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

Management's Discussion and Analysis, Financial Statements, and *Government Auditing Standards* Report (with Independent Auditor's Reports Thereon)

Year Ended September 30, 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Auditing Standards Reports (with
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Year Ended September 30, 2020

Contents

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Independent Auditor's Report

To the Board of Directors
Virgin Islands Public Finance Authority

Report on the Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 8 to the financial statements, The West Indian Company Limited ("WICO"), a blended component unit of the Authority, is in default on certain covenants pertaining to its loan payable and the lender may demand repayment of this obligation. However, as of report date and as further discussed in Note 20 to the financial statements, WICO issued certain bonds, the proceeds of which were utilized to prepay the outstanding loan balance and WICO entered into loan termination, pledge termination, and guaranty termination agreements with the lender, documenting the close of the loan payable. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming WICO will continue as a going concern. As discussed in Note 19 to the financial statements, WICO is in an uncertain financial position and has reported a net deficit and has suffered losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 19. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

As further discussed in Note 19 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 17 and Schedule of the Authority's Proportionate Share of the Net Pension Liability and Schedule of the Authority's Pension Contributions on pages 76 and 77, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 April 11, 2023, 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, LLP

April 11, 2023

Management's
Discussion and Analysis

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, 2020, with selected comparative information for the year ended September 30, 2019. 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.

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) Statement of Net Position, 2) Statement of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) 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 between the two 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.

Summary of Financial Results

Statement of Net Position - Table 1 summarizes the Authority's Statement of Net Position as of September 30, 2020 and 2019 (expressed in thousands).

Table 1: Summary of Statements of Net Position

September 30,	2020	2019	Change	% Change
Assets:				
Current assets	$ 612,547	$ 617,724	$ (5,177)	-1%
Noncurrent assets:				
Noncurrent assets, excluding capital assets	2,054,360	2,127,265	(72,905)	-3%
Capital assets, net	101,782	109,266	(7,484)	-7%
Total noncurrent assets	2,156,142	2,236,531	(80,389)	-4%
Total assets	2,768,689	2,854,255	(85,566)	-3%
Deferred outflows of resources	7,234	6,780	454	7%
Total assets and deferred outflows of resources	$ 2,775,923	$ 2,861,035	$ (85,112)	-3%
Liabilities:				
Current liabilities	$ 147,541	$ 157,200	$ (9,659)	-6%
Noncurrent liabilities:				
Long-term bonds payable, net	1,857,870	1,939,752	(81,882)	-4%
Other long-term liabilities	716,126	702,291	13,835	2%
Total noncurrent liabilities	2,573,996	2,642,043	(68,047)	-3%
Total liabilities	2,721,537	2,799,243	(77,706)	-3%
Deferred inflows of resources	568	662	(94)	-14%
Total liabilities and deferred inflows of resources	2,722,105	2,799,905	(77,800)	-3%
Net position:				
Net investment in capital assets	22,723	30,661	(7,938)	-26%
Restricted for debt service	35,224	32,252	2,972	9%
Restricted for bulkhead repairs	507	506	1	0%
Restricted for hurricane repairs	2,540	2,514	26	1%
Unrestricted deficit	(7,176)	(4,803)	(2,373)	49%
Total net position	$ 53,818	$ 61,130	$ (7,312)	-12%

For fiscal year 2020, current assets decreased from the prior fiscal year by $5.2 million, mainly due to the decrease in restricted investments of $19.7 million, the decrease in restricted loans receivable from the Government of $6.0 million, the decrease in receivables of $2.0 million, and the decrease in prepaid and other assets of $487,000. These decreases were offset by the increase in restricted and unrestricted cash and cash equivalents of $19.7 million, the increase in amounts due from the Government of $3.0 million and the increase in Federal grants receivable of $321,000. Noncurrent assets, excluding capital assets decreased by $72.9 million, mainly due to the decrease in restricted loans receivable from the Government of $87.9 million and the decrease in restricted intangible assets of $327,000. These decreases were offset by the increase in amounts due from other Government entities of $9.7 million and the increase in restricted investments of $5.6 million.

Capital assets decreased by $7.5 million, mainly due to the acquisition of capital assets of $796,000, disposition of $58,000, and depreciation and amortization expense of $8.3 million. Deferred outflows of resources increased by $454,000, mainly due to increases in pension deferrals.

For fiscal year 2020, current liabilities decreased by $9.7 million, primarily due to a decrease in short-term notes and loans payable of $10.7 million, a decrease in short-term interest payable of $5.0 million, a decrease in current compensated absences payable of $884,000 offset by an increase in short-term bonds payable of $4.6 million, an increase in accrued expenses of $1.8 million, and an increase in refundable advances of $464,000. Noncurrent liabilities decreased by $68.0 million, mainly due to a decrease in long-term bonds payable of $81.9 million, a decrease in long-term notes and loans payable of $2.4 million, and a decrease in the amount due to other Government entities of $446,000, offset by an increase in accrued expenses of $9.7 million, an increase in net pension liability of $1.7 million, an increase in amounts due to the Government of $5.1 million, and an increase in compensated absences liability of $178,000.

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, 2020 and 2019 (expressed in thousands):

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

September 30,	2020	2019	Change	% Change
Operating revenues	$ 10,339	$ 17,172	$ (6,833)	-40%
Operating expenses	(30,998)	(25,084)	(5,914)	24%
Operating loss	(20,659)	(7,912)	(12,747)	161%
Non-operating revenues	13,347	13,583	(236)	-2%
Change in net position	(7,312)	5,671	(12,983)	-229%
Net position – beginning of year	61,130	55,459	5,671	10%
Net position – end of year	$ 53,818	$ 61,130	$ (7,312)	-12%

For fiscal year 2020, the Authority's operating revenues of $10.3 million decreased by $6.8 million due to $4.3 million in decreased revenue by WICO primarily related to decreased passenger fees, a $2.0 million decrease in charges for services by the Authority, a $336,000 decrease in hotel revenue by KAMI, a $142,000 decrease in oil and gas lease revenue by Lonesome Dove, and an $80,000 decrease in revenue by viNGN. Operating expenses increased by $5.9 million, mainly due to increases in general and administrative expenses of $6.4 million offset by a decrease in depreciation and amortization expense of $474,000.

The Authority reported a decrease in non-operating revenues of $236,000, mainly due to investment income decreasing by $8.1 million, a reduction in insurance recoveries related to damage incurred following the Hurricanes of 2017 of $3.1 million, offset by decreased interest expense of $8.0 million, a decrease in transfers to the Government of $625,000, and an increase in grants revenue of $2.4 million.

Capital Assets

Following is a schedule of the capital assets of the Authority as of September 30, 2020 and 2019:

	Balance 9/30/2019	Additions	Disposals	Transfers	Balance 9/30/2020
Total capital assets not being depreciated	$ 11,690,218	$ 639,853	$ -	$ (391,059)	$ 11,939,012
Capital assets being amortized and depreciated:					
Personal property and equipment	69,887,601	111,817	(58,016)	315,018	70,256,420
Buildings and building improvements	82,067,116	44,458	-	76,041	82,187,615
Intangible assets	20,973,568	-	-	-	20,973,568
Total capital assets being amortized and depreciated	172,928,285	156,275	(58,016)	391,059	173,417,603
Less accumulated amortization and depreciation for:					
Personal property and equipment	23,119,198	4,162,426	(55,974)	-	27,225,650
Buildings and building improvements	44,888,592	3,428,440	-	-	48,317,032
Intangible assets	7,344,395	687,489	-	-	8,031,884
Total accumulated amortization and depreciation	75,352,185	8,278,355	(55,974)	-	83,574,566
Total capital assets being amortized and depreciated, net	97,576,100	(8,122,080)	(2,042)	391,059	89,843,037
Capital assets, net	$ 109,266,318	$ (7,482,227)	$ (2,042)	$ -	$ 101,782,049

Debt Administration

Bonds payable – Table 3 summarizes the Authority's outstanding bonds payable for the year ended September 30, 2020 (expressed in thousands):

Table 3: Summary of Bonds Payable

	Balance 9/30/2019	New Issuances	Principal Payments	Balance 9/30/2020
Matching Funds Revenue Bonds	$ 1,057,635	$ -	$ (52,725)	$ 1,004,910
Gross Receipts Revenue Bonds	852,451	-	(27,450)	825,001
Federal-Aid Highway Bonds	74,965	-	(3,825)	71,140
Other Direct Placement Bonds or Borrowings	-	12,000	(413)	11,587
Total bonds payable	$ 1,985,051	$ 12,000	$ (84,413)	$ 1,912,638

During fiscal year 2020, the Authority issued $12.0 million in Series 2019A TIF Revenue and Refunding Bonds in a private placement with a local bank. The proceeds of the loans were used to defease the Series 2012A TIF Notes and make a settlement payment to the developer of the Island Crossings Shopping Center. The Government has pledged the gross receipts tax revenue from the Islands Crossing Shopping Center on St. Croix for this issuance.

Loans and notes payable – Table 4 summarizes the Authority's outstanding loans and notes payable for the year ended September 30, 2020 (expressed in thousands):

Table 4: Summary of Loan and Note Series Payable

	Balance 9/30/2019	New Issuances	Deferred Interest	Principal Payments	Balance 9/30/2020
2019 A TIF Project Developer Note	$ -	$ 1,593	$ -	$ -	$ 1,593
Series 2016 A Notes	4,451	-	-	(2,136)	2,315
Series 2014 B Revenue Notes	4,000	-	-	(2,000)	2,000
2012 A TIF Notes	10,939	-	-	(10,939)	-
WICO loan related to capital assets	41,826	-	927	(498)	42,255
Total loans and notes payable	$ 61,216	$ 1,593	$ 927	$ (15,573)	$ 48,163

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, shopping mall, and rental complex on the island of St. Thomas. King's Alley is a shopping mall and hotel on the island of St. Croix. 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.

Following is condensed financial information for WICO, KAMI, and Lonesome Dove for the fiscal year ended September 30, 2020 and 2019 (expressed in thousands):

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

	WICO		KAMI		Lonesome Dove	
September 30,	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Condensed Statement of Net Position:						
Assets:						
Current assets	$ 10,398	$ 14,066	$ 1,477	$ 1,725	$ 448	$ 34
Non-current assets	40,149	42,645	2,676	3,159	8,689	9,016
Total assets	$ 50,547	$ 56,711	$ 4,153	$ 4,884	$ 9,137	$ 9,050
Liabilities:						
Current liabilities	$ 10,682	$ 10,145	$ 44	$ 55	$ 2	$ -
Non-current liabilities	42,740	42,392	619	650	8,689	9,016
Total liabilities	53,422	52,537	663	705	8,691	9,016
Total net position	$ (2,875)	$ 4,174	$ 3,490	$ 4,179	$ 446	$ 34
Condensed Statement of Revenues, Expenses, and Changes in Net Position:						
Operating revenues	$ 5,441	$ 9,702	$ 427	$ 763	$ 486	$ 628
Operating expenses	(9,878)	(8,147)	(1,116)	(1,212)	(74)	(71)
Operating income (loss)	(4,437)	1,555	(689)	(449)	412	557
Non-operating (expenses) revenues	(2,612)	1,381	-	-	-	(625)
Change in net position	(7,049)	2,936	(689)	(449)	412	(68)
Net position – beginning of year	4,174	1,238	4,179	4,628	34	102
Net position (deficit) – end of year	$ (2,875)	$ 4,174	$ 3,490	$ 4,179	$ 446	$ 34

For fiscal year 2020, WICO's assets amounted to $50.5 million, of which $9.5 million represented cash and cash equivalents, $895,000 represented receivables, prepaid expenses and other current assets, and $40.1 million represented capital assets net of accumulated depreciation. Current assets decreased by $3.7 million mainly due to the net effect of a decrease in cash and cash equivalents of $1.4 million, a decrease in trade accounts receivables of $1.7 million, a decrease in prepaid expenses and other current assets of $358,000, a decrease in other receivables of $313,000 and an increase in Federal grant receivables of $116,000. Capital assets decreased by $2.5 million due to the net effect of acquisition of assets of $691,000 offset by disposals and adjustments of $2,000 and depreciation expense of $3.2 million.

For fiscal year 2020, WICO's liabilities amounted to $53.4 million, of which $42.2 million represented direct borrowing from a bank, $8.7 million represented a payable to the Government, and $1.3 million represented compensated absences payable. Current liabilities increased by $537,000 mainly due to an increase the current portion of the direct borrowing from a bank of $259,000, an increase in payments in lieu of taxes ("PILOT") due to the Government of $649,000, an increase in SBA refundable advances of $464,000, an increase in accounts payable and accrued expenses of $48,000 offset by a decrease in the current portion of compensated absences payable of $884,000. Long-term liabilities increased by $348,000 due to an increase in long-term compensated absences payable of $178,000 and an increase in long-term direct borrowing from a bank of $169,000.

For fiscal year 2020, WICO's operating revenues of $5.4 million decreased by $4.3 million from the prior year mainly due to decreased passenger fee revenue resulting from cruise ship cancellations related to the COVID-19 pandemic.

WICO's operating expenses of $9.9 million increased by $1.7 million primarily due to an increase in costs of services expenses of $1.4 million and an increase in the general and administrative expenses of $344,000. The increase was mainly due to one-time charge of $480,000 of termination of employees related to the end of the GERS management agreement and write off various tenant and GERS accounts receivable for $630,000. WICO reported a decrease in non-operating revenue and expenses of $4.0 million mainly due to insurance recovery proceeds of $4.0 million received in the prior year and a decrease in other income of $73,000 offset by an increase in Federal Emergency Management Agency ("FEMA") grant revenue of $68,000 related to damage incurred following the 2017 Hurricanes.

For fiscal year 2020, KAMI's current assets decreased by $248,000 due to a decrease in cash and cash equivalents of $250,000, offset by an increase in trade receivables of $2,000. Noncurrent assets decreased by $483,000 mainly due to a decrease in capital assets due to depreciation expense of $492,000, offset by additions of $9,000. Operating revenue decreased by $336,000 due to decreased occupancy at the commercial complex.

For fiscal year 2020, Lonesome Dove's current assets increased by $414,000 due to an increase in cash and cash equivalents. Intangible lease holdings of Lonesome Dove decreased by $327,000 due to amortization of the assets. Operating revenues from oil and gas leases decreased by $142,000 due to a reduction in oil prices. Non-operating expenses decreased by $625,000 as Lonesome Dove did not make payments to the Government for outstanding tax liabilities during fiscal year 2020.

Following is condensed financial information for viNGN for the fiscal year ended September 30, 2020 and 2019 (expressed in thousands):

Table 6: Condensed Financial Information for viNGN

September 30,	2020	2019
Condensed Statement of Net Position:		
Assets:		
Current assets	$ 2,882	$ 2,556
Capital assets, net	58,281	62,762
Total assets	61,163	65,318
Liabilities:		
Current liabilities	344	265
Non-current liabilities	36,804	36,804
Total liabilities	37,148	37,069
Total net position	$ 24,015	$ 28,249
Condensed Statement of Revenues, Expenses, and Changes in Net Position:		
Operating revenues	$ 3,627	$ 3,707
Operating expenses	(10,262)	(9,587)
Operating loss	(6,635)	(5,880)
Non-operating revenues	2,401	1,494
Change in net position	(4,234)	(4,386)
Net position - beginning of year	28,249	32,635
Net position - end of year	$ 24,015	$ 28,249

For fiscal year 2020, viNGN's assets amounted to $61.2 million, of which $1.8 million represented cash and cash equivalents, $645,000 represented accounts receivable, $266,000 represented prepaid expenses and other assets, and $58.3 million represented capital assets. viNGN reported Federal grant receivables of $206,000 related to public assistance grants for disaster recovery projects following Hurricanes Irma and Maria in September 2017.

Current assets increased by $326,000 mainly due to the net effect of an increase in cash and cash equivalents of $285,000, an increase in Federal grants receivable of $206,000, a decrease in prepaid expenses and other assets of $129,000, and a decrease in accounts receivable of $36,000. Capital assets decreased by $4.5 million due to the net effect of acquisition of assets of $96,000 and depreciation and amortization expense of $4.6 million.

For fiscal year 2020, viNGN's operating revenues decreased by $80,000 mainly due to one service provider closing operations. Operating expenses increased by $676,000 mainly due to increases in legal and professional expenses of $319,000, an increase in telecommunications expense of $171,000, an increase in insurance expense of $164,000, an increase in salary, fringe and other employee benefits of $218,000, and an increase in bad debt expense of $128,000. Increases in expenses were offset by a decrease in depreciation expense of $467,000. viNGN reported an increase in non-operating revenues of $907,000 due to an increase in insurance recovery proceeds of $865,000 and $41,000 in Federal grant reimbursements related to damage incurred following the 2017 Hurricanes.

Significant Currently-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, gross receipts tax revenues, and real property 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 the fiscal years ended September 30, 2020 and 2019, are as follows (expressed in thousands):

Table 7: Summary of Debt Service Payments by Revenue Source

September 30,	2020	2019
Excise rum tax	$ 107,198	$ 107,214
Gross receipts tax	76,870	74,954
Federal highway grants	7,573	7,576
Property tax	-	395

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 ability of the Government to meet its loan obligations to the Authority is dependent upon the collection of tax revenues. 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 January 2020 and October 2021, Moody's Investors Service updated its review of the Authority's bonds as "stable", with a continued rating of "Caa3."

Coronavirus COVID-19 Pandemic

In December 2019, a novel strain of coronavirus, known as COVID-19, was reported which quickly spread around the globe, including the United States and its Territories. In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to COVID-19. Also, in March 2020, the Centers for Disease Control and Prevention issued a No Sail Order ("Order") for cruise ships. WICO derives a material portion of its revenue from servicing cruise ships owned by established cruise lines. As a result of the Order and state of emergency, WICO announced a temporary closure of its port which remained in effect until September 6, 2021. WICO's fee for services revenue for fiscal year 2020 and 2021 have been impacted due to this pause in cruise operations. As various emergency measures are eased, management continues to actively monitor the evolving impact of the outbreak on the operational and financial performance of the Authority.

WICO Operations

WICO's management is addressing the changing dockage requirements of larger cruise ships and increased competition from other cruise ports by improving its dockage. In fiscal year 2017, WICO replaced 32 older 60-ton bollards with 150-ton bollards and replaced 750 feet of dock bulkhead. WICO is moving forward with a project of constructing a new dock to accommodate two larger 5,000+ passenger ships. Estimated projections determine that construction of the new dock facilities will provide at least 100 additional calls. WICO continues to operate with an approved Facility Security Plan and meets any additional requirements contained in the Title 33 CFR Part 105 of the Maritime Security Code of Federal Regulations.

WICO's management has also addressed the increasing competition from other cruise ports by entering into preferential berthing rights agreements with three major cruise lines, providing WICO with guaranteed annual revenue. WICO continues to explore several means of maximizing its financial future by concentrating on growing the passenger arrivals, developing the 7-acre property located in Estate Liverpool, and renovation and reconstruction of warehouse rentals to attract new and varied purveyors of products and services to appeal to visitors and residents.

WICO is finalizing plans for the development of two additional berths, reviewing opportunities for fresh new attractions and activities to the destination, and preparing for the renovation of Estate Catherineberg into a museum pursuant to Act 8053. WICO is highly dependent on the cruise ship industry. The cruise ship industry may also be impacted by natural disasters such as hurricanes. Climate change experts have predicted an increase in the strength and occurrence of hurricanes in the coming decades.

Through March 2020, WICO received management fees of 6% of Havensight Mall gross receipts under an agreement with GERS. Management fees amounted to $196,000 and $358,000 in fiscal years 2020 and 2019, respectively. In September 2019, GERS provided notice that the management agreement would end effective March 2020. As a result, management subsequently eliminated the workforce related to the management agreement.

WICO Working Capital Position

WICO was in a negative working capital position as of September 30, 2020, with current assets of $10.4 million and current liabilities of $10.7 million. Current liabilities include an outstanding liability of payments in lieu of taxes ("PILOT"), amounting to $8.7 million, due to the Government. WICO's management expects the PILOT liability to decrease with the renovation of the historic property located in Estate Catherineberg. With the passage of Act 8053 authorizing the Government to purchase the historic property, the PILOT balance will be reduced by the value of repairs and improvements to the Estate Catherineberg property.

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,	2020
Assets	
Current assets:	
Cash and cash equivalents	$ 28,026,069
Restricted cash and cash equivalents	158,533,504
Restricted investments, at fair value	321,357,373
Receivables, net	1,290,722
Due from the Government	5,000,000
Grants receivable	438,991
Restricted loans receivable - the Government	97,211,437
Prepaid expenses and other assets	688,845
Total current assets	612,546,941
Noncurrent assets:	
Restricted investments, at fair value	160,073,165
Restricted loan receivable - Virgin Islands Waste Management Authority	750,000
Restricted loans receivable - the Government	1,770,902,929
Due from various Governments	113,944,930
Capital assets, net	101,782,049
Restricted intangible assets, net	8,689,333
Total noncurrent assets	2,156,142,406
Total assets	2,768,689,347
Deferred outflows of resources	
Deferred losses on bond refundings, net	4,961,288
Deferred amounts related to pension	2,273,065
Total deferred outflows of resources	7,234,353
Total assets and deferred outflows of resources	$ 2,775,923,700

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 (continued)

September 30,	2020
Liabilities	
Current liabilities:	
Accounts payable, accrued expenses, and other liabilities	$ 10,993,237
Compensated absences payable	42,872
Refundable advance	464,400
Loan payable related to capital assets	757,714
Notes payable	4,163,913
Bonds payable	88,632,215
Interest payable	42,486,952
Total current liabilities	147,541,303
Noncurrent liabilities:	
Accrued expenses	113,944,930
Compensated absences payable	1,243,018
Notes payable	1,743,395
Loan payable related to capital assets	41,497,132
Interest payable	5,136,160
Net pension liability	6,377,577
Bonds payable, net of unamortized bond premiums and discounts of $33,863,840	1,857,869,661
Due to the Virgin Islands Waste Management Authority	417,639
Due to the Government - construction funds	139,315,460
Due to the Government - debt service funds	395,182,734
Due to the Government - recovery grant funds	2,579,068
Leases held on behalf of the Virgin Islands Bureau of Internal Revenue	8,689,333
Total noncurrent liabilities	2,573,996,107
Total liabilities	2,721,537,410
Deferred inflows of resources	
Deferred amounts related to pension	568,149
Total liabilities and deferred inflows of resources	2,722,105,559
Net position:	
Net investment in capital assets	22,722,749
Restricted for:	
Debt service	35,223,634
Bulkhead repairs	507,521
Hurricane repairs	2,540,080
Unrestricted deficit	(7,175,843)
Total net position	$ 53,818,141

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,	2020
Operating revenues	
Charges for services	$ 10,106,259
Other operating revenues	233,399
Total operating revenues	10,339,658
Operating expenses	
General and administrative	22,719,838
Depreciation and amortization	8,278,355
Total operating expenses	30,998,193
Operating loss	(20,658,535)
Non-operating revenues (expenses)	
Investment income:	
Cash, cash equivalents, and investments	2,610,576
Loans receivable - the Government	92,153,027
Budgetary allocation	8,500,000
Proceeds from insurance recoveries	2,140,800
Grants revenue	2,952,281
Interest expense	(94,376,767)
Gain on disposal of capital assets	1,890
Contribution to the Government	(700,000)
Other income	64,759
Total non-operating revenues, net	13,346,566
Change in net position	(7,311,969)
Net position, beginning of year	61,130,110
Net position, end of year	$ 53,818,141

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,	2020
Cash flows from operating activities	
Cash received from customers	$ 12,429,651
Cash paid to employees	(9,037,407)
Cash paid to suppliers	(12,415,716)
Net cash used in operating activities	(9,023,472)
Cash flows from noncapital financing activities	
Funds received for debt service	347,833,720
Payments to Cruzan	(46,750,508)
Payments to Diageo	(52,918,767)
Bank and other fees	(2,275,132)
Proceeds from issuance of bonds payable	12,000,000
Proceeds from issuance of notes payable	1,592,980
Budgetary allocation	5,500,000
Interest paid on bonds and notes payable	(102,003,742)
Grants	77,097,800
Payment of issuance costs	(689,815)
Transfer to the Government	(36,402,770)
Principal payments on bonds payable	(84,412,640)
Principal payments on notes payable	(15,075,486)
Payments on behalf of the Government	(99,177,744)
Payments on behalf of the Virgin Islands Waste Management Authority	(119,357)
Net cash provided by noncapital financing activities	4,198,539
Cash flows from capital and related financing activities	
Acquisition of capital assets	(796,128)
Refundable advance	464,400
Proceeds from insurance recoveries	2,140,800
Proceeds from sale of capital assets	3,932
Principal payments on loan related to capital assets	(498,432)
Interest paid on loan related to capital assets	(1,296,657)
Net cash provided by capital and related financing activities	17,915
Cash flows from investing activities	
Purchases of investments	(904,975,771)
Interest received on cash, cash equivalents, and investments	3,322,552
Investment maturities and sales	926,159,309
Net cash provided by investing activities	24,506,090
Net increase in cash, cash equivalents, and restricted cash	19,699,072
Cash, cash equivalents, and restricted cash, beginning of year	166,860,501
Cash, cash equivalents, and restricted cash, end of year	$ 186,559,573

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 (continued)

Year ended September 30,	2020
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (20,658,535)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Provision for doubtful accounts	645,153
Depreciation and amortization	8,278,355
Other income	64,759
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Receivables	1,380,080
Accounts payable, accrued expenses, and other liabilities	1,131,534
Compensated absences payable	(705,103)
Prepaid expenses and other assets	486,944
Net pension liability	1,703,180
Deferred outflows of resources - pension related	(1,256,256)
Deferred inflows of resources - pension related	(93,583)
Total adjustments	11,635,063
Net cash used in operating activities	$ (9,023,472)
Noncash noncapital financing activities	
Accrued expenses related to professional services	$ 113,944,930

See accompanying 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 (i) 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 (ii) the component unit provides services entirely, or almost entirely, to the Authority or otherwise exclusively, or almost exclusively, benefits the Authority, or (iii) 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 the King's Alley Hotel in Christiansted, St. Croix, and a shopping center in Frederiksted, St. Croix.

- 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 U.S. 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 Recovery ("ODR")
    - Recovery Grant Management ("RGM")

See Note 17 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.

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, Lonesome Dove oil lease revenue, and KAMI hotel income. 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 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.

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.

The Authority reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment. If facts or circumstances support the possibility of impairment, management follows the guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment is made to the carrying value of the capital assets.

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 at September 30.

The change in compensated absences is as follows for the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences payable	$ 1,990,993	$ 496,599	$ (1,201,702)	$ 1,285,890	$ 42,872

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 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 15.

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 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, 2020, are as follows:

Broadband VI	48%
Alliance Data Services	19%
Total	67%

Customers representing more than 10% of total revenues for WICO during the year ended September 30, 2020, are as follows:

Carnival Cruise Lines	27%
Norwegian Cruise Lines	27%
Princess Cruise Lines	19%
Total	73%

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 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.

Adoption of Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the Authority's financial statements for the year ended September 30, 2020. The Authority has evaluated this Statement and has determined there is no impact on the financial statements, as it does not own any types of tangible capital assets which have a legal obligation to perform future asset retirement activities.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves consistency in the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements and it provides additional essential information about debt to the user of the financial statements. The requirements of this Statement are effective for the Authority's financial statements for the year ended September 30, 2020. The Authority has evaluated this Statement and has included the required information in Note 7 and Note 8.

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

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
84	Fiduciary Activities	2021
87	Leases	2022
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	2022
90	Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61	2021
91	Conduit Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022
96	Subscription-Based Information Technology Agreements	2023
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	2022

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

GASB Statement No.		Adoption Effective in Fiscal Year
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
98	The Annual Comprehensive Financial Report	2022

Earlier application of all 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, at September 30, 2020, are as follows:

	Bank Balance	Carrying Amount
Restricted:		
Cash	$ 31,758,556	$ 31,750,106
Money market funds	-	126,783,398
	31,758,556	158,533,504
Unrestricted cash	33,839,867	28,026,069
Total	$ 65,598,423	$ 186,559,573

Unrestricted cash and cash equivalents may be used for operational purposes. Restricted cash and cash equivalents of $158,533,504 represent cash and money market funds segregated for debt service due under the Authority's debt agreements and capital projects including $507,521 restricted for an escrow account required by the Army Corps of Engineers' Financial Assurance policy for mitigation related to bulkhead repairs, and an insurance recovery escrow account of $2,540,080 representing insurance claims received for property damage related to the 2017 Hurricanes. Under the terms of the loan agreement with Banco Popular de Puerto Rico, the bank holds insurance proceeds in escrow to cover the reconstruction of facilities.

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.

At September 30, 2020, $50,319,842 or 26.97% of the Authority's deposits in banks were held at Banco Popular de Puerto Rico, $507,521 or 0.27% were held at Bank OZK, $135,264,940 or 72.50% were held at Bank of New York, and $463,944 or 0.25% were held at First Bank Puerto Rico. Petty cash of $3,326 was held at WICO, viNGN, and KAMI. Deposits held at Banco Popular de Puerto Rico and First Bank Puerto Rico were fully collateralized except for approximately $6.0 million held by Banco Popular de Puerto Rico for WICO.

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.

Restricted investments in the reserve accounts at September 30, 2020, are as follows:

	Debt Service	Construction Funds	Project Funds	Total
Series 2015 A Federal-Aid Highway Bonds	$ 8,351,160	$ 40,961,309	$ -	$ 49,312,469
Series 2014 C Revenue and Refunding Bonds	10	2,857,184	-	2,857,194
Series 2013 B Revenue and Refunding Bonds	6,625,169	-	-	6,625,169
Series 2013 A Revenue and Refunding Bonds	4,473,753	-	-	4,473,753
Series 2012 C Revenue Bonds	5	4,771,928	-	4,771,933
Series 2012 A and B Revenue and Refunding Bonds	24	-	-	24
Series 2012 A Revenue Bonds	19,808,046	36,239	-	19,844,285
Series 2010 A and B Revenue Bonds	52,890,521	-	-	52,890,521
Series 2009 A Revenue Bonds (Cruzan)	72,669,768	-	-	72,669,768
Series 2009 A1, A2, B, C Revenue and Refunding Bonds	63,534,575	6,864,771	-	70,399,346
Series 2009 A Revenue Bonds (Diageo)	134,239,290	-	-	134,239,290
Series 2006 A Revenue Bonds	-	11,534	-	11,534
Series 1999 A Gross Receipts Pledge Revenue	61,715,333	-	-	61,715,333
Series 1998 A Matching Funds Pledged Revenue	909,438	-	-	909,438
Subtotal bonds	425,217,092	55,502,965	-	480,720,057
Series 2016 A Notes	32,096	-	678,385	710,481
Total	$ 425,249,188	$ 55,502,965	$ 678,385	$ 481,430,538

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 assets at fair value:

- *Money market funds* – Investments in money market funds are measured at fair value using quoted market prices. They are classified as Level 1 as closing prices are readily available.

- *Commercial paper and Government agency securities* – The commercial paper and 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.

	September 30, 2020	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Money market funds	$ 528,493,107	$ 528,493,107	$ -	$ -
Portfolio investments:				
Commercial paper	6,982,238	-	6,982,238	-
Government agency securities	72,738,591	-	72,738,591	-
Total fair value	608,213,936	528,493,107	79,720,829	-
Less: amount classified as cash and cash equivalents	(126,783,398)	-	-	-
Total restricted investments	$ 481,430,538	$ -	$ -	$ -

Investments, categorized by investment type and weighted average maturity, at September 30, 2020, are as follows:

	Fair Value	Weighted Average Maturity (*Years*)
Money market funds	$ 528,493,107	-
Portfolio investments:		
Commercial paper	6,982,238	0.293
Government agency securities	72,738,591	2.990
Total investments	$ 608,213,936	

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, 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, possessions and commonwealths of the United States, obligations of international banking institutions, repurchase agreements, investment contracts, certificates of deposits, guaranteed investment contracts, shares in mutual funds, investment companies, corporate commercial paper, money market portfolio and investment pools.

At September 30, 2020, the Authority's investment in money market funds were rated AAAm, by Standard & Poor's and Aaa to Aaa-mf by Moody's Investors Service. The Authority's investments in commercial paper were not rated by Standard & Poor's and Moody's Investors Service. The Authority's investments in Government agency securities were rated AA- to AAA by Standard & Poor's and A1 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. At September 30, 2020, more that 5.0% of the Authority's investments were invested in: Goldman Financial Square Money Market #524 (62.49%); Federated Government Obligation #5 (20.58%); and the State of California (6.62%).

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, 2020, 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.

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 proceeds of the Series 2016 A Notes 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 payable. The Authority loaned the proceeds of the Series 2019 A TIF Revenue and Refunding Bonds, the 2019 TIF Project Developer Note, Series 2018 A Revenue Bonds, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 B Revenue Notes, Series 2014 A Revenue Bonds, Series 2012 C Revenue Bonds, Series 2012 A and B Revenue and Refunding Bonds, and 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).

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, bear the same interest rates, maturities, and repayment terms as the bonds payable (see Note 7).

The Authority loaned the proceeds of the Series 2013 B Revenue and Refunding Bonds, Series 2013 A Revenue and Refunding Bonds, Series 2012 A Revenue Bonds, Series 2010 A and B Revenue Bonds, Series 2009 A Revenue Bonds (Cruzan), Series 2009 A1, A2, B and C Revenue and Refunding Bonds and Series 2009 A Revenue Bonds (Diageo) to the Government. The loans, which are secured with pledged matching fund revenues pursuant to Section 28(b) of the Revised Organic Act of the Virgin Islands, bear the same interest rates, maturities, and repayment terms as the bonds payable (see Note 7).

Restricted loans receivable at September 30, 2020, are comprised of the following:

	Short-term	Long-term
Series 2006 A Revenue Bonds	$ 16,295,000	$ 153,970,000
Series 2009 A Revenue Bonds (Diageo)	6,845,000	202,130,000
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	37,515,000	119,025,000
Series 2009 A Revenue Bonds (Cruzan)	920,000	30,745,000
Series 2010 A and B Revenue Bonds	3,115,000	373,075,000
Series 2012 A Revenue Bonds	1,150,000	135,065,000
Series 2012 A and B Revenue and Refunding Bonds	3,315,000	134,335,000
Series 2012 C Revenue Bonds	1,860,000	21,215,000
Series 2013 A Revenue and Refunding Bonds	2,590,000	8,625,000
Series 2013 B Revenue and Refunding Bonds	6,655,000	22,020,000
Series 2014 A Revenue Bonds	2,000,000	37,535,000
Series 2014 B Revenue Notes	1,833,333	-
Series 2014 C Revenue and Refunding Bonds	6,385,000	208,510,000
Series 2014 D Revenue Bonds	240,000	4,355,000
Series 2015 Federal-Aid Highway Bonds	4,015,000	67,125,000
2016 A Notes	1,958,278	178,025
Series 2018 A Revenue Bonds	-	211,431,835
Series 2019 A TIF Revenue and Refunding Bonds	492,215	11,095,146
Series 2019 A TIF Project Developer Note	27,611	1,565,371
	97,211,437	1,742,000,377
Unamortized bond discounts and premiums	-	28,902,552
Total	$ 97,211,437	$ 1,770,902,929

On September 30, 2020, the Government advanced bond payments due on October 1, 2020, to the Authority. A summary of bond payments by associated bond series are as follows:

Series 2014 D Revenue Bonds	$ 225,000
Series 2014 C Revenue and Refunding Bonds	6,065,000
Series 2014 A Revenue Bonds	1,900,000
Series 2013 B Revenue and Refunding Bonds	6,335,000
Series 2013 A Revenue and Refunding Bonds	2,460,000
Series 2012 C Revenue Bonds	1,770,000
Series 2012 A and B Revenue and Refunding Bonds	2,865,000
Series 2012 A Revenue Bonds	1,100,000
Series 2010 A and B Revenue Bonds	4,005,000
Series 2009 A Revenue Bonds (Cruzan)	865,000
Series 2009 A1, A2, B and C Revenue and Refunding Bonds	34,265,000
Series 2009 A Revenue Bonds (Diageo)	6,405,000
Series 2006 A Revenue Bonds	15,865,000
Total	$ 84,125,000

At September 30, 2020, 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, 2020, the amount due from VIWMA under the loan was $750,000.

6. Capital Assets

Capital assets as of September 30, 2020, are comprised as follows:

	Beginning Balance	Additions	Disposal	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 5,763,178	$ -	$ -	$ -	$ 5,763,178
Construction in progress	5,927,040	639,853	-	(391,059)	6,175,834
Total capital assets not being depreciated	11,690,218	639,853	-	(391,059)	11,939,012
Capital assets being amortized and depreciated:					
Personal property and equipment	69,887,601	111,817	(58,016)	315,018	70,256,420
Buildings and building improvements	82,067,116	44,458	-	76,041	82,187,615
Intangible assets	20,973,568	-	-	-	20,973,568
Total capital assets being amortized and depreciated	172,928,285	156,275	(58,016)	391,059	173,417,603
Less accumulated amortization and depreciation for:					
Personal property and equipment	(23,119,198)	(4,162,426)	55,974	-	(27,225,650)
Buildings and building improvements	(44,888,592)	(3,428,440)	-	-	(48,317,032)
Intangible assets	(7,344,395)	(687,489)	-	-	(8,031,884)
Total accumulated amortization and depreciation	(75,352,185)	(8,278,355)	55,974	-	(83,574,566)
Total capital assets being amortized and depreciated, net	97,576,100	(8,122,080)	(2,042)	391,059	89,843,037
Total capital assets, net	$ 109,266,318	$ (7,482,227)	$ (2,042)	$ -	$ 101,782,049

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, 2020, the amortization expense related to restricted intangible assets was approximately $327,000.

7. Bonds Payable

Bonds payable activity for the year ended September 30, 2020, was as follows (expressed in thousands):

	Balance 9/30/2019	New Issuances	Principal Payments	Unamortized Premiums and Discounts	Balance 9/30/2020	Due within One Year
Matching Funds Revenue Bonds	$ 1,057,635	$ -	$ (52,725)	$ 6,327	$ 1,011,237	$ 55,435
Gross Receipts Revenue Bonds	852,451	-	(27,450)	20,788	845,789	28,690
Federal-Aid Highway Bonds	74,965	-	(3,825)	6,749	77,889	4,015
Other Direct Placement Bonds or Borrowings	-	12,000	(413)	-	11,587	492
Total	$ 1,985,051	$ 12,000	$ (84,413)	$ 33,864	$ 1,946,502	$ 88,632

At September 30, 2020, long-term debt consists of (expressed in thousands):

Bonds payable:	
Matching Funds Revenue Bonds	$ 1,004,910
Gross Receipts Revenue Bonds	825,001
Federal-Aid Highway Bonds	71,140
Other Direct Placement Bonds or Borrowings	11,587
Total	$ 1,912,638

Matching Funds Revenue Bonds

A summary of Matching Funds Revenue bonds activity for the year ended September 30, 2020, follows (expressed in thousands):

	Balance 9/30/2019	New Issuances	Principal Payments	Balance 9/30/2020
Series 2013 B Revenue and Refunding Bonds	$ 41,045	$ -	$ (6,035)	$ 35,010
Series 2013 A Revenue and Refunding Bonds	16,010	-	(2,335)	13,675
Series 2012 A Revenue Bonds	138,315	-	(1,000)	137,315
Series 2010 A and B Revenue Bonds	382,995	-	(2,800)	380,195
Series 2009 A Revenue Bonds (Cruzan)	33,350	-	(820)	32,530
Series 2009 A 1, A 2, B and C Revenue and Refunding Bonds	224,550	-	(33,745)	190,805
Series 2009 A Revenue Bonds (Diageo)	221,370	-	(5,990)	215,380
Total	$ 1,057,635	$ -	$ (52,725)	$ 1,004,910

Bonds payable at September 30, 2020, are comprised of the following (expressed in thousands):

Series 2013 B Revenue and Refunding Bonds Interest at 3.00% to 5.00%	$ 35,010
Series 2013 A Revenue and Refunding Bonds Interest at 5.00% to 5.25%	13,675
Series 2012 A Revenue Bonds Interest at 4.00% to 5.00%	137,315
Series 2010 A and B Revenue Bonds Interest at 4.00% to 5.25%	380,195
Series 2009 A Revenue Bonds (Cruzan) Interest at 3.00% to 6.00%	32,530
Series 2009 A 1, A 2, B and C Revenue and Refunding Bonds Interest at 3.00% to 5.00%	190,805
Series 2009 A Revenue Bonds (Diageo) Interest at 6.00% to 6.75%	215,380
Total	1,004,910
Less: current portion	(55,435)
Add: unamortized bond premiums and discounts, net	6,327
Long-term portion	$ 955,802

On October 17, 2013, the Authority issued the Series 2013 B Revenue and Refunding Bonds, the proceeds of which amounted to $51,365,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture and the Series 2013B Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of the Authority. The Series 2013 B Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, (ii) fund the Series 2013 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 B Bonds. The Series 2013 B Bonds mature from 2015 to 2024 at an interest rate of 3.00% to 5.00%. The proceeds of the Series 2013 B Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A. At October 1, 2014, the outstanding principal of the Series 2004 A Bonds was defeased through a call redemption amounting to $58,835,000.

On September 19, 2013, the Authority issued the Series 2013 A Revenue and Refunding Bonds, the proceeds of which amounted to $36,000,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Eighth Supplemental Indenture and the Series 2013 A Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of the Authority. The Series 2013 A Bonds were issued to: (i) refund a portion of the Series 2004 A Bonds, Series 2009 A1 Bonds, and Series 2009 B Bonds, (ii) fund the Series 2013 A Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2013 A Bonds. The Series 2013 A Bonds mature from 2018 to 2024 at an interest rate of 5.00% to 5.25%. The proceeds of the Series 2013 A Revenue and Refunding Bonds were placed in an irrevocable trust to provide for future debt service payments on the Series 2004 A, Series 2009 A1, and Series 2009 B Bonds. The economic gain obtained by this advance refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a deferred loss of approximately $10.9 million and an economic loss of approximately $1.5 million.

On September 7, 2012, the Authority issued the Series 2012 A Revenue Bonds, the proceeds of which amounted to $142,640,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Seventh Supplemental Indenture and the Series 2012 Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of the Authority. The Series 2012 A Bonds were issued to: (i) finance various operating expenses and other obligations of the Government, (ii) fund the Series 2012 A Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2012 A Bonds. The Series 2012 A Bonds mature from 2022 to 2032 at an interest rate of 4.00% to 5.00%.

On July 8, 2010, the Authority issued the Series 2010 A and B Revenue Bonds, the proceeds of which amounted to $399,050,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Sixth Supplemental Indenture and the Series 2010 Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of the Authority. The Series 2010 A Bonds were issued to: (i) finance various operating expenses of the Government, (ii) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (iii) fund the Series 2010 A Subordinate Lien Debt Service Reserve Account, and (iv) finance certain costs of issuance of the Series 2010 A Bonds. The Series 2010 B Bonds were issued to: (i) refinance a portion of the outstanding Series 2009 B1 and B2 Notes, (ii) fund the Series 2010 B Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2010 B Bonds. The Series 2010 A Bonds amount to $305,000,000 and mature from 2012 to 2029 at an interest rate of 4.00% to 5.00%. The Series 2010 B Bonds amount to $94,050,000 and mature from 2020 to 2029 at an interest rate of 4.25% to 5.25%.

On December 17, 2009, the Authority issued the Series 2009 A Revenue Bonds (Cruzan), amounting to $39,190,000, to finance the costs of the development, acquisition, construction, and installation of a wastewater treatment facility and to fund certain preliminary costs of the alteration, upgrade, expansion, and renovation of the Cruzan distillery on St. Croix, to establish debt service reserves, and to finance costs of issuance of the 2009 A Bonds. These bonds are special limited obligations of the Authority payable from and secured by a pledge of the Cruzan Trust estate which includes certain funds established under the Subordinated Indenture and the First Supplemental Subordinate Indenture of Trust.

The bonds bear interest at 3.00% to 6.00% and mature from 2010 to 2039 and are subject to an optional redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

In association with the Series 2009 A Revenue Bonds, the Authority entered into an agreement with Cruzan VIRIL, Ltd. (Cruzan), on October 6, 2009. Provisions of the agreement call for payments of excess matching funds, after debt service, debt service reserve, and sinking fund redemption payments, to the Government and Cruzan of 60% - 80% and 54% - 60%, respectively.

On October 1, 2009, the Authority issued the Series 2009 A 1, A 2, B, and C Revenue and Refunding Bonds, the proceeds of which amounted to $458,840,000. These bonds are secured by a pledge of Matching Fund Revenues, which includes certain funds established under the original indenture, the Fourth Supplemental Indenture and the Series 2009 Loan Notes issued by the Government. The proceeds were loaned to the Government under the same terms as the bonds. The bonds are limited special obligations of the Authority.

The Series 2009 A 1 and A 2 Revenue and Refunding Bonds were issued to: (i) finance various capital projects of the Government, (ii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 A 1 and A 2 Revenue and Refunding Bonds. The Series 2009 A 1 Revenue and Refunding Bonds amounted to $86,350,000 and mature from 2010 to 2039 at interest rates from 3.00% to 5.00%. The Series 2009 A 2 Revenue and Refunding Bonds amount to $8,650,000 and mature from 2010 to 2011 at an interest rate of 3.00%.

The Series 2009 B Revenue and Refunding Bonds were issued to: (i) refund the Series 1998 A Revenue and Refunding Bonds (Senior Lien/Refunding Bonds), (ii) fund the Series 2009 B Senior Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 B Revenue and Refunding Bonds. The Series 2009 B Revenue and Refunding Bonds amount to $266,330,000 and mature from 2010 to 2025 at an interest rate of 5.00%.

The Series 2009 C Revenue and Refunding Bonds were issued to: (i) refund the Series 1998 E Revenue and Refunding Bonds (Subordinate Lien/Capital Program Bonds), (ii) fund the Series 2009 C Subordinate Lien Debt Service Reserve Account, and (iii) finance certain costs of issuance of the Series 2009 C Revenue and Refunding Bonds. The Series 2009 C Revenue and Refunding Bonds amounted to $97,510,000 and mature from 2010 to 2022 at an interest rate of 5.00%. The Series 2009 C Revenue and Refunding Bonds are subject to optional redemption by the Authority on or after October 1, 2019, at redemption price of 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

On July 9, 2009, the Authority issued the Series 2009 A Revenue Bonds (Diageo), the proceeds of which amounted to $250,000,000. These bonds are secured by a pledge of Diageo Matching Fund Revenues (Matching Funds generated from the sale of Captain Morgan rum products), which includes certain funds established under the original indenture, the Third Supplemental Indenture and the 2009 Matching Fund Loan Note – Diageo Project, Series A issued by the Government. The bonds bear interest at 6.00% to 6.75% and mature from 2014 to 2037. 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 were issued to: (i) provide a grant to Diageo USVI, Inc. ("Diageo USVI") to finance the costs of the acquisition, design, development, construction, and equipping of a rum production and maturation warehouse facility to be located on St. Croix (the "Diageo Project") (ii) redeem the Subordinated Revenue Bond Anticipation Notes (Virgin Islands Matching Fund Loan Notes – Diageo Project) Series 2009 A issued to finance preliminary costs of the Diageo Project (iii) fund the Series 2009 A Senior Lien Debt Service Reserve Account, (iv) pay capitalized interest on the Series 2009 A Revenue Bonds, and (v) finance certain costs of issuance of the Series 2009 A Revenue Bonds. The Series 2009 A Bonds maturing on or after October 1, 2020, shall be subject to optional redemption on or after October 1, 2019, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

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

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

(a) Pledged Funds, Covenants, and Collateral

The Government has pledged the Matching Fund Revenues, as described below, to the timely payment of principal and interest on the Series 2013 B Revenue and Refunding Bonds, Series 2013 A Revenue and Refunding Bonds, Series 2012 A Revenue Bonds, Series 2010 A and B Revenue Bonds, Series 2009 A Revenue Bonds (Cruzan), the Series 2009 A 1, A 2, B and C Revenue and Refunding Bonds, and the Series 2009 A Revenue Bonds (Diageo). Thus, all amounts to be received by the Government from federal rum excise tax are deposited directly in a trust account from which the Bonds are paid in accordance with the Indenture of Trust.

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

Estimated prepayments of matching fund revenues are made to the Government prior to the beginning of each fiscal year, subject to adjustment for the amount of local revenue actually collected by the United States Department of Treasury during such year. Such adjustments are made to the estimated prepayments for a subsequent fiscal year. Also see Note 19.

(a) Interest on Bonds

Interest on the Series 2013 B Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2013 B Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

Interest on the Series 2013 A Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2013 A Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

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

Interest on the Series 2010 A and B Revenue Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2010 A and B Revenue Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues. The bonds were fully defeased through an optional redemption on October 1, 2014.

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

Interest on the Series 2009 A 1, A 2, B and C Revenue and Refunding Bonds is payable semi-annually on April 1 and October 1, and principal is payable annually on October 1. The Government is responsible for all principal and interest payments on the Series 2009 A 1, A 2, B and C Revenue and Refunding Bonds. The principal and interest payments on October 1 are funded by the Matching Fund Revenues, and the required investment to meet the April 1 interest payment is determined and deposited into the debt service reserve accounts, which is also funded by the Matching Fund Revenues.

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

Interest expense related to matching funds revenue bonds payable during the year ended September 30, 2020, was as follows (expressed in thousands):

Series 2013 B Revenue and Refunding Bonds	$ 1,751
Series 2013 A Revenue and Refunding Bonds	709
Series 2012 A Revenue Bonds	6,831
Series 2010 A and B Revenue Bonds	19,292
Series 2009 A Revenue Bonds (Cruzan)	1,952
Series 2009 A 1, A 2, B and C Revenue and Refunding Bonds	9,510
Series 2009 A Revenue Bonds (Diageo)	14,428
Total	$ 54,473

(b) Debt Service Requirements on Bonds

Maturity dates and debt service payment requirements as of September 30, 2020, for the Matching Funds Revenue Bonds are as follows (expressed in thousands):

	Total Debt Service		
Year Ending September 30,	Principal	Interest	Total
2021	$ 55,435	$ 52,889	$ 108,324
2022	58,790	49,934	108,724
2023	61,565	46,810	108,375
2024	64,850	43,525	108,375
2025	68,350	40,055	108,405
2026-2030	381,675	143,284	524,959
2031-2035	221,925	54,559	276,484
2036-2039	92,320	10,890	103,210
	$ 1,004,910	$ 441,946	$ 1,446,856

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

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

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

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

The Series 2009 A 1, A 2, B and 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 2009 A 1, A 2, B and C Revenue and Refunding Bonds	Price
October 1, 2019 and thereafter	100%

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

Gross Receipts Revenue Bonds

A summary of Gross Receipts Revenue bonds activity for the year ended September 30, 2020, follows (expressed in thousands):

	Balance 9/30/2019	New Issuances	Principal Payments	Balance 9/30/2020
Series 2018 A Revenue Bonds	$ 206,296	$ -	$ -	$ 206,296
Series 2014 D Revenue Bonds	5,035	-	(215)	4,820
Series 2014 C Revenue and Refunding Bonds	226,750	-	(5,790)	220,960
Series 2014 A Revenue Bonds	43,245	-	(1,810)	41,435
Series 2012 C Revenue Bonds	26,530	-	(1,685)	24,845
Series 2012 A and B Revenue and Refunding Bonds	154,850		(14,335)	140,515
Series 2006 A Revenue Bonds	189,745	-	(3,615)	186,130
Total	$ 852,451	$ -	$ (27,450)	$ 825,001

Bonds payable at September 30, 2020, are comprised of the following (expressed in thousands):

Series 2018 A Revenue Bonds Interest at US Treasury Rate	$ 206,296
Series 2014 D Revenue Bonds Interest at 6.03%	4,820
Series 2014 C Revenue and Refunding Bonds Interest at 4.50% to 5.00%	220,960
Series 2014 A Revenue Bonds Interest at 5.00%	41,435
Series 2012 C Revenue Bonds Interest at 3.00% to 5.00%	24,845
Series 2012 A and B Revenue and Refunding Bonds Interest at 2.25% to 5.25%	140,515
Series 2006 A Revenue Bonds Interest at 3.50% to 5.00%	186,130
Total	825,001
Less: current portion	(28,690)
Add: unamortized bond premiums and discounts, net	20,788
Long-term portion	$ 817,099

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

The bonds are subject to optional redemption by the Authority at any time at a redemption price of 100% of the principal amount thereof, plus interest accrued through the redemption date. Interest payments commence October 1, 2019, with interest-only payments through October 1, 2022, calculated on a 360-day year consisting of twelve 30-day months. The Series 2018 A bonds mature in 2038. Interest accruing during the deferral period, from the date of each drawdown through September 30, 2019, bear interest beginning October 1, 2019 equal to the draws on the loan. Semi-annual interest and principal payments are due April 1 and October 1. The Government may request cancellation of the repayment of the CDLs if certain financial conditions exist three fiscal years following the date of the disaster. Also see Note 20.

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%.

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 (iv) fund the Debt Service Reserve account in an amount necessary to meet the Debt Service Reserve requirement related to the Series 2012 A Revenue and Refunding Bonds. The Series 2012 A Bonds mature from 2017 to 2032 at an interest rate of 2.25% 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.

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. At September 30, 2017, the Series 1999A Revenue Bonds were fully defeased.

(b) Pledged Funds, Covenants, and Collateral

The Government has pledged Gross Receipts Taxes subject to the annual moderate income housing fund deposit and the TIF special escrow agreement, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2018 A Revenue Bonds, Series 2016 A Notes, Series 2014 D Revenue Bonds, Series 2014 C Revenue and Refunding Bonds, Series 2014 B Revenue Notes, Series 2014 A Revenue Bonds, Series 2012 C Revenue Bonds, Series 2012 A and B Revenue and Refunding Bonds, and the Series 2006 A Revenue Bonds. The Government 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. Also see Note 19.

(a) Interest on Bonds

Interest on the Series 2018 A Revenue Bonds is payable semi-annually on April 1 and October 1, and the principal is payable commencing October 1, 2022. The Government is responsible for all principal and interest payments on the Series 2018 A Revenue Bonds. The principal and interest payments on October 1 are funded by pledged Gross Receipts Taxes and determined and deposited into the debt service reserve accounts, which are also funded by Gross Receipts Taxes. Also see Note 20.

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.

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.

Interest expense related to gross receipts revenue bonds payable during the year ended September 30, 2020, was as follows (expressed in thousands):

Series 2018 A Revenue Bonds	$ 3,003
Series 2014 D Revenue Bonds	291
Series 2014 C Revenue and Refunding Bonds	10,989
Series 2014 A Revenue Bonds	2,072
Series 2012 C Revenue Bonds	1,242
Series 2012 A and B Revenue and Refunding Bonds	7,042
Series 2006 A Revenue Bonds	8,985
Total	$ 33,624

(b) Debt Service Requirements on Bonds

Maturity dates and debt service payment requirements as of September 30, 2020, for the Gross Receipts Revenue Bonds are as follows (expressed in thousands):

	Total Debt Service		
Year Ending September 30,	Principal	Interest	Total
2021	$ 28,690	$ 29,983	$ 58,673
2022	30,095	34,602	64,697
2023	37,076	36,409	73,485
2024	42,453	32,790	75,243
2025	46,216	28,938	75,154
2026-2030	259,002	110,179	369,181
2031-2035	281,900	44,656	326,556
2036-2040	83,103	8,831	91,934
2041-2044	16,466	1,954	18,420
	$ 825,001	$ 328,342	$ 1,153,343

The Series 2018 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 (also see Note 20):

Series 2018 A Revenue Bonds	Price
Any time prior to maturity	100%

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%

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 Redemption Price

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%

Federal-Aid Highway Bonds

A summary of Federal-Aid Highway bonds activity for the year ended September 30, 2020, follows (expressed in thousands):

	Balance 9/30/2019	New Issuances	Principal Payments	Balance 9/30/2020
Series 2015 Federal-Aid Highway Bonds	$ 74,965	$ -	$ (3,825)	$ 71,140

Bonds payable at September 30, 2020, are comprised of the following (expressed in thousands):

Series 2015 Federal-Aid Highway Bonds Interest at 3.00% to 5.00%	$ 71,140
Less: current portion	(4,015)
Add: unamortized bond premiums and discounts, net	6,749
Long-term portion	$ 73,874

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) establish debt service reserves, and (iii) pay the costs of issuance related to the Series 2015 Bonds. The Series 2015 Bonds mature from 2016 to 2033 at an interest rate of 3.00% to 5.00%.

(c) 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. Also see Note 19.

(a) 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.

Interest expense related to Federal-Aid Highway bonds payable during the year ended September 30, 2020, was as follows (expressed in thousands):

Series 2015 Federal-Aid Highway Bonds	$ 3,748

(b) Debt Service Requirements on Bonds

Maturity dates and debt service payment requirements as of September 30, 2020, for the Federal-Aid Highway Bonds are as follows (expressed in thousands):

	Total Debt Service		
Year Ending September 30,	Principal	Interest	Total
2021	$ 4,015	$ 3,557	$ 7,572
2022	4,220	3,356	7,576
2023	4,430	3,145	7,575
2024	4,650	2,924	7,574
2025	4,880	2,691	7,571
2026-2030	28,320	9,542	37,862
2031-2033	20,625	2,097	22,722
	$ 71,140	$ 27,312	$ 98,452

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%

Other Direct Placement Bonds or Borrowings

A summary of such activity for the year ended September 30, 2020, follows (expressed in thousands):

	Balance 9/30/2019	New Issuances	Principal Payments	Balance 9/30/2020
Series 2019 A TIF Revenue and Refunding Bonds	$ -	$ 12,000	$ (413)	$ 11,587

Bonds payable at September 30, 2020, are comprised of the following (expressed in thousands):

Series 2019 A TIF Revenue and Refunding Bonds Interest at 6.875%	$ 11,587
Less: current portion	(492)
Long-term portion	$ 11,095

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 10 years.

(d) 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 Revenue Loan Agreement entered into with the Government and Trustee in connection with the issuance of the Series 2019 A TIF Revenue and Refunding Bonds requires a Debt Service Coverage Ratio (DSCR) of 1.25 determined on an annual basis (before October 31st of each fiscal year). The ratio is the Island Crossings Incremental Revenues together with any ground lease payments divided by the total amount of annual principal and interest payments on the Series 2019 A TIF Revenue and Refunding Bonds. The Authority 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 on 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, 2020, the DSCR amounted to 1.92 and the LTV was 50%, 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 into the Purchaser Collateral Documents for the benefit of the lender, to further secure the payment of the Bonds. During the time that the Series 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 Crossings Project is economically viable for the repayment of the Series 2019 A TIF Revenue and Refunding Bonds.

The bonds contain a provision that in an event of default, the lender may at any time declare the entire balance of the Series 2019 A Bond and any other indebtedness of the Authority to the lender to be due and payable, whereupon the same shall become immediately due and payable without presentment, demand, protest or notice. Also see Note 19.

(e) Interest on Bonds

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

(f) Debt Service Requirements on Bonds

Maturity dates and debt service payment requirements as of September 30, 2020, for the Direct Placements Bonds are as follows (expressed in thousands):

	Total Debt Service		
Year Ending September 30,	Principal	Interest	Total
2021	$ 492	$ 792	$ 1,284
2022	528	759	1,287
2023	566	719	1,285
2024	604	680	1,284
2025	650	634	1,284
2026-2029	8,747	2,102	10,849
	$ 11,587	$ 5,686	$ 17,273

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

8. Notes and Loan Payable

A summary of notes and loan activity for the year ended September 30, 2020, follows (expressed in thousands):

	Balance 9/30/2019	New Issuances	Deferred Interest	Principal Payments	Balance 9/30/2020	Due Within One Year
2019 A TIF Project Developer Note	$ -	$ 1,593	$ -	$ -	$ 1,593	$ 28
Series 2016 A Notes	4,451	-	-	(2,136)	2,315	2,135
Series 2014 B Revenue Notes	4,000	-	-	(2,000)	2,000	2,000
2012 A TIF Notes	10,939	-	-	(10,939)	-	-
WICO loan related to capital assets	41,826	-	927	(498)	42,255	758
Total	$ 61,216	$ 1,593	$ 927	$ (15,573)	$ 48,163	$ 4,921

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 the Authority 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 1 over a thirty (30) year term. The first payment will be due October 1, 2020.

The 2019 A TIF Project Developer Note was issued under the Tax Increment Revenue Loan Agreement dated November 1, 2019, between the Government, Authority, and Trustee. Under the Tax Increment Revenue Loan Agreement, the Note may not be transferred to secure payment of the Series 2019 A TIF Revenue and Refunding Bonds ("Series 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.

On October 1, 2016, the Authority issued two Subordinate Lien Revenue Notes, Series 2016 A (Virgin Islands Gross Receipts Taxes Loan Notes-Emergency First Responder Project), collectively the "Series 2016 A Notes" in an aggregate amount of up to $10,000,000 to: (i) finance the acquisition of public safety vehicles and related equipment (the "Series 2016A-1 Project"), and (ii) to finance certain consulting services for the improvement of public safety and security in the Virgin Islands, (the "Series 2016A-2 Project"), and (iii) to pay certain costs incidental to the issuance of the Series 2016 A Notes. The Series 2016 A Notes matures in 2021 with variable interest rates based on the 90-day London Inter-bank Offered Rate ("LIBOR") plus 375 basis points. The Series 2016 A Notes are subject to prepayment by the Authority in whole or in part at any time upon 100% payment of the outstanding principal plus interest accrued to the prepayment date. As of September 30, 2020, the outstanding balance was $2.3 million. As security for the payment of principal and interest on the Series 2016A Notes, the Government has pledged and assigned the gross receipts taxes collected by the Government subject and subordinate to the lien on such taxes and revenues in favor of the holders of outstanding bonds and to the Required Annual Moderate Income Housing Deposit. The Government covenants to provide to the Authority within 180 calendar days of the end of each fiscal year a financial report summarizing annual receipts and transfers of gross receipts taxes and substitute revenues.

On September 12, 2014, the Authority issued the Subordinate Lien Revenue Notes, Series 2014 B (Virgin Islands Gross Receipts Taxes Loan Note) in the aggregate amount of $14,000,000 (the "2014 B Revenue Notes"). The proceeds of the Series 2014 B Revenue Notes were loaned to the Government under the same terms, for the purposes of (i) financing general obligations of the Government and (ii) paying certain costs of issuing the 2014 B Notes. Principal is payable in eighty-four (84) consecutive monthly principal installments commencing on November 1, 2014. Interest is assessed at 375 points above the 90-day LIBOR rate. As of September 30, 2020, the outstanding balance was $2.0 million. As security for the payment of principal and interest on the Series 2014B Revenue Notes, the Government has pledged and assigned the gross receipts taxes collected by the Government subject and subordinate to the lien on such taxes and revenues in favor of the holders of outstanding bonds and to the Required Annual Moderate Income Housing Deposit. The Government covenants to provide to the Authority within 180 calendar days of the end of each fiscal year a financial report summarizing annual receipts and transfers of gross receipts taxes and substitute revenues.

On September 25, 2009, the Authority entered into a Bond Anticipation Note Purchase Agreement with a local bank. Under the terms of the Note Purchase Agreement, the bank will purchase up to $15,700,000 in federally taxable Bond Anticipation Notes (the "2009 A TIF Notes") issued by the Authority. The purpose of the Series 2009 A TIF Notes is to provide a loan to the Government (the "Series 2009 A Tax Increment Revenue Loan Note") to finance the development of a shopping complex on the island of St. Croix. The financing is provided under Tax Increment Financing legislation enacted in October 2008 by the Government. Both the 2009 A TIF Notes and the Series 2009 Tax Increment Revenue Loan Note have a term of three years, maturing on October 1, 2012 with interest of 300 points above the J.P. Morgan Chase Prime Rate or 6.25%, whichever is higher.

On September 24, 2012, the Authority authorized an extension of the maturity date on the Series 2009 A TIF Notes, from October 1, 2015 to October 1, 2017, which was then converted to the Series 2012 A term loan note (the "2012 A TIF Notes"). The Authority sold $13,700,000 in 2012 A TIF Notes to the local bank and loaned that amount to the Government. The Government has pledged Island Crossings Incremental Tax Revenue and proceeds of the anticipated Tax Increment Revenue Bond Anticipation Note to the timely payment of the principal and interest on the 2012 A TIF Notes. In November 2019, the Authority issued the 2019 Series A TIF Revenue and Refunding Bonds to defease the 2012 A TIF Notes.

In July 2017, WICO consolidated various loans with Banco Popular de Puerto Rico (the "Bank") in the amount of $42,697,836 at a fixed interest rate of 5.25% per annum, amortized on a 25-year term with a final maturity date of July 2022. Upon maturity, should WICO stay in compliance with the current terms of the loan, it may refinance the loan for a term not to exceed twenty (20) years, subject to new terms and conditions.

WICO may prepay the loan; however, there is a prepayment penalty of 2% of the outstanding principal of the loan. Security and collateral for the loan include a first-priority security interest in WICO's assets, a pledge of WICO's revenues and the unlimited continuing repayment guarantee from the Authority in event of default. The loan contains a provision that in an event of default, the Bank may by written notice to WICO (i) immediately terminate the commitments of the Bank, and (ii) declare the principal of and interest accrued on the loan due and payable.

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

In May 2020, WICO was notified by the Bank that monthly payments on the outstanding loan payable would be deferred for 90 days as a result of the COVID-19 pandemic. In September 2020, an additional 90-day moratorium was granted to WICO with regular repayments resuming in November 2020.

WICO is required to maintain a Debt Service Reserve Fund ("DSR") with the Bank in the amount of $3,070,390. WICO is also required to maintain a Debt Service Coverage Ratio Reserve ("DSCR") with an amount equal to the shortfall, if any, between WICO's earnings before interest, taxes, depreciation and amortization ("EBITDA") and WICO's required annual DSCR, so that net revenues are not less than 1.25 times annual debt service payments. WICO is also required to maintain a Fixed Coverage Ratio ("FCR") of 1.10 times EBITDA divided by the current portion of long-term debt ("CPLTD") plus interest expense, PILOT, maintenance, and capital expenses. WICO may not declare dividends during the term of the loan, and no additional equity interests may be granted without the lender's approval. The loan agreement also requires WICO to deliver the year-end audited financial statements within 180 days of its fiscal year end.

For the year ended September 30, 2020, WICO was in compliance with the DSR requirement but it was not in compliance with the DSCR, FCR, and reporting requirements. The loan agreement considers any noncompliance of the covenants as default. However, as of report date and as further discussed in Note 20, WICO issued certain bonds, the proceeds of which were utilized to prepay the outstanding loan balance and WICO entered into loan termination, pledge termination, and guaranty termination agreements with the Bank, documenting the close of the loan payable.

Interest expense related to notes and loan payable during the year ended September 30, 2020, was as follows (expressed in thousands):

Series 2016 A Notes	$ 161
Series 2014 B Revenue Notes	148
WICO loan related capital assets	2,224
Total	$ 2,533

Maturity dates and debt service payment requirements as of September 20, 2020, for the notes and loan payable are as follows (expressed in thousands):

	Total Debt Service		
Year Ending September 30,	Principal	Interest	Total
2021	$ 4,922	$ 2,465	$ 7,387
2022	41,689	2,116	43,805
2023	15	132	147
2024	16	131	147
2025	18	129	147
2026-2030	113	621	734
2031-2035	170	564	734
2036-2040	256	478	734
2041-2045	385	349	734
2046-2050	579	156	735
	$ 48,163	$ 7,141	$ 55,304

9. Refundable Advance

In May 2020, WICO received an initial set of certain loan proceeds in the amount of $464,400, from the Paycheck Protection Program ("PPP"). The arrangement was guaranteed by the Small Business Administration and was not required to be collateralized nor did it contain any covenants. WICO did not expend any portion of these loan proceeds pending the completion of an analysis with respect to its qualification in the newly established program.

This initial set of loan proceeds, including interest of $3,895, was subsequently returned in March 2021, and a revised application for a secondary set of PPP relief funds was put forth. Also see Note 20.

10. Due to the Government

Due to the Government represents funds held by the Authority on behalf of the Government for payment of construction and other projects and debt service payments. Due to the Government movement for the year ended September 30, 2020, was as follows:

	Debt Service Funds	Construction Funds	Recovery Grant Funds
Beginning balance	$ 224,063,407	$ 307,914,888	$ -
Funds received for debt service	69,048,859	278,784,861	-
Debt service	(190,767,454)	-	-
Investment income	13,043,131	1,172,515	-
Issuance costs	(569,750)	(120,000)	-
Proceeds from the issuance of bonds and notes	1,859,870	14,041,115	-
Bank fees	-	(372)	-
Other income (loss)	-	(31,101)	-
Capital outlays (including reimbursements)	-	(29,005,240)	-
Recovery projects	-	-	2,579,068
General and administrative expenses	(2,230,076)	(5,541,114)	-
Interfund transfers	372,839,056	(372,839,056)	-
Transfer of funds to the Government	(3,637)	(55,061,036)	-
Transfer to rum producers	(99,669,275)	-	-
Department of Transportation Grants	7,568,603	-	-
Ending balance	$ 395,182,734	$ 139,315,460	$ 2,579,068

11. Payments on Behalf of the Government

During the year ended September 30, 2020, the following amounts were disbursed and reported as a reduction of restricted resources held for the Government in the Statement of Net Position and as payments on behalf of the Government in the Statement of Cash Flows.

Series 2016 A Notes	$ 63,566
Series 2014 C Revenue and Refunding Bonds	5,297,147
Series 2014 A Revenue Bonds	132,137
Series 2012 C Revenue Bonds	528,945
Series 2015 Federal-Aid Highway Bonds	17,231,150
Series 2009 A Revenue Bonds (Diageo)	3,813,387
Series 2003 A Revenue Bonds	19,683
Series 2009 A 1, A 2, B and C Revenue and Refunding Bonds	1,132,450
Recovery Grant Management	64,319,309
Administrative Funds	1,139,970
	93,677,744
Budgetary transfers	5,500,000
Total payments on behalf of the Government	$ 99,177,744

During the year ended September 30, 2020, the Authority charged the Government fees amounting to $129,750 for its investment and bond management services, which is included in the charges for services in the Statement of Revenues, Expenses, and Changes in Net Position.

12. User Agreements and Fixed Rentals

Warehouse and Land Rentals

WICO leases several warehouses and land to commercial businesses under the terms of various month-to-month and annual lease agreements. The lease agreements include contracts with non-cancelable terms for fixed rental charges. The agreements expire at various dates through 2025. During the year ended September 30, 2020, WICO generated revenues of $891,469 through leasing arrangements.

As of September 30, 2020, the leased property included depreciable capital assets of approximately $4.7 million, less accumulated depreciation of approximately $2.7 million, for a net book value of $1.9 million.

Future estimated minimum fixed rentals under the non-cancelable lease agreements follow:

Year ending September 30,	2021	2022	2023	2024	2025	Total
Land rentals	$ 436,000	$ 448,750	$ 461,500	$ 474,250	$ 487,000	$ 2,307,500

Berthing Right Agreements

WICO has entered into agreements with certain cruise lines providing preferential berthing rights in exchange for passenger service charges (“PSC”) with guaranteed annual revenue due to WICO. The agreements commenced on October 1, 2016 and extend through September 30, 2021, with optional extension periods through September 30, 2026. WICO will track and reconcile passenger manifests on an annual basis to determine amounts due to or owed by WICO.

Government Employees’ Retirement System of the U.S. Virgin Islands (“GERS”)

On September 29, 2014, WICO renewed its management agreement with GERS under which WICO administers the real estate operations sold to GERS in consideration of rent for office buildings used by the Company.

WICO charges 6% of gross rent receipts for the administration of GERS’ properties. For the year ended September 30, 2020, total management fees earned by WICO under this agreement amounted to $196,101. The agreement also provides that certain payroll costs be allocated between WICO and GERS. During the year ended September 30, 2020, payroll costs allocated to GERS were approximately $960,000.

In March 2020, WICO’s management agreement with GERS was terminated. As a result of the termination of the agreement, WICO reduced its workforce by thirty-three (33) employees, resulting in a one-time separation charge of approximately $480,000.

13. 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 U.S. Virgin Islands by the Federal government. For the year ended September 30, 2020, $7.6 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, WICO and viNGN submitted expenses for reimbursement to the Federal Emergency Management Agency (“FEMA”) for repairs and additional expenses incurred. Total expenses approved by FEMA for WICO and viNGN the year ended September 30, 2020, were $233,491 and $255,464, respectively.

In July 2018, viNGN was awarded a grant for $497,000 from the Department of Interior’s Office of Insular Affairs’ Technical Assistance Program (“TAP”). The grant funding is to be used for the Recovery and Restoration of Fiber Optic Cable Network Infrastructure Equipment project. For the year ended September 30, 2020, no expenses were incurred on the grant award.

In November 2019, the Government was awarded a grant for $3.0 million from TAP. The grant funding is to be used to fund the creation of an Office of Disaster Recovery. For the year ended September 30, 2020, the Authority expended $2.5 million from the grant award.

14. Commitments and Contingencies

Operating Lease Agreements

The Authority entered into a twenty-year lease for a property in St. Croix from February 15, 1996 through February 15, 2016 and which was subsequently renewed for an additional twenty years, through February 15, 2036. In July 2015, the Authority entered into a five-year lease agreement to rent office space on the island of St. Croix at a monthly rent of $3,164 with annual increases of no more than 3%.

Future minimum lease payments for the remaining fiscal years are as follows:

Year Ending September 30,	
2021	$ 70,000
2022	70,000
2023	70,000
2024	70,000
2025	70,000
2026-2030	350,000
2031-2035	350,000
2036	23,333
Total	$ 1,073,333

In September 2015, viNGN entered into a five-year lease for a warehouse owned by TOPA Properties, LLC which expired on August 31, 2020. viNGN continues to lease the space on a month-to-month basis.

In October 2015, viNGN entered into a three-year lease for a warehouse owned by the Virgin Islands Development Park Corporation, expiring on October 31, 2018. viNGN continues to lease the space on a month-to-month basis.

Contractual Agreements

(a) 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 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 was for a term of five (5) years following the effective date of the contract and may be extended in two (2) two-year increments for a maximum term of nine (9) years. Compensation under the agreement was capped at $15.0 million annually including out-of-pocket expenses. In April 2018, the contract was amended to increase the compensation amount to $50.0 million annually, retroactive to November 2017.

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

For the year ended September 30, 2020, the total amount due to the two disaster recovery consultants was $113,944,930 and is reflected as noncurrent accrued expenses in the Statement of Net Position. Also see Note 20.

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.

(b) 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, 2020, the amount remaining in the escrow account was $417,639.

Molasses Subsidy Fund

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

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

On December 18, 2015, Congress retroactively extended the $13.25 per proof gallon rum excise tax rate from January 1, 2015 through December 31, 2016 with the Protecting Americans from Tax Hikes ("PATH") Act. The Tax Cuts and Jobs Act passed by Congress in December 2017 retroactively extended the $13.25 per proof gallon rum excise tax rate from January 1, 2017 to December 31, 2021. In line with this Act, the $13.25 per proof gallon rate ended on December 31, 2021 and the original $10.50 rate went back into effect on January 1, 2022.

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 U.S. 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 Caa1; 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 January 2020 and October 2021, Moody's Investors Service confirmed as "stable" the Caa3 rating of the Authority's bonds.

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.

Grant Funds

In connection with Federal and state government 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. Also see Note 20.

Global Pandemic

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

Also, in March 2020, the Centers for Disease Control and Prevention (“CDC”) issued a No Sail Order (“Order”) for cruise ships. WICO derives a material portion of its revenue from servicing cruise ships owned by established cruise lines. As a result of the Order and state of emergency, WICO announced a temporary closure of its port. WICO’s fee for services revenue for fiscal year 2020 was severely impacted due to this pause in cruise operations. Also see Note 20.

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

Economic Relief Legislation

In March 2020, the President of the United States signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to state, territorial, local, and tribal governments. Also see Note 20.

15. Retirement and Pension Plans

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 approximately $124,000 for the year ended September 30, 2020. 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 employees’ contribution up to a maximum of 2% of the eligible employee’s compensation. viNGN contributed approximately $31,000 in matching employer contributions for the year ended September 30, 2020. 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.*

(a) 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 twenty (20) hours per week. Persons over the age of fifty-five (55) may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after ten (10) years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

Tier 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 sixty (60) with at least ten (10) years of credited service are eligible for a full-service retirement annuity. Regular Tier II employees who have attained age sixty-five (65) with at least ten (10) years of service are eligible for a full-service retirement annuity. Members who are considered "safety employees " as defined in the Code are eligible for full-service retirement benefits under Tier I when they have earned at least twenty (20) years of government service or have reached the age of fifty-five (55) with at least ten (10) years of credited service. Under Tier II, safety employees are eligible for full retirement when they have earned at least twenty-five (25) years of government service and have reached age fifty-eight (58) or have reached age (60) with at least ten (10) years of service.

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 seventy-five (75) years to retire without a reduction in their annuity. Early retirement benefits provided under the Act vary depending upon age of retirement, type of employment, and credited years of service.

GERS is a separate and independent agency that is included for financial reporting purposes as a blended pension trust fund of the 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 Government Employees' Retirement System of the U.S. Virgin Islands, 3438 Kronprindsens Gade, St. Thomas, U.S. Virgin Islands 00802.

(b) 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 effective January 1, 2015, was 20.50% of the member's annual salary. On January 1, 2020, the employer contribution for Tier I and Tier II members was increased to 23.5%.

Employee contribution rates (as a percentage of payroll) for fiscal year 2020 were as follows:

	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,	2020
Valuation Date	October 1, 2019
Measurement Date	September 30, 2019
Measurement Period	October 1, 2018 – September 30, 2019

The Authority is considered an employer of the plan with a proportionate share of .1200% as of September 30, 2020, which was an increase of .0085% from its proportionate share measured at September 30, 2019. The Authority's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2014 through September 30, 2019. The Authority's proportionate share of employer contributions recognized by GERS was $105,826 for the plan's fiscal year ended September 30, 2019.

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

As of September 30, 2020, the actuarial calculated net pension liability for the Authority's proportionate share of the net pension liability of the plan was $6.4 million. The net pension liability of the plan is measured as of September 30, 2019, 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, 2019. For the year ended September 30, 2020, the Authority recognized pension expense of $393,577 inclusive of amortization of deferred outflows and deferred inflows of pension related items.

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 for the year ended September 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 78,690	$ 2,954
Net difference between projected and actual investment earnings on pension plan investments	3,616	-
Changes in assumptions	1,413,901	509,318
Changes in proportion and differences between contributions and proportional share of contributions	470,167	55,877
Contributions subsequent to measurement date	306,691	-
Total	$ 2,273,065	$ 568,149

The amount reported for contributions subsequent to the measurement date of $306,691 will be recognized as a reduction of the net pension liability in the year ended September 30, 2021.

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,	
2021	$ 301,434
2022	323,206
2023	326,561
2024	175,406
2025	271,618
Thereafter	-
Total	$ 1,398,225

(d) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement date of September 30, 2019, is provided below. Refer to the October 1, 2019, actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

September 30,	2019
Inflation Rate	2.50%
Salary Increase	3.25% including inflation
Actuarial Cost Method	Entry age normal
Expected Rate of Return	4.00%
Municipal Bond Yield	2.66%
Discount Rate	2.67%
Mortality Table	RP-2014 Blue Collar

The demographic assumptions for the 2019 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2011 through September 30, 2015.

(e) Investment Rate of Return

The long-term expected rates of return of 4.00% for the year ended September 30, 2019, on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date of September 30, 2019, are summarized in the following table:

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

(f) Discount Rate

The discount rate used to measure total pension liability was 2.67% as of September 30, 2019, which was a decrease of 1.58% from the discount rate as of September 30, 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. 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. Therefore, the long-term expected rate of return on plan investments of 4.00% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where future benefit payments are not covered by projected assets, the yield on a 20-year AA Municipal Bond Index was applied, which was 2.66% as of the measurement date of September 30, 2019.

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

The following presents the Authority's proportionate share of the net pension liability ("NPL") for the plan, 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, 2020:

1% Decrease - Share of NPL @ 1.67%	Share of NPL @ 2.67%	1% Increase - Share of NPL @ 3.67%
$ 7,399,620	$ 6,377,577	$ 5,539,890

Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS financial report.

16. 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.

17. 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, 2019. Condensed financial statements for the major component units are presented on the following page.

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

(expressed in thousands)	WICO	viNGN	KAMI	Lonesome Dove
Condensed Statement of Net Position:				
Assets:				
Current assets	$ 10,398	$ 2,882	$ 1,477	$ 448
Capital assets, net of depreciation	40,149	58,281	2,676	8,689
Total assets	$ 50,547	$ 61,163	$ 4,153	$ 9,137
Liabilities:				
Current liabilities	$ 10,682	$ 344	$ 44	$ 2
Long-term portion of loan payable	41,497	-	-	-
Other liabilities	1,243	-	619	8,689
Loan payable to the Authority	-	36,804	-	-
Total liabilities	$ 53,422	$ 37,148	$ 663	$ 8,691
Net Position:				
Invested in capital asset, net of debt	$ (2,106)	$ 21,477	$ 2,676	$ -
Restricted	7,021	-	-	446
Unrestricted (deficit)	(7,790)	2,538	814	-
Total net position	$ (2,875)	$ 24,015	$ 3,490	$ 446
Condensed Statement of Revenue, Expenses, and Changes in Net Position:				
Operating revenues	$ 5,441	$ 3,627	$ 427	$ 486
Operating expenses	(6,693)	(5,685)	(624)	(74)
Depreciation and amortization	(3,185)	(4,577)	(492)	-
Operating income (loss)	(4,437)	(6,635)	(689)	412
Non-operating (expenses) revenues	(2,612)	2,401	-	-
Change in net position	(7,049)	(4,234)	(689)	412
Net position, beginning of year	4,174	28,249	4,179	34
Net position (deficit), end of year	$ (2,875)	$ 24,015	$ 3,490	$ 446
Condensed Statement of Cash Flows:				
Net cash provided by (used in):				
Operating activities	$ 582	$ (1,815)	$ (210)	$ 414
Noncapital financing activities	66	50	(31)	1
Capital and related financing activities	(2,018)	2,045	(9)	-
Investing activities	12	5	-	-
Cash and cash equivalents, beginning of year	10,861	1,480	1,665	33
Cash and cash equivalents, end of year	$ 9,503	$ 1,765	$ 1,415	$ 448

18. Segment Information

WICO has an outstanding loan payable to a local bank in the amount of $42.2 million. The revenue streams of WICO are pledged in support of the debt, which is guaranteed by the Authority. WICO is a wholly owned port facility including a cruise ship pier, shopping mall, 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's operations have been negatively affected by the reduction in cruise ship traffic caused in part by the relocation of cruise ships from its facilities to the nearby Crown Bay facility owned by the Virgin Islands Ports Authority, due to reduced cruise ship traffic following the Hurricanes of 2017, and closure of its port due to COVID-19. Also see Note 19 and Note 20.

WICO also owes $8.7 million to the Government in payment in lieu of taxes ("PILOT") authorized by the Legislature of the Virgin Islands. Virgin Islands Act No. 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, 2020. The outstanding balance of the loan as of September 30, 2020, was $36.8 million.

19. 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, 2020, all payments on the bonds and notes have been made as required and the Authority is in compliance with all related covenants; however, as a result of the disruption to the Authority's operations from Hurricanes Irma and Maria along with the impact of the COVID-19 global pandemic, the Authority did not comply with certain reporting requirements. As per the Authority's bonds' indentures and notes and loan agreements, this noncompliance event does not constitute an event of default and the Authority continues to work diligently to monitor such requirements. 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.

WICO has recently been financially challenged and its situation was exacerbated by the aforementioned global occurrence. The management team unveiled its plan for the immediate future focusing on exploration of alternative revenue sources, reduction of operating expenses, and investment of Federal funds to facilitate the restart of cruise operations. Also see Note 14 and Note 20.

20. Subsequent Events

Federal Assistance – Natural Disasters

Through qualification for substantial Federal disaster assistance from the Federal Emergency Management Agency ("FEMA") and other Federal agencies, the Authority and its component units have made significant progress towards restoring assets which were damaged by Hurricanes Irma and Maria in September 2017.

WICO continues to tabulate the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services. Subsequent to year end, WICO received a reimbursement of $125,403 as part of the Territory's FEMA disaster recovery grant.

In December 2020, viNGN became a recipient of an award from the FEMA via a subrecipient arrangement through the Government. The project is entitled *viNGN Fiber Access Point Generator* and will result in the ability to maintain power to various fiber access points ensuring critical facilities will be able to maintain access to the internet during a hurricane event or any prolonged power outage event. This is a phased project and as of report date, Phase I funding has been authorized in the amount of approximately $588,000.

The Authority, on behalf of the Government, has received notices from FEMA of potential debt as a result of audits related to the Public Assistance Grant Program awards for fiscal years 2018 and 2019. In response to the notices, both in February 2021 and January 2023, the Authority and the Government exercised their option to appeal and provided additional clarification and documentation. As of March 2023, FEMA has questioned costs of $42.1 million. The questioned costs are in the process of being reviewed by FEMA and until the appeal review is completed, questioned costs identified do not represent final monies owed to FEMA. Audits of disaster recovery funds may continue for decades, and Federal reimbursements may be required to be repaid as a result. Management believes that any such claims or actions by FEMA will be resolved and will not have a material impact to the awards or the financial position of the Authority.

Contractual Agreements - Professional Services for Recovery Efforts

Subsequent to September 30, 2020, and through September 30, 2022, the Authority reported outstanding invoices from the two professional consulting services firms amounting to $93.9 million and $3.7 million respectively. Invoices submitted by the consultants are reviewed by the Authority and submitted to the Government, Office of Disaster Recovery, the Virgin Islands Housing Finance Authority, or Virgin Islands Water and Power Authority for approval. Upon completion of the review and approval process, invoices are then submitted for reimbursement to the appropriate Federal grantor.

Global Pandemic Sailing Orders

In October 2020, the CDC replaced its No Sail Order with the Conditional Sailing Order. New phases of the Conditional Sailing Order were issued in April and May of 2021 and cruise operations resumed in the United States and Territories in June 2021 with cruise lines returning to WICO's port in September 2021. The Conditional Sailing Order expired on January 15, 2022.

Series 2020A Lines of Credit

In December 2020, the Authority entered into the Series 2020 A Virgin Islands Tax Revenue/Subordinate Lien Gross Receipts Taxes Lines of Credit with two local banks in the amount of $60.0 million. Under the terms of the lines of credit, drawdowns were restricted to mandatory operating costs of the Government as authorized in legislatively enacted budgets. No draws were taken under the lines of credit, and they expired in March 2021.

Operating Lease Agreement

In August 2021, viNGN entered into a one-year lease for a warehouse owned by Queen Charlotte Hotel Corporation. The lease includes four renewable options each with a one-year term through August 31, 2026. The annual lease payment is $105,000, with a 3% per year escalation in rent for each of the option years.

Cancellation of Community Disaster Loans

On September 30, 2021, repayments of the Community Disaster Loans issued by FEMA after the 2017 Hurricanes were cancelled when Congress passed the Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43) and on October 8, 2021, FEMA notified the Authority, through the Government, of the cancellation of three outstanding loans amounting to $211.5 million and closure of the loan program. Also see Note 7.

Economic Relief Legislation

To address issues related to the continuance of the global coronavirus pandemic, in December 2020, "The Consolidated Appropriations (CA) Act" was passed. The CA Act, among other things, provided for an extension of time to spend any CARES Act funds until December 31, 2021, and provided funding for education, healthcare, broadband, and transportation, and more specific to WICO, provided for an additional round of Paycheck Protection Program loan proceeds.

During February 2021, as part of the U.S. Virgin Islands CARES Act grant, the United States Department of Interior approved commencement of the *Modernization of Internet Access Hardware* project. The funding allocated to viNGN for this project amounted to approximately $582,000.

In March 2021, "The American Rescue Plan (ARP) Act of 2021" was signed into law. The ARP Act, among other things, appropriated funds for the Coronavirus Capital Projects Fund and for specified uses for state, territorial, local, and tribal governments.

In May 2021, as noted above, WICO applied for and received loan proceeds of approximately $717,000 under the Paycheck Protection Program. In November 2021, WICO was awarded a $4.0 million subgrant from the Government as part of the ARP Act. The grant period ranges from November 2021 to November 2023 and provides funding to assist with costs associated with re-starting the cruise sector, including employee-related costs. The Authority and it component units continue to examine any further impact that the ARP Act may have on their operations.

In November 2021, "The Infrastructure Investment and Jobs (IIJ) Act" was signed into law. The IIJ Act, among other things, provides broadband grants for states and territories. To help improve broadband service and to promote adoption and affordability, the IIJ Act provides for a minimum initial grant allocation to the U.S. Virgin Islands of $25.0 million. Grants will be administered through the Broadband Equity, Access, and Deployment Program to be established within 180 days from the enactment of the IIJ Act. The Authority and its components continue to examine the impact that the IIJ Act may have on their operations.

Purchase and Refunding of Matching Fund Bonds

In February 2022, the Authority launched a tender offer to purchase $165.7 million of certain outstanding matching fund revenue bonds. The Authority accepted $124.6 million tendered, and the purchase was completed in April 2022. In April 2022, the Authority also refunded $766.1 million of matching fund bonds outstanding with a settlement date of April 25, 2022.

Funding for these transactions was provided by the Matching Fund Special Purpose Securitization Corporation ("Securitization Corporation"). The Securitization Corporation is a separate, independent instrumentality of the Government created in February 2022 by the Virgin Islands Act No. 8540. The Corporation was formed to (i) purchase the Government's right, title, and interest in the Matching Fund Receipts, (ii) refund or refinance existing matching bonds held by the Authority through the issuance of securitized bonds, and (iii) to free up funds of the Government to provide financial stability and liquidity to GERS.

Sale of Kings Alley Hotel

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

Loan Payable Related to Capital Assets and Port Facilities Revenue Bonds

In March 2022, WICO was granted an additional moratorium on the outstanding loan payable Agreement with the Bank. This third moratorium agreement deferred monthly payments for the 90-day period ranging from February 2022 through April 2022. Moratorium payments, if not paid sooner, are due in full on the maturity date of the loan in July 2022.

In June 2022, WICO prepaid the loan, including outstanding moratorium payments, in the amount of $41.4 million. WICO also paid accrued interest of $265,626 and a prepayment penalty of $122,335. WICO entered into loan termination, pledge termination, and guaranty termination agreements with the Bank, documenting the close of the loan payable.

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

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

GERS Funding Note

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

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2020, the statement of net position date, through April 11, 2023, 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, 2020.

Required Supplementary Information

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

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

Fiscal Year	**2020**	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	**0.1200%**	0.1115%	0.1128%	0.1097%	0.1029%	0.1065%
Authority's proportionate share of the net pension liability	**$ 6,377,577**	$ 4,674,397	$ 4,941,575	$ 5,075,147	$ 4,188,003	$ 3,286,609
Authority's covered payroll	**$ 735,806**	$ 523,173	$ 510,954	$ 475,468	$ 467,034	$ 492,001
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	**867%**	893%	967%	1,067%	897%	668%
Plan fiduciary net position as a percentage of the total pension liability	**11%**	16%	16%	17%	20%	27%

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

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

Fiscal Year	**2020**	2019	2018	2017	2016	2015
Actuarially required contributions	**$ 306,691**	$ 150,840	$ 104,492	$ 104,745	$ 108,738	$ 119,009
Contributions in relation to the actuarially required contributions	**306,691**	138,355	104,492	104,745	108,738	119,009
Contribution deficiency (excess)	**$ -**	$ 12,485	$ -	$ -	$ -	$ -
Covered payroll	**$ 1,576,430**	$ 735,806	$ 523,173	$ 510,954	$ 475,468	$ 467,034
Contributions as a percentage of covered payroll	**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. The amounts presented for each fiscal year are as of the latest fiscal year.

Other Reporting Required by *Government Auditing Standards*

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Potomac, MD 20854

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*

To the Board of Directors
Virgin Islands Public Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2020, 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, and have issued our report thereon dated April 11, 2023. 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 and viNGN INC. d/b/a Virgin Islands Next Generation Network which is reported on 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, LLP

April 11, 2023

Appendix A

Status of Prior Year Material Weaknesses, Significant Deficiencies, and Noncompliance with Laws and Regulations

Finding Number	Nature of Finding	Type of Finding in Fiscal Year 2019	Current Year Status
2019-001	Due From Other Governments	Material Weakness	Corrected