Revenue Bonds Interest at 6.029%	\$ 4,100
Series 2014 C Revenue and Refunding Bonds Interest at 4.50% to 5.00%	201,805
Series 2014 A Revenue Bonds Interest at 5.00%	35,435
Series 2012 C Revenue Bonds Interest at 3.00% to 5.00%	19,260
Series 2012 A and B Revenue and Refunding Bonds Interest at 2.25% to 5.25%	130,615
Series 2006 A Revenue Bonds Interest at 4.00% to 5.00%	137,075
Total	528,290
Less: current portion	(36,665)
Add: unamortized bond premiums and discounts, net	13,663
Long-term Portion	\$ 505,288

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

On November 14, 2014, the Authority issued the Series 2014 C Revenue and Refunding Bonds, the proceeds of which amounted to \$247,050,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The Series 2014 C Revenue and Refunding Bonds were issued to (i) refund the outstanding Series 2003 A Bonds, (ii) finance all or a portion of the costs of certain capital projects, and (iii) pay the costs of issuance related to the Series 2014 C Bonds. The Series 2014 C Bonds mature from 2015 to 2044 at an interest rate of 4.50% to 5.00%.

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

On September 5, 2014, the Authority issued the Series 2014 A Revenue Bonds, the proceeds of which amounted to \$49,640,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The bonds were issued to (i) finance all or a portion of the costs of certain capital projects, as authorized by the Virgin Islands Legislature in 2013 V.I. Act 7499, as amended by 2014 V.I. Act 7631 as further amended by 2014 V.I. Act 7637 and approved by the Authority by resolution, (ii) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve Requirement, and (iii) pay the costs and expenses of issuing and delivering the Series 2014 A Bonds. The Series 2014 A Revenue Bonds mature from 2015 to 2034 at an interest rate of 5.00%.

On December 19, 2012, the Authority issued the Series 2012 C Revenue Bonds, the proceeds of which amounted to \$35,115,000. These bonds are secured by the pledge of gross receipts tax revenues and are subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The bonds were issued to (i) provide a loan to the Government to be used to finance certain operating expenses and other obligations of the Government, (ii) fund capitalized interest on a portion of the Series 2012 C Bonds, and (iii) pay the costs and expenses of issuing and delivering the Series 2012 C Bonds. The Series 2012 C Revenue Bonds mature from 2017 to 2042 at an interest rate of 3.00% to 5.00%.

On November 20, 2012, the Authority issued the Series 2012 A and B Revenue and Refunding Bonds, the proceeds of which amounted to \$228,805,000. These bonds are secured by the pledge of gross receipts tax revenues, subject to the annual moderate-income housing fund deposit as well as any prior liens or pledges. The Series 2012 A Revenue and Refunding Bonds were issued to (i) refund the outstanding Series 1999 A Bonds, (ii) refund the outstanding 2010 A1 and A2 Notes, (iii) pay the costs and expenses of issuing and delivering the Series 2012 A Revenue and Refunding Bonds and fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve requirement related to the Series 2012 A Revenue and Refunding Bonds. The Series 2012 A Bonds mature from 2017 to 2032 at an interest rate of 2.25% to 5.00%. The Series 2012 B Revenue and Refunding Bonds were issued to (i) refinance the outstanding 2011 A Notes, which initially financed the Broadband Project, (ii) pay the costs and expenses of issuing and delivering the Series 2012 B Revenue and Refunding Bonds, and (iii) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve requirement related to the Series 2012 B Revenue and Refunding Bonds. The Series 2012 B Revenue and Refunding Bonds mature in 2027 at an interest rate of 5.25%.

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

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On September 28, 2006, the Authority issued the Series 2006 A Revenue Bonds, the proceeds of which amounted to \$219,490,000. These bonds are secured by a pledge of the Trust estate, which includes certain funds established under the original Indenture, the Seventh Supplemental Indenture and the 2006 Gross Receipts Taxes Loan Note, Series issued by the Government. The proceeds were loaned to the Government under the same terms as the Bonds. The bonds are limited special obligations of 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 A Revenue Bonds and (vi) fund a net payment reserve account for a new swap agreement. The Series 2006 A Revenue Bonds maturing on or before October 1, 2016 are not subject to optional redemption. The advance refunding of the 2024 and 2029 maturities of the Series 1999 A Bonds was made in order to obtain lower interest rates.

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

The proceeds of the Series 2006 A Revenue Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2024 to 2029 maturities of the Series 1999 A Bonds. Approximately \$175,125,168 of funds was deposited into the Escrow Fund accounts. As of September 30, 2017, the Series 1999A Revenue Bonds were fully defeased.

Pledged Funds, Covenants and Collateral

The Government has pledged Gross Receipts Taxes subject to the annual moderate income housing fund deposit, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2019 A Notes, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 A Revenue Bonds, Series 2012 C Revenue Bonds, Series 2012 A and B Revenue and Refunding Bonds, and the Series 2006 A Revenue Bonds. The Government has contracted its audit firm to provide quarterly verification of gross receipts deposits made to the collecting agent.

Interest on Bonds

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

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

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

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

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

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

The Series 2014 D Revenue 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:

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

The Series 2014 C Revenue and Refunding 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:

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

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The Series 2014 A Revenue 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:

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

The Series 2012 C Revenue 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:

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

The 2012 Series A and B Revenue and Refunding 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:

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

The Series 2006 A Revenue 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:

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

Debt Service Requirements - Gross Receipts Revenue Bonds

Maturity dates and debt service payment requirements as of September 30, 2023, for the Gross Receipts Revenue Bonds are as follows (expressed in thousands):

Year ended September 30,

	Principal		Interest		Total
2024	\$ 36,665	\$	25,347	\$	62,012
2025	38,560		23,457		62,017
2026	39,375		21,499		60,874
2027	41,400		19,470		60,870
2028	43,540		17,336		60,876
2029-2033	253,645		51,315		304,960
2034-2038	53,080		7,904		60,984
2039-2043	14,975		3,447		18,422
2044-2048	7,050		321		7,371
	\$ 528,290	\$	170,096	\$	698,386

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Federal-Aid Highway Bonds

A summary of Federal-Aid Highway bonds activity for the year ended September 30, 2023, follows (expressed in thousands):

	Balance September 30, 2022	Principal Payments	Balance September 30, 2023
Series 2015 Federal-Aid Highway Bonds	\$ 62,905	\$ (4,429)	\$ 58,476

Bonds payable as of September 30, 2023, in which federal arbitrage regulations apply, are comprised of the following (expressed in thousands):

Series 2015 Federal-Aid Bonds, Interest at 3.00% to 5.00%	\$ 58,476
Less: current portion	(4,650)
Add: unamortized bond premiums and discounts, net	4,263
Long-term Portion	\$ 58,089

On December 15, 2015, the Authority issued the Series 2015 Federal-Aid Highway Bonds (the Series 2015 Bonds), the proceeds of which amounted to \$89,880,000. These bonds are secured by a lien on a security interest in, the Trust Estate, which includes, all rights and interests in (i) the Federal Highway Grant Revenues, (ii) subject to the limitations set forth in the Indenture, the Transportation Trust Fund, and the Pledged Transportation Trust Fund Revenues, (iii) the amounts on deposit in certain funds and accounts created under the Indenture, including Debt Service Reserve Fund and (iv) the Loan Agreement and the Loan Note. The bonds are limited special obligations of the Authority. The Series 2015 Bonds were issued to (i) finance costs of certain highway capital projects, (ii) pay the costs of issuance related to the Series 2015 Bonds, and (iii) establish debt service reserves. The Series 2015 Bonds mature from 2016 to 2033 at an interest rate of 3.00% to 5.00%.

Pledged Funds, Covenants and Collateral

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

Interest on Bonds

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

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Debt Service Requirements on Bonds

Maturity dates and debt service payment requirements as of September 30, 2023, for the Federal-Aid Highway Bonds are as follows (expressed in thousands):

Year ending September 30,

	Principal		Interest		Total
2024	\$	4,650	\$	2,924	\$ 7,574
2025		4,880		2,691	7,571
2026		5,125		2,447	7,572
2027		5,380		2,191	7,571
2028		5,650		1,922	7,572
2029-2033		32,791		5,079	37,870
	\$	58,476	\$	17,254	\$ 75,730

The Series 2015 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:

Series 2015 Federal-Aid Highway Bonds	Price
September 1, 2025 and thereafter	100%

WICO Port Facilities Bonds

Following is a summary of the WICO Port Facilities Revenue Bonds for the year ended September 30, 2023, (expressed in thousands):

	Balance September 30, 2022	New Issuance	Principal Payments	Balance September 30, 2023	Due Within One Year
Series 2022 A Port Facilities Revenue Bonds	\$ 19,005	\$ -	\$ -	\$ 19,005	\$ -
Series 2022 B Port Facilities Revenue Bonds	33,620	-	-	33,620	-
Total	\$ 52,625	\$ -	\$ -	\$ 52,625	\$ -

Bonds payable are comprised of the following (expressed in thousands):

September 30, 2023

Series 2022 A Port Facilities Revenue Bonds, Interest at 6.125% to 6.375%	\$ 19,005
Series 2022 B Port Facilities Revenue Bonds, Interest at 5.875% to 6.500%	33,620
Total	52,625
Add: unamortized bond premiums and discounts, net	(994)
Long-term Portion	\$ 51,631

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In June 2022, WICO issued the Port Facilities Revenue Bonds, Series 2022A and Series 2022B. The Series 2022 Bonds were issued at a nominal value of \$52,625,000 and a discounted value of \$51,630,908. The Series 2022A and 2022B Bonds were offered exclusively to qualified institutional buyers and were not registered under the Securities Act, or any state securities laws. The bonds are limited obligations of the Company and are not the debts of the Authority or the primary Government.

The Series 2022 Bonds were issued to: (i) prepay a bank loan, (ii) fund a capitalized interest fund in an amount equal to interest accrued through December 31, 2022, (iii) fund the debt service reserve fund, (iv) finance certain capital improvements to docks, wharves, and ancillary facilities, (v) acquire a twenty-foot skiff for port operations, and (vi) pay certain costs of issuing the bonds. The Series 2022 Bonds are due from October 1, 2032, to April 1, 2052, with interest rates of 5.875% to 6.500%. Interest is payable semiannually on April 1st and October 1st commencing October 1, 2022.

Pledged Funds and Collateral

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

WICO entered into a continuing disclosure agreement with the Trustee requiring audited financial statements to be provided within 120 days of the fiscal year-end and unaudited financial information, and operating data, to be provided within 45 days of the close of each fiscal quarter beginning June 30, 2022.

Debt Service Requirements on Bonds

Maturity dates and debt service payment requirements as of September 30, 2023, for the Port Facilities Revenue Bonds are as follows (expressed in thousands):

Year ended September 30,

	Principal	Interest	Total
2024	\$ -	\$ 3,338	\$ 3,338
2025	-	3,338	3,338
2026	185	3,338	3,523
2027	360	3,327	3,687
2028	380	3,306	3,686
2029-2033	3,620	16,052	19,672
2034-2038	5,230	14,742	19,972
2039-2043	7,070	12,902	19,972
2044-2048	9,605	10,367	19,972
2049-2053	26,175	6,319	32,494
	\$ 52,625	\$ 77,029	\$ 129,654

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

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

The bonds are subject to mandatory redemption prices ranging from 107% to 102% from June 14, 2022 to September 30, 2032, and 100% thereafter, in the event the bonds become taxable. The bonds are subject to extraordinary optional redemption prices ranging from 107% to 100% from June 14, 2022 to September 30, 2032, and 100% thereafter, if there is a change in control of WICO.

Bond Covenants

WICO has covenanted to maintain a Debt Service Coverage Ratio (DSCR) of 1.25x, excluding fiscal years 2022 and 2023. If the DSCR is below 1.25x, WICO is required to engage a financial consultant experienced in the passenger cruise port industry to evaluate actions necessary to achieve the DSCR prior to the end of the immediately following year. WICO will be deemed in default if the DSCR is less than 1.00x, with exceptions granted for natural disasters or pandemic events. WICO has covenanted to maintain property and casualty insurance at the greater of: (i) the full replacement cost of collateral or (ii) the aggregate principal amount of the bonds outstanding. WICO is also required to maintain business interruption insurance, general liability insurance, and directors and officers fidelity insurance unless those forms of insurance cease to be commercially available. WICO has further covenanted to not make accelerated payments of payments-in-lieu-of-taxes (PILOT) to the Government.

Tax Increment Financing Bonds

Following is a summary of direct placements of bonds issued to a local bank for the year ended September 30, 2023, (expressed in thousands):

	Balance September 30 2022	New Issuance	Principal Payments	Balance September 30, 2023	Due Within One Year
Series 2019 A TIF Revenue and Refunding Bonds	\$ 9,534	\$ -	\$ (3,123)	\$ 6,411	\$ 604

In November 2019, the Authority issued the Series 2019 A TIF Revenue and Refunding Bonds with a local bank in the amount of \$12.0 million. The proceeds of the bonds were used to: (i) defease the Series 2012A TIF Notes with outstanding principal of approximately \$11.0 million and accrued interest of \$104,000, (ii) make a settlement payment to the developer of the Island Crossings Shopping Center, (iii) fund certain debt service reserves, and (iv) pay the costs of the issuance. The Series 2019 A Bonds bear an interest rate of 6.875% over a term of ten years.

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Direct Placement Bonds payable are comprised of the following (expressed in thousands):

September 30, 2023

Series 2019 A TIF Revenue and Refunding Bonds Interest at 6.875%	\$	6,411
Less: current portion		(604)
Long-term Portion	\$	5,807

Pledged Funds, Covenants and Collateral

The Government has pledged the Gross Receipts Taxes of the TIF Developer Project subject to the annual moderate income housing fund deposit, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2019 A TIF Revenue and Refunding Bonds. The Government has contracted 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 Tax Increment Reserve Loan Agreement entered with the Government and Trustee in connection with the issuance of the Series 2019A TIF Revenue and Refunding Bonds requires a Debt Service Coverage Ratio (DSCR) of 1.25 determined on an annual basis (before October 31st of each fiscal year). The ratio is the Island Crossings Incremental Revenues together with any ground lease payments divided by the total amount of annual principal and interest payments on the Series 2019A TIF Revenue and Refunding Bonds. The Developer is required to maintain a Loan to Value Ratio (LTV) of no more than 65%.

In any fiscal year in which the LTV shall exceed 65%, the DSCR shall be 1.35, and, upon certification thereof by the TIF Calculation Agent, any amounts then available in the Surplus Account may be made first to interest and then to principal due to the 2019A TIF Project Developer Note. No payments may be made on the 2019A TIF Project Developer Note until the DSCR and LTV requirements have been met. For the year ended September 30, 2023, the DSCR amounted to 2.12% and the LTV was 36.00%, meeting the requirements of the Tax Increment Revenue Loan Agreement.

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

The bonds contain a provision that in an event of default, the lender may at any time declare the entire balance of the Series A 2019 A Bond and any other indebtedness of the Authority to the lender to be due and payable, whereupon the same shall become immediately due and payable.

Interest on Bonds

Interest on the Series 2019 A Bonds is payable monthly, and the principal is payable commencing December 1, 2019. The Government is responsible for all principal and interest payments on the Series 2019 A Bonds. The monthly principal and interest payments are funded by pledged Gross Receipts Taxes.

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Debt Service Requirements

Maturity dates and debt service payment requirements as of September 30, 2023, for direct placements bonds are as follows (expressed in thousands):

Year ended September 30,

	Principal		Interest		Total
2024	\$ 604	\$	680	\$	1,284
2025	650		634		1,284
2026	697		588		1,285
2027	747		537		1,284
2028	799		485		1,284
2029-2033	2,914		492		3,406
	\$ 6,411	\$	3,416	\$	9,827

The Series 2019 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:

Series 2019 A TIF Revenue and Refunding Bonds	Price
December 1, 2019 and thereafter	100%

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Notes to Financial Statements

8. Notes and Loan Payable

A summary of notes and loan activity for the year ended September 30, 2023, follows (expressed in thousands):

	Balance September 30, 2022	New Issuances	Principal Payments	Loan Forgiveness	Balance September 30, 2023	Due Within One Year
2023 Revenue Anticipation Note (LOC)	\$ -	\$ 55,909	\$ -	\$ -	\$ 55,909	\$ -
2019 A TIF Project Developer Note	1,552	-	(15)	-	1,537	16
WICO Paycheck Protection Plan Loan	717	-	-	(717)	-	-
ViNGN Mortgage	-	450	-	-	450	12
Total	\$ 2,269	\$ 56,359	\$ (15)	\$ (717)	\$ 57,896	\$ 28

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In November 2019, the Authority issued the Series 2019 A TIF Project Developer Note. As part of the Tax Increment Financing Agreement entered into in 2009, the TIF Project Developer was entitled to a fee in the amount of \$3.4 million to be paid through a non-transferable special limited obligation of PFA secured by a subordinate pledge of the Island Crossings incremental revenues collected under a special escrow agreement. The TIF Project Developer Note was issued on November 14, 2019, in the amount of \$1.6 million, with a maturity date of November 1, 2049, to pay the remaining balance of the Project Developer fee. Interest on the Project Developer bonds is 8.50% with payments made annually on October 1st over a 30 year term.

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

In May 2021, WICO received a Paycheck Protection Program (PPP) loan under the Consolidated Appropriations Act of 2020 from Banco Popular de Puerto Rico in the amount of \$717,200. The loan is guaranteed by the Small Business Administration and no collateral is required. The loan bears interest at 1% and requires proceeds to be used for payroll and certain operating expenses. The maturity date is five years from the date of the first disbursement. No payments are required during the deferment period beginning on the date of disbursement and ending on the earlier of the date forgiveness of the note is approved, or ten months after the covered period of eligible expenditures if forgiveness has not been requested. In May 2022, WICO applied for forgiveness of the loan. On October 19, 2022, SBA made a forgiveness payment on the loan in the amount of \$717,200 in principal and \$10,579 in interest.

In April 2022, the Authority entered into the GERS Funding Note (Taxable) in the amount of \$3,805,294,438, in accordance with Act 8540 and the GERS Funding Note Indenture of Trust dated April 6, 2022, between the Authority and The Bank of New York Mellon Trust Company, N.A. as Trustee. The GERS Funding Note is secured by the Authority under the Indenture. The Indenture pledges and assigns to the Trustee a lien on, and a security interest in, the Trust Estate, consisting of pledged GERS Residual Receipts deposited into the Residual Fund in accordance with the Residual Fund Escrow Agreement between the Government, the Authority and the Residual Fund Escrow Agent, The Bank of New York Mellon Trust Company, N.A.

The registered owner of the GERS Refunding Note is the Government Employees' Retirement System of the Virgin Islands and only qualified institutional buyers under Rule 144A promulgated under the Securities Act may purchase the GERS Funding Note. The GERS Refunding Note is not registered under the Securities Act of 1933, as amended (the Securities Act) and may not be sold or transferred without registration under the Securities Act or exemption therefrom.

The GERS Funding Note is a non-interest-bearing note with principal payments varying from \$73.6 million to \$158.0 million due on October 1st, except an initial payment of \$89.2 million paid on April 7, 2022. The GERS Funding Note, including the principal thereof, is a special limited obligation of the Authority payable solely from the Trust Estate. The GERS Funding Note does not constitute a general obligation of the Authority, or of the Government. The GERS Funding Note may not be called for redemption by the Authority.

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On June 15, 2023, PFA and the Government entered into the Revenue Anticipation Note Purchase Agreement (Series 2023 Note) with FirstBank Puerto Rico authorized by Act 8701 issued by the Legislature in April 2023. Under the terms of the Series 2023 Note the Government may take draws on the loan of up to \$100.0 million. The Series 2023 Note is secured by a certificate of deposit of not less than \$75.0 million or not less than 134% of outstanding principal balance of the Series 2023 Note. Additional payment sources for the Series 2023 Note include: (i) the General Fund of the Government, (ii) federal stimulus appropriations that are legally available to be used for debt servicing purposes, and (iii) interest earned on the Certificate of Deposit. Interest expense on the Series 2023 Note is computed as 200 basis points above the certificate of deposit rate, provided that the interest rate shall not be less than 2.0% or exceed 9.0% per annum.

The maturity date of the Series 2023 Note is the earlier of forty-two (42) months from the date of the Note Purchase Agreement, or September 30, 2026, whichever is the first to occur. Advances on the Series 2023 Note taken as of September 30, 2023 amounted to \$55.9 million. On October 10, 2023, the Legislature amended Act 8701 to authorize an increase in the amount of the Series 2023 Note to \$150.0 million, to provide \$50.0 million for the payment of vendors, retroactive wage payments, and address other critical needs of the territory.

In September 2023, viNGN acquired office space in St. Croix, which it had previously rented. The purchase price of the building was \$625,000. To finance this acquisition, viNGN secured a commercial loan of \$450,000 from a local bank, secured by a mortgage. Interest on the loan is the Wall Street Journal prime rate plus 125 basis points and will be paid monthly in installments over a term of five years based on a fifteen-year amortization period. The loan matures at the earlier of October 5, 2028 or earlier if the local bank accelerates payments due to an event or default.

Future minimum payments of principal on notes and loans as of September 30, 2023, are as follows (expressed in thousands):

Year ended September 30,

	Principal	Interest	Total
2024	\$ 28	\$ 172	\$ 200
2025	35	169	204
2026	55,947	167	56,114
2027	42	163	205
2028	45	159	204
2029-2033	503	592	1,095
2034-2038	217	517	734
2039-2043	327	407	734
2044-2048	492	243	735
2049-2053	260	34	294
	\$ 57,896	\$ 2,623	\$ 60,519

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9. Due to the Government

Due to the Government represents funds held by the Authority on behalf of the Government for payment of construction projects and debt service payments. Due to the Government movement for the year ended September 30, 2023, was as follows:

	Debt Service Funds	Construction Funds	Federal Reimbursements
Beginning balance	\$ 39,455,405	\$ 134,976,663	\$ -
Funds received for debt service	66,630,939	-	-
Funds received from Matching Funds	200,999,834	-	-
Debt service	(70,508,263)	-	-
Investment income	1,545,598	1,860,312	-
Issuance costs	(2,121,686)	-	-
Bank fees	(2)	(1,033)	-
Capital outlays (including reimbursements)	-	(9,766,258)	-
Federal reimbursements	-	-	6,514,972
Interfund transfers	14,411,199	(14,411,199)	-
Reclassification of liability due to GERS	(123,996,500)	-	-
Transfer of funds to the Government	-	(8,600,797)	(514,972)
Letter of credit drawdowns	55,909,480	-	-
Disbursements from letter of credit	(49,333,824)	-	-
Payments from rum producers	-	9,397,718	-
Department of Transportation grants	6,548,425	-	-
Ending balance	\$ 139,540,605	\$ 113,455,406	\$ 6,000,000

10. Payments on Behalf of the Government

During the year ended September 30, 2023, the following amounts were disbursed and reported as a reduction of restricted resources held for the Government and as payments on behalf of the Government in the Statement of Cash Flows.

Series 2023 Revenue Anticipation Note	\$ 49,333,824
Series 2015 Federal-Aid Highway Bonds	240,321
Series 2014 C Revenue Bonds	178,519
Series 2014 A Revenue Bonds	1,140,881
Series 2012 C Revenue Bonds	383,027
Series 2003 A Revenue Bonds	206,782
Series 1998 A Revenue Bonds	3,066,218
Recovery Grant Management	42,214,123
KAMI	1,178,910
Administrative Funds	4,550,510
Total Payments on Behalf of the Government	\$ 102,493,115

During the year ended September 30, 2023, the Authority charged the Government fees amounting to \$1,662,429 for its investment and bond management services.

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11. Leases and User Agreements

Lessee Agreements

The Authority, WICO and viNGN lease building space under noncancelable lease arrangements. These leases expire at various dates through 2035. In accordance with GASB Statement No. 87, the Authority and viNGN record leased right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using interest rates of 0.93% and 4.50%, with the last repayment due in fiscal year 2035. Minimum principal and interest payment requirements due for lease arrangements as of September 30, 2023, are as follows:

Year ending September 30,

	Principal		Interest		Total
2024	\$	511,903	\$	31,603	\$ 543,506
2025		234,999		20,444	255,443
2026		161,541		14,126	175,667
2027		54,437		10,563	65,000
2028		55,520		9,480	65,000
2029 - 2033		294,621		30,379	325,000
2034 - 2038		126,220		3,780	130,000
Total	\$	1,439,241	\$	120,375	\$ 1,559,616

Lessor Agreements

WICO has entered into lease agreements for land and building space. Lease terms vary, with current agreements going until fiscal year 2052. For agreements with renewal options, WICO has included the renewal periods in the lease term when it is reasonably certain that the renewal option will be exercised. WICO records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases.

The expected receipts are discounted using interest rates between 3.03% and 6.88% for lease periods through 2039. The lease receivable includes consumer price index (CPI) variable payment arrangements in effect at implementation date. Future CPI adjustments are not included in the measurement of the lease receivable as they are considered variable payments. WICO had no leases containing residual value grantees or that include sale-leaseback and lease-leaseback transactions.

The total deferred inflow of resources associated with these leases will be recognized as revenue over the lease terms. WICO recognized \$423,454 in related lease revenue, \$383,430 in lease related interest income, and \$11,400 in other lease income during the fiscal year. As of September 30, 2023, the balance of WICO's deferred inflow of resources, prior to eliminating entries, was \$3.2 million.

WICO's leases included a six-year lease for the provision of office space to viNGN, a blended component unit of PFA. The lease was subsequently amended to reduce monthly lease payments from October 1, 2016 through the remainder of the lease term. Effective December 2017, WICO entered into a second lease amendment with viNGN extending the lease through December 31, 2022. In January 2023, WICO entered into a five-year lease agreement with viNGN through December 2027. Transactions between WICO and viNGN are eliminated when blended into the Authority's financial statements.

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Berthing Right Agreements

WICO has entered into agreements with certain cruise lines providing preferential berthing rights in exchange for a passenger service charges (PSC) with guaranteed annual revenue due to WICO. The agreements commenced on October 1, 2016 and extend through September 30, 2026, with two optional five-year extension periods through September 30, 2036. WICO will track and reconcile passenger manifests on an annual basis to determine amounts due to or owed by WICO.

12. Grants and Contributions

On December 9, 2015, the Authority and the Government entered into a Memorandum of Understanding with the Federal Highway Administration, Puerto Rico Division which documents the procedures, roles, and responsibilities for (i) programming and authorizing the approved projects for the Series 2015 Bonds, (ii) supervising the construction of the approved projects, and (iii) paying debt service for the bonds.

Under federal legal authority, eligible debt service costs may be reimbursed using Federal Highway Administration funding, subject to the amount of funding provided to the Virgin Islands by the Federal government. For the year ended September 30, 2023, \$6.5 million of federal funding was received by the Government for debt service requirements for the Series 2015 Bonds.

Following Hurricanes Irma and Maria in September 2017, viNGN has been approved for multiple projects under the Federal Emergency Public Assistance (PA) program. The PA program provides supplemental grants to state, tribal, and local governments to recover from major disasters or emergencies.

These grants may be used for a variety of purposes, including emergency work, permanent restoration of infrastructure, and hazard mitigation. During the year ended September 30, 2023, viNGN had approved projects for Communications Infrastructure (Hurricane Repairs), Federal Assistance Programs (FAPs) - Repairs and Contents, Fiber Optic Landing Sites and Mitigation. Revenues under these grants are recognized when eligible expenditures are incurred that are allowable for reimbursement, and eligibility requirements are met. During the year ended September 30, 2023, viNGN recognized \$1.09 million in Public Assistance and \$283,000 in Mitigation grant revenue.

In April 2022, viNGN became the recipient of an American Rescue Plan Act of 2021 (ARPA) award from the U.S. Office of Management and Budget via a subrecipient award by the Government of the Virgin Islands. ARPA programs, funded by the subrecipient award included infrastructure funding for communications, network, equipment and build costs and to extend bandwidth capabilities in the Territory. During the year ended September 30, 2023, viNGN recognized \$5.2 million in ARPA grant revenue.

In April 2023, viNGN became the recipient of an Affordable Connectivity Outreach Program (ACP) award from the U.S. Federal Communications Commission. This federal program's objective is to help low-income households afford internet service. viNGN offered outreach and enrollment efforts to advise the public of the ACP discount of \$30 per month on internet service to eligible households. During the year ended September 30, 2023, viNGN recognized \$6,605 in ACP grant revenue.

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In May 2023, viNGN became the recipient of a National Telecommunications and Information Administration (NTIA) award to build capacity relating to the adoption of broadband by residents in the Territory. The program is the State Digital Equity Planning Grant Program (DE) award from the U.S. Department of Commerce. The project will support the “connectVI” initiative offered by the primary Government. During the year ended September 30, 2023, viNGN recognized \$41,872 in DE grant revenue.

13. Commitments and Contingencies

Professional Services for Recovery Efforts

In November 2017 and on behalf of the Government, the Authority entered into a professional services contract to coordinate recovery efforts with FEMA and other federal agencies following the two Category 5 hurricanes in September 2017. The initial contract provided for annual compensation not to exceed \$5.0 million, a term of five years from November 30, 2017, and provisions for the parties to extend the contract in two-year increments by mutual agreement. In February 2018, the contract was amended to revise the scope of work and increase the compensation of the contract to \$10.0 million annually, retroactive to November 2017. In August 2018, a second amendment was added to the contract of HUD riders containing provisions required by federal regulations for Community Development Block Grants - Disaster Relief Program.

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

Also, in November 2017 and on behalf of the Government, the Authority entered into a second professional services contract to coordinate recovery efforts. The competitive bid contract had an initial term of five (5) years from its effective date, with the option to extend the agreement in two additional two-year increments, allowing for a maximum duration of nine years. Annual compensation under the contract, inclusive of out-of-pocket expenses, was capped at \$15.0 million. In April 2018, the contract was amended to increase the compensation amount to \$50.0 million annually, retroactive to November 2017. The increase is described in the amendment as due to an increase in the demands of the Government’s aggressive campaign to identify, access, secure and manage a larger percentage of the available federal resources and funding from FEMA and other federal agencies. In September 2018, the contract was amended a second time to increase the compensation amount to \$80.0 million annually, retroactive to November 30, 2017. The increase is described in the amendment as due to the exhaustion of the \$50.0 million, and the continuing aggressive campaign to obtain federal funding following the hurricanes. Also, in December 2018, the second professional services contract was amended a third time to increase the contract amount temporarily to \$85.0 million through November 30, 2018. Effective December 1, 2018, the contract amount returned to \$80.0 million as specified in the second amendment.

As of September 30, 2023, the amount due to the disaster recovery consultants related to this contract was \$68.7 million and is reflected in the Statement of Net Position.

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

Virgin Islands Waste Management Authority

On October 26, 2016, the Authority entered into a Memorandum of Understanding (MOU) with the Virgin Islands Waste Management Authority (VIWMA), to comply with a September 28, 2016 order by the District Court to establish a Landfill/Solid Waste Remediate Fund (the Fund) to pay for urgent projects at the landfills required under Consent Decrees entered into with the Environmental Protection Agency. The order by the District Court stipulates that the Fund be managed by the Authority through a separately established escrow account in the amount of \$3,103,909, and that all landfill projects be completed on or before September 30, 2018. As of September 30, 2023, the amount remaining in the escrow account was \$424,411.

Bond Credit Ratings

In August 2017, Fitch Ratings downgraded the Authority's Matching Funds Revenue and Gross Receipts Tax debt to B from BB-. In the same month, the Government stopped providing information to Standard & Poor's necessary to evaluate the Government's liquidity, and that rating agency withdrew its credit ratings for the Virgin Islands in October 2017. In January 2018, Moody's Investors Service Ratings downgraded the Authority's Matching Funds Revenue Bonds as follows: Senior Lien Bonds to Caa2 from Caa1; Subordinate Lien Bonds to Caa3 from Caa2; Subordinated Indenture (Diageo) Bonds to Caa3 from Caa2; and Subordinated Indenture (Cruzan) Bonds to Caa3 from Caa2. The downgrade in rating was due to the insolvency of the Territory's pension system and the projected economic effect of Hurricanes Irma and Maria.

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

In October 2021 and February 2022, Moody's Investors Service affirmed a "stable" Caa3 rating of the Authority's bonds. In March 2023, Moody's Investors Service withdrew its Government of the Virgin Islands rating, noting that the debt obligations for which the company provided a reference rating, no longer have outstanding ratings.

Litigation

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.

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Grant Funds

In connection with Federal grant programs, the Authority is obligated to administer and spend the grant monies in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of non-compliance, the agencies involved may require the Authority to refund program monies. Management believes these non-compliance instances, if any, should not materially affect the Authority's financial position.

Additionally, the Government is a recipient of disaster recovery funds due to the September 2017 hurricanes. In December 2020, the Authority on behalf of the Government, received notice from the Federal Emergency Management Agency (FEMA) of the results of audits related to the Public Assistance Grant Program awards. As a result, the Government received a notice of potential debt in the amount of \$134.7 million. In response to the notice, in February 2021, the Authority, and the Government exercised their option to appeal the notice and provided additional clarification and documentation. In March 2023, the Government received a follow-up letter from FEMA advising that of \$411.8 million transactions reviewed by FEMA, questioned costs amounted to \$42.1 million. Questioned costs do not represent the final monies owed to FEMA. Management believes that any such claims or actions by FEMA will be resolved and will not have a material impact on the awards or the financial statements of the Authority.

14. Retirement and Pension Plan

Defined Contribution Plans

WICO sponsors a defined contribution retirement and savings plan (the Plan) for its employees. Under the provisions of the Plan, employees must contribute at least 3% of their gross compensation but may also contribute up to 7%. WICO matches 3% of the employees' contribution plus a non-elective distribution at the discretion of WICO, which is divided among eligible employees, proportionate to compensation. Required contributions to the pension and savings plan made and charged to operations were \$57,899 for the year ended September 30, 2023. WICO does not offer other post-retirement benefits to its employees.

viNGN sponsors a defined contribution retirement plan for its employees. Employees who receive a salary of at least \$5,000 are eligible to participate in the plan. viNGN matches the employee's contribution up to a maximum of 2% of the eligible employee's compensation. viNGN contributed \$35,587 in matching employer contributions for the year ended September 30, 2023. viNGN does not offer other post-retirement benefits to its employees.

Defined Benefit Plan

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

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Plan Description and Benefits

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

There are two tiers within the plan:

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

Regular Tier I employees who have completed thirty (30) years of credited service or have attained age 60 with at least ten years of credited service are eligible for a full-service retirement annuity. Regular Tier II employees who have reached age 65 with at least ten years of service are eligible for a full-service retirement annuity. Members who are considered "safety employees" as defined in the Code are eligible for full-service retirement benefits under Tier I when they have earned at least 20 years of government service or have reached the age of 55 with at least ten years of credited service. Under Tier II, safety employees are eligible for full retirement when they have earned at least 25 years of government service and have reached age 58 or have reached age 60 with at least ten years of service.

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

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

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

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Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required employer contribution for Tier I and Tier II members was 23.5% of the member's annual salary effective January 1, 2020, and on October 1, 2025, the Government's required contribution will increase to 26.5% of the Tier 1 and Tier 2 members annual salary.

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

	Tier 1	Tier 2
Regular Employees	11.0%	11.5%
Public Safety Employees	13.0%	13.625%

Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Effective July 1, 2009, GERS' Board of Trustees approved an effective annual interest rate on refunded contributions of 2.00% per annum.

Both the plan and the Authority have a September fiscal year end. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

September 30, 2023

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

The Authority is considered an employer of the plan with a proportionate share of .2632% as of September 30, 2023, which was an increase of .0532% from its proportionate share measured at September 30, 2022. The Authority's percentage was estimated based on the average of each employer's contributions during the period October 1, 2017, through September 30, 2022. The Authority's contributions paid to GERS for the plan's fiscal year ended September 30, 2023 was \$514,003.

Pension Liabilities, Expense, and Deferred Outflows/Inflows of Resources

As of September 30, 2023, the actuarial calculated net pension liability for the Authority's proportionate share of the net pension liability of the plan was \$10.6 million. The net pension liability of the plan is measured as of September 30, 2022, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2022. For the year ended September 30, 2023, the Authority recognized pension expense of \$771,272 inclusive of amortization of deferred outflows and deferred inflows of pension related items.

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Following is a schedule of deferred outflows of resources and deferred inflows of resources allocated to the Authority in the computation of the net pension liability:

Year ended September 30, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 37,537	\$ 812,267
Net difference between projected and actual investment earnings on pension plan investments	102,658	-
Changes in assumptions	1,427,699	3,371,953
Changes in proportion and differences between contributions and proportional share of contributions	5,403,934	14,815
Contributions subsequent to measurement date	514,003	-
Total	\$ 7,485,831	\$ 4,199,035

The amount reported for contributions subsequent to the measurement date of \$514,003 will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows and deferred inflows, exclusive of contributions made after the measurement date, will be recognized in pension expense as follows:

Year ending September 30,

2024	\$ 410,073
2025	282,571
2026	635,002
2027	635,277
2028	809,870
Total	\$ 2,772,793

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement date as of September 30, 2022, is provided below.

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

September 30, 2022

Inflation Rate	2.50%
Salary Increases	5.00% including inflation
Actuarial Cost Method	Entry age normal
Expected Rate of Return	6.00%
Municipal Bond Yield	4.02%
Discount Rate	4.77%
Mortality Table	Pub-2010 General Below-Median Amount Weighted Employee and (95 Load for Males) with (95 Load for Males) with Generational Projection Using Scale MP-2021

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

Investment Rate of Return

The long-term expected rates of return of 6.00% for the measurement date of September 30, 2022, on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date of September 30, 2022, are summarized in the following table:

<i>Asset Class</i>	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45%	6.66%
Developed Markets	14%	6.96%
Emerging Markets	6%	8.46%
Core Fixed Income	20%	1.36%
High Yield Fixed Income	10%	3.46%
Cash	5%	0.46%
Total	100%	

Discount Rate

The discount rate used to measure total pension liability was 4.77% as of September 30, 2022, which was an increase of 189.3% from the discount rate of 2.52% as of September 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate. Projected employer contributions and annual funding note revenue that are intended to fund the service costs of future plan members and their beneficiaries are excluded, as are projected employee contributions from future plan members. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. The plan's long-term expected rate of return on pension plan investments of 6.00% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by assets, the yield on a 20-year AA Municipal Bond Index was applied. As of September 30, 2022, that rate was 4.02% as compared to 2.26% as of the prior year.

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

Following is a schedule of net pension liability (NPL) for the Authority, calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for the year ended September 30, 2022:

1% Decrease Share of NPL @ 3.77%		Share of NPL @ 4.77%		1% Increase Share of NPL @ 5.77%	
\$	12,007,025	\$	10,636,791	\$	9,490,251

Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS financial report available at <https://www.usvigiers.com/reports/financial-reports/>.

15. Risk Management

As with all business enterprises, the Authority is exposed to various risks of losses, including potential liability issues in the normal course of business that confront all businesses as well as property losses that can result from thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority mitigates this risk of loss by purchasing commercial insurance, including general liability, property, vehicle, and employee health, life and accident. The Authority's commercial insurance policies cover catastrophic exposures, as well as those risks required to be insured by law or contract. It is the policy of the Authority to insure what in its opinion are adequate amounts of risk coverage, especially in relation to the cost of such coverage, the effect of such is to retain a significant portion of certain risks related primarily to physical loss of property and business interruption. There were no reductions in coverage from the prior year, and the amount of settlements has not exceeded insurance coverage for each of the past three years.

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16. Blended Component Unit Reporting

The component units of WICO, viNGN and KAMI have the same fiscal year end as the Authority. The component unit of Lonesome Dove has a fiscal year ended December 31, 2022. Condensed financial statements for the major component units are presented below (expressed in thousands):

	WICO	viNGN	KAMI	Lonesome
Condensed Statement of Net Position				
Assets				
Current assets	\$ 14,295	\$ 2,189	\$ 3,288	\$ 334
Non-current assets, excluding capital assets	7,012	-	-	-
Capital assets, net of depreciation	31,253	54,104	-	7,709
Total Assets	\$ 52,560	\$ 56,293	\$ 3,288	\$ 8,043
Liabilities				
Current liabilities	\$ 13,565	\$ 1,316	\$ -	\$ -
Long-term portion of bonds outstanding	51,631	-	-	-
Other liabilities	1,491	1,562	619	7,709
Loan payable to the Authority	-	36,804	-	-
Total Liabilities	66,687	39,682	619	7,709
Deferred inflows of resources	3,205	-	-	-
Total Liabilities and Deferred Inflows	\$ 69,892	\$ 39,682	\$ 619	\$ 7,709
Net Position				
Invested in capital assets, net of debt	\$ (11,925)	\$ 16,169	\$ -	\$ -
Restricted	62	-	-	334
Unrestricted (deficit)	(5,469)	442	2,669	-
Total Net Position	\$ (17,332)	\$ 16,611	\$ 2,669	\$ 334
	WICO	viNGN	KAMI	Lonesome
Condensed Statement of Revenue, Expenses and Changes in Net Position				
Operating Revenues				
Charges for services	\$ 9,424	\$ 4,846	\$ -	\$ 5,009
Other operating revenues	-	119	-	-
Total Operating Revenue	9,424	4,965	-	5,009
Operating Expenses				
General and administrative expense	(6,230)	(5,917)	(7)	(448)
Depreciation and amortization	(3,120)	(4,473)	-	-
Total Operating Expenses	(9,350)	(10,390)	(7)	(448)
Operating Income (Loss)	74	(5,425)	(7)	4,561
Non-operating Income (Loss)	(1,846)	6,587	(1,204)	(4,400)
Change in Net Position	(1,772)	1,162	(1,211)	161
Net Position, beginning of year	(15,560)	15,449	3,880	173
Net Position, end of year	\$ (17,332)	\$ 16,611	\$ 2,669	\$ 334

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	WICO	viNGN	KAMI	Lonesome
Condensed Statement of Cash Flows				
Cash Flows from Operating Activities	\$ 1,294	\$ (707)	\$ (6)	\$ 104
Cash Flows from Non-Capital Financing Activities	584	3,414	(1,179)	-
Cash Flows from Capital and Related Financing Activities	(2,954)	(5,796)	-	-
Cash Flows from Investing Activities	290	8	-	-
Decrease in Cash and Cash Equivalents	(786)	(3,081)	(1,185)	104
Cash and Cash Equivalents, beginning of year	10,400	3,287	4,421	155
Cash and Cash Equivalents, end of year	9,614	206	3,236	259
Non-Cash Capital and Related Financing Activity	\$ 717	\$ 298	\$ -	\$ -

To obtain audited financial statements for WICO, viNGN, or KAMI please contact the Authority at 32 & 33 Kongens Gade, Government Hill, St. Thomas, U.S. Virgin Islands 00802. Lonesome Dove does not prepare separate audited financial statements.

17. Segment Information

WICO is a wholly owned port facility including a cruise ship pier, and rental complex on the island of St. Thomas. WICO's operating revenues consist of agency fees charged to cruise lines and rental income.

WICO also owes approximately \$10.6 million to the Government in payment in lieu of taxes (PILOT) authorized by the Legislature of the Virgin Islands. Act 8053 authorizes the reduction of PILOT liabilities for amounts expended to repair and renovate a historic property located in Estate Catherineberg.

viNGN has an interest free loan from the Authority, that was utilized to finance viNGN's capital assets and construction projects including certain portions of the optical network. The loan has no repayment schedule nor have any covenants been established. There were no new borrowings or payments to the Authority during the year ended September 30, 2023. The outstanding balance of the loan as of September 30, 2023, was \$36.8 million.

18. Financial Condition

The bonds and notes issued by the Authority are supported by the Government's pledged revenues, and the Authority is highly dependent on the Government repaying its loans to the Authority for the Authority to repay its obligations. The Government is in a significant net deficit position and currently faces various fiscal, economic, and liquidity challenges.

As of September 30, 2023, the Authority is in compliance with all related covenants. Further, as of the date of this report, revenues pledged for debt service have not been significantly impacted by the Government's financial condition and it is unknown what impact, if any, the Government's financial condition will have on the Authority.

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19. Subsequent Events

viNGN Contracts and Agreements

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

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

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

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

WICO Lease Agreements

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

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

Hotel Occupancy and Economic Recovery Fee Revenue Bonds

On November 20, 2024, the Authority issued the Series 2024A Hotel Occupancy Revenue Bonds in the amount of \$64.9 million, and the Series 2024B Economic Recovery Fee Revenue Bonds (federally taxable) in the amount of \$18.3 million. The bonds were a private and limited offering only to “qualified buyers” as defined under Rule 144A of the Securities Act of 1933. The bonds were issued to provide a grant to a hotel developer for reimbursement of costs associated with the reconstruction and renovation of a hotel project formerly known as the Frenchman’s Reef Resort located on St. Thomas. The Government has pledged Hotel Occupancy Tax Revenues and Economic Recovery Fee Revenues generated by the hotel project for the repayment of the bonds. The Series 2024 A Bonds will mature on April 1, 2053 with a yield of 5.750%. The Series 2024 B Bonds will also mature on April 1, 2053 with a yield of 9.000%.

Purchase and Refunding of the Federal Highway Bonds

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

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

The Bonds are special limited obligations of VITIC, payable solely from Federal Highway Grant Revenues. The Bonds received a rating of "A" with a stable outlook from S&P Global Ratings. The Bonds bear interest at a rate of 5.0% per annum, payable semiannually on March 1 and September 1, commencing September 1, 2025. The Bonds are subject to annual redemption prior to maturity, with a final maturity date of September 1, 2044.

Line of Credit

In October 2024, legislation enacted under Act 8701 authorized an increase in the territory's line of credit from \$100 million to \$150 million. The revised credit facility allocates \$100 million for disaster-related projects and \$50 million for vendor payments, retroactive wage obligations, and other critical needs of the territory. As of August 30, 2025, \$42.5 million remained available for disaster-related projects and \$16.4 million for other designated purposes.

Guaranty of WAPA Indebtedness

On August 29, 2024, the Board of Directors (Board) of the Authority ratified a prior authorization granted by poll vote on July 30, 2024, to negotiate, prepare, execute, and deliver a guaranty of the indebtedness of WAPA to FirstBank Puerto Rico and Banco Popular de Puerto Rico (collectively, the Banks). As of the date of the resolution, WAPA had outstanding indebtedness totaling approximately \$52.1 million, comprised of \$30.8 million owed to FirstBank Puerto Rico and \$21.3 million owed to Banco Popular de Puerto Rico. The guarantee was issued pursuant to the Authority's enabling legislation, which authorizes such financial support for component units, and is not subject to any statutory or contractual limits.

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

Subsequently, on July 29, 2025, the Board approved, a further extension of the maturity dates of the guaranty to January 31, 2026. As of the date of this report, there has been no default by WAPA on the guaranteed obligations.

In addition to the guaranty, the Authority acknowledged and continued the pledge of debt service reserve funds totaling \$6 million, previously deposited into interest-bearing accounts with the Banks (\$3.75 million with FirstBank and \$2.25 million with Banco Popular), as enhanced security for WAPA's credit facilities.

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2023, the statement of net position date, through September 29, 2025, the date the financial statements were available to be issued and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Authority's financial statements for the year ended September 30, 2023.

Required Supplementary Information

**Virgin Islands Public Finance Authority
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Schedule of the Authority's Proportionate Share of the Net Pension Liability

<i>September 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the NPL	0.2632%	0.2100%	0.1600%	0.1200%	0.1115%	0.1128%	0.1097%	0.1029%	0.1065%
Authority's proportionate share of the NPL	\$10,636,791	\$ 11,121,208	\$ 9,242,042	\$ 6,377,577	\$ 4,674,397	\$ 4,941,575	\$ 5,075,147	\$ 4,188,003	\$ 3,286,609
Authority's covered-employee payroll	\$ 1,922,294	\$ 1,832,194	\$ 1,576,430	\$ 735,806	\$ 523,173	\$ 510,954	\$ 475,468	\$ 467,034	\$ 492,001
Authority's proportionate share of the NPL as a percentage of its covered payroll	553%	607%	586%	867%	893%	967%	1,067%	897%	668%
Plan fiduciary net position as a percentage of the total pension liability	9%	8%	9%	11%	16%	16%	17%	20%	27%

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

Notes to Schedule:

(1) Changes of benefit terms:

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

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Schedule of the Authority's Proportionate Share of the Net Pension Liability

(2) *Change of Assumptions:*

Year ended September 30,

	Assumption Changes
2015	Discount rate decreased from 4.87% to 4.42%
2016	- Discount rate decreased from 4.42% to 3.84% - Salary increases decreased from 4.00% to 3.25% - Inflation decreased from 2.85% to 2.50%
2017	Discount rate decreased from 3.84% to 3.20%
2018	Discount rate increased from 3.20% to 3.74%
2019	Discount rate increased from 3.74% to 4.25%
2020	Discount rate decreased from 4.25% to 2.67%
2021	- Discount rate decreased from 2.67% to 2.23% - Inflation rate decreased from 2.50% to 2.00%
2022	- Discount rate increased from 2.23% to 2.52% - Inflation rate increased from 2.00% to 2.10%
2023	- Discount rate increased from 2.52% to 4.77% - Inflation rate increased from 2.10% to 2.50% - Salary increases increased from 3.25% to 5.00% - Mortality tables changed from RP-2014 Blue Collar to Pub-2010 Mortality tables.

**Virgin Islands Public Finance Authority
(A Blended Component Unit of the
Government of the U.S. Virgin Islands)**

Schedule of the Authority's Pension Contributions

<i>September 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially required contributions of the Authority	\$ 514,003	\$ 412,954	\$ 348,872	\$ 306,691	\$ 150,840	\$ 104,492	\$ 104,745	\$ 108,738	\$ 119,009
Contributions in relation to the statutorily required contributions	514,003	412,954	348,872	306,691	138,355	104,492	104,745	108,738	119,009
Contribution Deficiency (Excess)	-	-	-	-	12,485	-	-	-	-
Authority's covered payroll	\$ 2,187,247	\$ 1,922,294	\$ 1,832,194	\$ 1,576,430	\$ 735,806	\$ 523,173	\$ 510,954	\$ 475,468	\$ 467,034
Contributions as a percentage of covered payroll	23.5%	21.48%	19.85%	19.45%	18.80%	19.97%	20.50%	22.87%	25.48%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

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



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
Virgin Islands Public Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Virgin Islands Public Finance Authority (the Authority), a blended component unit of the Government of the U.S. Virgin Islands, which comprise the statement of net position as of September 30, 2023, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 29, 2025. This report does not include the results of our testing of internal control over financial reporting or compliance and other matters for The West Indian Company Limited, King's Alley Management, Inc. and viNGN INC. d/b/a Virgin Islands Next Generation Network which is reported separately by us.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

September 29, 2025