PRICEWATERHOUSECOOPERS

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

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

Management's Discussion and Analysis, Basic Financial Statements and Supplementary Information

September 30, 2008 and 2007

Virgin Islands Public Finance Authority
(a blended component of the Government of the United States Virgin Islands)
Index
September 30, 2008 and 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
254 Muñoz Rivera
BBVA Tower, Suite 900
Hato Rey PR 00918
Telephone (787) 754 9090
Facsimile (787) 766 1094

Report of Independent Auditors

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

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses and changes in net assets, and of cash flows (collectively "the basic financial statements") present fairly, in all material respects, the financial position of The Virgin Islands Public Finance Authority (a blended component of The Government of the United States Virgin Islands) (the "Authority") at September 30, 2008 and 2007 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The management's discussion and analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information included on pages 36 to 42, as of September 30, 2008 and for the year ended are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

August 19, 2009
CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2010
Stamp 2389223 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Management's Discussion and Analysis
September 30, 2008 and 2007

The Management and Board of Directors of the Virgin Islands Public Finance Authority (the "Authority") are pleased to present the following discussion and analysis of the Authority's financial performance for the fiscal years ended September 30, 2008 and 2007.

Please read this information in conjunction with the Authority's financial statements, which begin on page 7.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, and Notes to the Financial Statements presented on pages 7 through 35 provide information about the activities of the Authority as a whole.

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

The Authority engages in business-type activities and debt service fund administration. The Authority, as a blended component of the Government of the US Virgin Islands was created by the Virgin Islands Act No. 5365, "The Government Capital Improvement Act of 1988" for the purpose of aiding the Government of the Virgin Islands (GVI) in the performance of its fiscal duties, and in raising capital for essential public projects. Under its debt service fund management activities upon issuance of Bonds on behalf of the Government of the Virgin Islands, the Authority hold and invests the proceeds in short-term investments on behalf of the Government of the Virgin Islands, manages the debt service reserves, receives pledged revenues and invests unused bonds proceeds. Since the Authority holds the bond proceeds, disbursements for the benefit of the Government of the Virgin Islands are recorded as reduction in the amounts due to the Government of the Virgin Islands and are presented in the statement of cash flows as payments on behalf of the Government of the Virgin Islands.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Management's Discussion and Analysis
September 30, 2008 and 2007

FINANCIAL HIGHLIGHTS

Following is a condensed financial information of the business type activities of the Authority for years 2008, 2007, and 2006:

	2008	2007 (in thousands)	2006
Condensed information from Statement of Net Assets			
Current assets	$ 280,765	$ 277,894	$ 306,939
Non-current assets excluding capital assets	1,122,822	1,155,579	1,232,096
Capital assets (net of depreciation)	49,350	47,186	43,805
Total assets	$ 1,452,937	$ 1,480,659	$ 1,582,840
Current liabilities	70,531	69,943	68,256
Long-term portion of bonds outstanding	1,034,553	1,068,154	1,097,978
Other Liabilities	288,030	277,397	350,259
Total liabilities	$ 1,393,114	$ 1,415,494	$ 1,516,493
Net Assets			
Invested in capital assets, net of debt	27,668	27,020	23,087
Restricted	27,183	26,858	29,941
Unrestricted	4,972	11,287	13,319
Total net assets	$ 59,823	$ 65,165	$ 66,347
Condensed information from Statement of Revenue, Expenses and Changes in Net Assets	-	-	-
Operating revenues	$ 14,222	$ 14,499	$ 21,233
Operating expenses	(17,351)	(12,936)	(15,356)
Operating income	(3,129)	1,563	5,877
Non-operating (expenses) income and other changes in net assets	(2,213)	(2,745)	(8,160)
Change in net assets	$ (5,342)	$ (1,182)	$ (2,283)

Non-current assets, excluding capital assets, decreased by $32.7 million in 2008 (decreased by $76.5 in 2007) mainly due to the payments made by the Authority on behalf of the Government of the Virgin Islands.

Capital assets increased by $2.1 million in 2008 (increased by $3.3 million in 2007 due to improvements in the Authority's two commercial complexes).

Long-term portion of bonds outstanding decreased by $33.6 million (decreased by $29.8 million in 2007) mainly due to the repayments of Bonds outstanding.

The net assets of the Authority decreased by $5.3 million during fiscal year 2008 (2007 – decreased of $1.2 million). This decrease in both years is mainly due to the payments made on behalf of the Government of the Virgin Islands.

In 2008, operating revenues experienced a decrease of $277 thousand due in part to the decrease in revenue from the Authority's two commercial complexes as explained in the next section.

In 2007, operating revenues experienced a decrease of $6.7 million due to in part to the decrease $1 million in investment and bond management fees charged to the Government of the Virgin Islands as a result of fewer Bonds issued when compared to 2006; and a decrease in the operating budget revenue of $5.5 million.

Commercial Complexes

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

Following is condensed financial information for WICO and King's Alley for the years ended 2008, 2007, and 2006:

	WICO			King's Alley		
	(In thousands)					
	2008	2007	2006	2008	2007	2006
Operating Revenues	$ 10,072	$ 11,374	$ 11,576	$ 502	$ 391	$ 335
Operating Expenses	(9,031)	(8,974)	(8,699)	(888)	(694)	(563)
Operating Income (Loss)	1,041	2,400	2,877	(386)	(303)	(228)
Nonoperating Revenues	147	355	210	6	9	17
Nonoperating Expenses	(1,484)	(2,402)	(1,940)	-	-	-
Income (loss) before interfund transfers	(296)	353	1,147	(380)	(294)	(211)
Interfund transfers	-	-	-	201	942	1,935
Change in Net Assets	$ (296)	$ 353	$ 1,147	$ (179)	$ 648	$ 1,724

WICO's operating revenues consist of agency fees charged to cruise lines and rental income. During fiscal year 2008, the decrease in income is due to a decrease in passenger arrivals from 1,894,443 in 2007 to 1,853,589 in 2008.

The Authority assumed management of King's Alley in July 2001 after default on its collateral guarantee. King's Alley operating loss of $386 thousand is mainly due to the increase in depreciation expense as a result of the property & equipment transferred from construction in progress. The King's Alley Hotel reopened it facilities during February 2008 after nearly four year closed for renovations.

Investment Management Activities

During the current year, the Authority (i) managed the assets of six outstanding bond series, (ii) three outstanding note series, and (iii) four defeased bond series.

Investments under management for fiscal years 2008, 2007 and 2006 were as follows:

	Restricted Cash and Investments (in thousands)		
	2008	2007	2006
Outstanding bond series	$ 302,665	$ 290,513	$ 359,688
Defeased bond series	3,633	7,490	6,775
Investments under management	306,298	298,003	366,463
Other restricted cash, cash equivalents and investments	5,480	5,403	6,444
	$ 311,778	$ 303,406	$ 372,907

DEBT ADMINISTRATION

At year end, the Authority had approximately $1.1 billion in bonds outstanding as follows.

	Bonds Outstanding 9/30/2006	(in thousands) New Issuances	Debt Payments	Bonds Outstanding 9/30/2007	(in thousands) New Issuances	Debt Payments	Bonds Outstanding 9/30/2008
2006 Series	$ 219,490	$ -	$ -	$ 219,490	$ -	$ (505)	$ 218,985
2004 Series	91,705	-	(2,980)	88,725	-	(3,130)	85,595
2003 Series	265,145	-	(2,990)	262,155	-	(3,110)	259,045
2002 Series	12,940	-	(6,155)	6,785	-	(3,310)	3,475
1999 Series	110,695	-	(5,285)	105,410	-	(5,585)	99,825
1998 Series	445,025	-	(15,620)	429,405	-	(16,530)	412,875
Total	$ 1,145,000	$ -	$ (33,030)	$ 1,111,970	$ -	$ (32,170)	$ 1,079,800

The Authority made debt service principal payment on bonds of $32.2 million on October 1, 2007.

Defeased bonds outstanding from prior years amounted to $162.9 million (1999 Series), $130.4 million (1989 Series) ($139 million in 2007) and $138.3 million (1994, 1993, 1992 and 1991 Series) $150.5 million in 2007) at year end.

Loans outstanding were as follows:

	Loans Outstanding 9/30/2006	(in thousands) New Issuances	Debt Payments	Loans Outstanding 9/30/2007	(in thousands) New Issuances	Debt Payments	Loans Outstanding 9/30/2008
2008 VIPD Note	$ -	$ -	$ -	$ -	$ 7,650	$ (208)	$ 7,442
2006 VIFD Note	4,000	-	(1,266)	2,734	-	(1,331)	1,403
2005 VIPD Note	3,588	-	(2,147)	1,441	-	(1,441)	-
WICO	20,719	1,780	(484)	22,015	2,216	(674)	23,557
Total	$ 28,307	$ 1,780	$ (3,897)	$ 26,190	$ 9,866	$ (3,654)	$ 32,402

In August 2008, the Authority issued the Series 2008 Notes to finance the purchase of vehicles and equipment for the Virgin Islands Police Department (see Note 7).

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

Tax Collections

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

	Year ending September 30,		
	2008	2007	2006
		(in thousands)	
Excise rum tax:	$ 47,693	$ 48,238	$ 48,209
Gross receipts tax:	42,295	42,220	40,982

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

Investment Performance and Agreements

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

Contacting the Company

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

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statement of Net Assets
September 30, 2008 and 2007

	2008	2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 24,777,211	$ 30,254,524
Restricted cash and cash equivalents	73,765,951	78,562,867
Restricted investments, at fair value	140,255,229	127,925,499
Receivables, net	1,246,081	1,845,295
Restricted loan receivable - Government of the U. S. Virgin Islands	39,925,118	37,358,759
Investments, at fair value	-	1,092,814
Prepaid expenses and other assets	795,966	854,688
Total current assets	280,765,556	277,894,446
Noncurrent assets		
Restricted cash and cash equivalents	1,875,184	1,848,499
Restricted investments, at fair value	97,757,378	96,917,725
Restricted loan receivable - Government of the U. S. Virgin Islands	1,017,441,153	1,049,922,716
Bond discounts and issuance costs	5,748,395	6,889,935
Capital assets, net of depreciation	49,349,804	47,186,228
Total noncurrent assets	1,172,171,914	1,202,765,103
Total assets	$ 1,452,937,470	$ 1,480,659,549
LIABILITIES		
Current liabilities		
Accrued expenses and other liabilities	$ 2,895,574	$ 4,795,481
Loans payable related to capital assets	416,188	623,212
Notes payable	3,632,216	2,773,759
Deferred revenue	193,714	193,714
Bonds payable	34,750,000	32,170,000
Interest payable	28,643,698	29,387,057
Total current liabilities	70,531,390	69,943,223
Noncurrent liabilities		
Loans payable related to capital assets	23,140,793	21,391,814
Notes payable	5,212,733	1,401,394
Bonds payable (including a reduction of $10,496,872 and $11,645,720 in 2008 and 2007, respectively, due to a deferred amount on defeased bonds)	1,034,553,128	1,068,154,280
Restricted assets held for the Government of the U. S. Virgin Islands	141,238,948	151,522,897
Deferred revenue	193,716	387,430
Payable from restricted assets	118,243,685	102,693,269
Total non-current liabilities	1,322,583,003	1,345,551,084
Total liabilities	1,393,114,393	1,415,494,307
NET ASSETS		
Invested in capital assets, net of related debt	27,668,007	27,019,701
Restricted	27,183,366	26,858,285
Unrestricted	4,971,704	11,287,256
Total net assets	$ 59,823,077	$ 65,165,242

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statements of Revenues, Expenses and Changes in Net Assets
Years ended September 30, 2008 and 2007

	2008	2007
OPERATING REVENUES		
Charges for services	$ 14,143,632	$ 13,452,690
Other	78,611	1,045,935
Total operating revenues	14,222,243	14,498,625
OPERATING EXPENSES		
General and administrative	15,238,834	11,301,718
Depreciation and amortization	2,112,630	1,633,871
Total operating expenses	17,351,464	12,935,589
Operating (loss) income	(3,129,221)	1,563,036
NONOPERATING REVENUES (EXPENSES)		
Interest income		
Cash, cash equivalents and investments	6,055,283	6,955,063
Loans receivable	57,744,283	59,632,680
Other investment income	193,714	193,715
Amortization of bond discount and issuance costs	(2,002,577)	(2,002,578)
Amortization of deferred amount on defeased bonds	(1,148,853)	(1,841,537)
Interest expense	(59,130,593)	(61,027,419)
Gain (loss) on fixed assets	2,500	(7,052)
Contribution to the USVI Government	(100,000)	(1,000,000)
Total nonoperating income	1,613,757	902,872
Income before transfers	(1,515,464)	2,465,908
TRANSFERS		
Payments on behalf of Government of the U. S. Virgin Islands	(3,826,701)	(3,648,117)
Change in net assets	(5,342,165)	(1,182,209)
Total net assets at beginning of fiscal year	65,165,242	66,347,451
Total net assets at end of fiscal year	$ 59,823,077	$ 65,165,242

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statements of Cash Flows
Years ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Cash received from customers	$ 14,821,457	$ 13,281,486
Cash paid to suppliers and employees for services	(16,480,020)	(10,761,738)
Other cash receipts	-	1,045,935
Net cash (used in) provided by operating activities	(1,658,563)	3,565,683
Cash flows from investing activities		
Purchases of investments	(323,850,315)	(467,099,177)
Interest received on cash, cash equivalents and investments	14,994,054	13,684,295
Investment maturities and sales	311,773,746	507,104,570
Net cash provided by investing activities	2,917,485	53,689,688
Cash flows from capital and related financing activities		
Proceeds from the sale of property and equipment	2,500	
Proceed from the issuance of long term debt	2,211,226	1,780,650
Acquisition of property and equipment	(4,241,096)	(5,021,668)
Interest payment on long-term debt related to capital assets	(1,297,316)	(1,364,803)
Principal payments on loans payable related to capital assets	(674,446)	(484,372)
Net cash provided by (used in) capital and related financing activities	(3,999,132)	(5,090,193)
Cash flows from non-capital financing activities:		
Funds received for debt service	122,030,948	98,536,838
Payment in lieu of taxes	(700,000)	-
Transfer from the Government of the U.S. Virgin Islands	5,041,500	-
Proceeds from issuance of notes payable	7,650,000	-
Interest paid on bonds and notes payable	(58,311,093)	(60,228,082)
Payment of issuance costs	(151,133)	(421,058)
Transfer to the Government of the U.S. Virgin Islands	(3,826,700)	(3,648,117)
Principal payments on bonds and notes payable	(32,166,611)	(33,030,000)
Payments on behalf of Government of the U.S. Virgin Islands	(47,074,245)	(86,000,845)
Net cash (used in) non-capital financing activities	(7,507,334)	(84,791,264)
Net increase in cash, cash equivalents and and restricted cash	(10,247,544)	(32,626,086)
Cash, cash equivalents and restricted cash at beginning of fiscal year	110,665,890	143,291,976
Cash, cash equivalents and restricted cash at end of fiscal year	$ 100,418,346	$ 110,665,890

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statements of Cash Flows
Years ended September 30, 2008 and 2007

	2008	2007
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating (loss) income	$ (3,129,221)	$ 1,563,036
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,112,630	1,633,871
Provision for doubtful accounts	(41,490)	-
Changes in operating assets and liabilities that increase (decrease) cash		
Receivables	640,704	(171,201)
Prepaid expenses and other assets	58,722	(55,817)
Accrued expenses and other liabilities	(1,299,908)	595,794
Total adjustments	1,470,658	2,002,647
Net cash provided by operating activities	$ (1,658,563)	$ 3,565,683
Supplemental information of non-cash investing and non capital financing activities		
Notes paid on behalf of the Authority by the Government of the USVI	$ 2,983,593	$ 3,412,870

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

1. Reporting Entity and Significant Accounting Policies

Reporting Entity

The Virgin Islands Public Finance Authority (the "Authority"), a blended component of the Government of the US Virgin Islands, was created by the Virgin Islands Act No. 5365 (the "Act"), "The Government Capital Improvement Act of 1988", for the purposes of aiding the Government of the Virgin Islands (the "Government") in the performance of its fiscal duties and in effectively carrying out its governmental responsibility of raising capital for essential public projects. Under the enabling legislation, the Authority is vested with, but not limited to, the following powers: (i); to have perpetual existence as a corporation, (ii) to borrow money and issue bonds, (iii) to lend the proceeds of its bonds or other money to the Government or any agency, authority or instrumentality thereof, and to private entities, (iv) to establish one or more revolving loan funds with the proceeds of bonds issued by the Authority or issued by the Government or any agency, authority or instrumentality thereof and, (v) to invest its funds and to arrange for the investment of the funds of the Government or any agency, authority or instrumentality thereof. Pursuant to Section 8(b)(i) of the Revised Organic Act, the Government may issue revenue bonds for public improvements or undertakings authorized by an act of the Legislature, without limitation as to principal amount. The Authority also provides property management services as discussed further below under Activities of the Authority.

General Obligation Bonds

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

Debt Limits

On August 23, 1999, the Legislature amended the Virgin Islands Code to add a Mandatory Balanced Budget Provision. Such provisions, specifically 2 V.I.C. section 256, provides that the amount of debt of the Government of the Virgin Islands existing on October 1, 2000 shall be the debt limit of the Government of the Virgin Islands, exclusive of bond principal and interest that may become due. At the end of fiscal year 2008, the Authority was below the Legislature imposed limit. The debt limit shall not include bonds authorized by law for which a specific source of revenue is identified and committed to retiring those bonds.

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

Use of Estimates

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

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

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

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

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

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

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

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

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

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

Investments
Under GASB Statement 31, Accounting and Financial Reporting for Certain Investments and for Most External Investments Pools, the Authority reports investments at fair value in the statement of net assets and changes in the fair value in the statement of revenues, expenses and changes in net assets.

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

Investments are restricted by various bond resolutions of the Authority and the Act, generally, to direct obligations of the U.S. Government, the U.S. Virgin Islands, or any state, territory, possession or Commonwealth of the United States, specific bank obligations, investment agreements or similar funding agreements, shares or other interests in mutual funds, trusts or investment companies, corporate commercial paper, and money market portfolios consisting of any of the foregoing.

Bonds Payable
Bonds payable managed by the Authority are as follows:

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

Series 2004 A Revenue Bonds: The proceeds of the bonds were issued to: (i) finance the planning, development, constructing, renovating and equipping of wastewater treatment facilities and collection systems on St. Thomas and St. Croix (ii) finance the repairs, renovations and construction of solid waste facilities in the Territory (iii) finance the repair and construction of public roads in the Territory, (iv) provide start-up capital for the newly created Virgin Islands Waste Management Authority, (v) fund the Series 2004A Senior Lien Debt Service Reserve Subaccount and (vi) pay certain costs of issuing the Series 2004A Bonds.

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

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

Series 1999 A Revenue Bonds: The proceeds of the 1999 bonds that were issued to (i) pay certain working capital obligations of the Government, (ii) pay the Government's outstanding 1999 tax and revenue anticipation note, (iii) fund the Series Debt Service Reserve Accounts and (iv) pay certain costs of issuing the Series 1999 A Bonds.

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

Revenue Bonds Series 1992 A and 1992 B: The Series 1992 A and Series 1992 B bonds were issued to advance refund the previously outstanding Revenue Bonds Series 1989 A and Series 1989 B. The bonds were defeased May 1, 1998, with the proceeds of the issuance of the 1998 Series Revenue & Refunding Bonds ("1998 Series Bonds").

Government Development Revenue Bonds Series 1994 A, 1994 B and 1994 C: These bonds were issued to fund various capital improvements and economic development projects on the island of St. Croix. The bonds were defeased May 1, 1998, with the proceeds of the 1998 Series Bonds.

Transportation Trust 1989 Series Bonds: These bonds were issued to provide funding for the maintenance, improvement, repair and construction of the road and highway system in the U.S. Virgin Islands. These bonds were defeased May 1, 1998 with the proceeds of the 1998 Series Bonds.

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

During fiscal year 2008, the Authority charged the Government of the Virgin Islands and other entities under the private activity bond program, fees amounting to $78,610 for its investment and bond management services. As of September 30, 2008, the Authority charged $80,000 ($75,000 for 2007) to the Tobacco Settlement Financing Corporation for investment and management services.

Payments and Transfers on Behalf of Government

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

During the period ended September 30, 2008, capital expenditures of $846 thousand were disbursed from the restricted investments related to the 2006 Bonds. Capital expenditures of $3.9 and $12.3 million were disbursed from the restricted investments related to the Series 2004 and 2003 Bonds, respectively. The disbursements are reported as a reduction of Restricted Assets held for the Government of the U.S. Virgin Islands.

During the period ending September, there were no capital expenditures disbursed from the restricted investments related to the 1989 Highway Revenue Bonds. There were $1.7 million of capital expenditures disbursed from the restricted investments related to the 1992 Revenue bonds. The disbursements from the 1992 Revenue bond investments are recorded as payments on behalf of the Government.

Taxes
The Authority is a tax-exempt entity created by statute. The Authority shall not be required to pay any taxes or assessments on any of the property acquired or to be acquired by it, or on any of its operations or activities, or on any income derived from any of its operations or activities, however, prior to June 2003, WICO was required, under a specific bill, to contribute the greater of ten percent of net revenues, or $500,000 to the General Fund of the Government of the Virgin Islands. In June 2003, the Legislature approved Bill No. 25-0038 to amend the annual payment in lieu of taxes to the greater of ten percent of net revenues, as defined or $1,000,000. Such amendment is effective for fiscal year 2003 and thereafter. On October 10, 2007, the legislature approved Bill No. 27-0151 to decrease the $1,000,000 annual in lieu of tax payment to $700,000 retroactive to fiscal year 2006 and thereafter.

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

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

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

The Authority evaluates whenever events or changes in circumstances indicate that the carrying amount of its capital assets have been impair following the guidance of GASB 42 "Accounting and Financial Reporting for Impairment of capital assets and for Insurance recoveries". No impairment was recorded as of September 30, 2008, and 2007.

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

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

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

Fair Value of Financial Instruments
The Authority uses the following methods and assumptions in estimating its fair value disclosures:

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

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

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

Effect of Recent GASB Statements
GASB Statement No. 46. *Net Assets Restricted by Enabling Legislation-an Amendment of GASB Statement No. 34,* clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The adoption of this statement, did not have, in the opinion of management, a material effect on the Authority's financial statements.

Reclassification
Certain reclassifications have been made to the 2007 financial statements to conform them to the 2008 presentation.

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

Statement Number		Adoption Required in Fiscal Year
49	Accounting and Financial Reporting for Pollution Remediation obligations	2009
52	Land and Other Real Estate Held as Investments by Endowments	2009
53	Accounting and Financial Reporting for Derivatives Instruments	2010
54	Fund Balance Reporting and Governmental Fund Type Definitions	2010

2. Cash and Cash Equivalents

Cash and cash equivalents, segregated by category at September 30, 2008 and 2007, are as follows:

	Bank Balance	Carrying Amount
2008		
Restricted	$ 76,147,653	$ 75,641,135
Unrestricted	25,584,021	24,777,211
	$ 101,731,674	$ 100,418,346

	Bank Balance	Carrying Amount
2007		
Restricted	$ 80,586,423	$ 80,411,366
Unrestricted	30,725,650	30,254,524
	$ 111,312,073	$ 110,665,890

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

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

As of September 30, 2008, $41,842,306 or 41%, of the Authority's deposits in banks were held at Banco Popular de Puerto Rico and $59,889,368 or 59% was held at Bank of New York. As of September 30, 2007, $53,065,016, or 48%, of the Authority's deposits in banks were held at Banco Popular de Puerto Rico and $58,247,057 or 52% was held at Bank of New York. Deposits held at Banco Popular de Puerto Rico was fully collaterized.

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 2006 Bond Series, 2004 Bonds Series A, 2003 Bonds Series A, 2002 Bonds Series, 1999 Bonds Series A and the 1998 Bonds Series A, B, C, D & E.

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

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

	2006 Series Bonds	2004 Series A Bonds	2003 Series A Revenue Bonds	2002 Series Revenue Bonds	1999 Series A Revenue Bonds	1998 Bonds Series A, B, C, D & E	Subtotal Bonds
Restricted							
Debt service accounts	$ 1,232,149	$ 10,156,111	$ 18,490,402	$ 2,407,685	$ 27,997,225	$ 82,504,382	$ 142,787,954
Construction Funds	15,762,177	23,396,109	43,987,267	4,736,102	-	-	87,881,655
Project Fund	-	-	-	-	-	-	-
	$ 16,994,326	$ 33,552,220	$ 62,477,669	$ 7,143,787	$ 27,997,225	$ 82,504,382	$ 230,669,609
		$ -					
	2008 Series Notes	2006 Series Notes	2005 Series Notes	Subtotal Notes			Total Bonds and Notes
Restricted							
Debt service accounts	$ 228,420	$ -	$ -	$ 228,420			$ 143,016,374
Construction Funds	-	-	-	-			87,881,655
Project Fund	7,114,578	-	-	7,114,578			7,114,578
	$ 7,342,998	$ -	$ -	$ 7,342,998	$ -	$ -	$ 238,012,607

Investments in the reserve accounts at September 30, 2007 were as follows:

	2006 Series Bonds	2004 Series A Bonds	2003 Series A Revenue Bonds	2002 Series Revenue Bonds	1999 Series A Revenue Bonds	1998 Bonds Series A, B, C, D & E	Subtotal Bonds
Restricted							
Debt service reserve	$ 3,188,611	$ 9,928,508	$ 16,715,353	$ 2,327,467	$ 26,147,786	$ 71,003,031	$ 129,310,756
Construction Funds	13,330,377	26,912,670	49,889,333	4,753,550	-	-	94,885,930
Project Fund	-	-	-	-	-	-	-
	$ 16,518,988	$ 36,841,178	$ 66,604,686	$ 7,081,017	$ 26,147,786	$ 71,003,031	$ 224,196,686

	2006 Series Notes	2005 Series Notes	Subtotal Notes			Total Bonds and Notes
Restricted						
Debt service reserve	$ -	$ -	$ -			$ 129,310,756
Construction Funds	-	-	-			94,885,930
Project Fund	303,791	342,747	646,538			646,538
	$ 303,791	$ 342,747	$ 646,538	$ -	$ -	$ 224,843,224

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

	2008 Fair Value	2008 Weighted Average Maturity (Years)	2007 Fair Value	2007 Weighted Average Maturity (Years)
Money Market Funds	$ 154,810,060	.33	$ 141,633,652	.33
Portfolio Investments:				
Commercial Paper	2,240,164	.50	66,685,572	.50
US government agencies notes	80,962,384	.47	16,524,000	.42
Total fair value	83,202,548		83,209,572	

Unrestricted investments, categorized by investment type, are as follows:

	2008	2007
Investment (at fair value)		
US Treasury Securities	$ -	$ 169,852
Federal National Mortgage Association (FNMA)	-	56,746
Federal Home Mortgage Corporation (FHLMC)	-	23,362
Corporate Bonds	-	87,723
Mutual funds	-	705,615
Equity securites	-	49,516
Total	$ -	$ 1,092,814

Interest Rate Risk. Interest rate risk represents the exposure to fair market value losses arising from increasing interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing such exposure. As a means of keeping the interest rate risk low, all investments held by the Authority are short term in nature.

Credit Risk. The authorizing legislation of the Authority does not limit investments by credit rating categories. The 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, 2008, the Authority's investment in money market funds were rated AAAm by Standard & Poor's, and Aaa by Moody's Investor Service. The Authority's investments in commercial securities were rated AAA by Standard & Poor's.

At September 30, 2007, the Authority's investment in money market funds were rated AAAm by Standard & Poor's, and Aaa by Moody's Investor Service, and the Authority's investments in commercial paper were rated A-1 or A-1+ by Standard & Poor's,P-1 by Moody's Investor Service, and F1 By Fitch.

Concentration of Credit Risk. The Authority places no limit on the amount that may be invested in one issuer. At September 30, 2008, the Authority's investments in money markets were invested in: Goldman Financial Square Money Market No. 474 (31.82%), Goldman Financial Square Money Market No. 465 (10.38%), Fidelity Treasury Money Market No. 696 (23.53%), AIM Short Term Treasury #2 (6.33%) and Morgan Stanley DW (21.65%).

At September 30, 2007, the Authority's investments in money markets were invested in: AIM Short Term Investment Co. Treasury No. 2 (5.92%), Goldman Financial Square Money Market No. 474 (44.14%), Bear Stearns Money Market (8.15%), Fidelity Treasury Money Market (20.55%), Federal National Mortgage Association Notes (5.84%) and Morgan Stanley DW (14.61%).

Custodial Credit Risk. The Authority does not have a custodial credit risk policy. This is the risk that the Government will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2008, and 2007, all investments of the Authority were held in the name of The Bank of New York Trust Company, N.A., as Trustee for the Authority. Investments in the trust accounts are limited to the investments permitted by the trust indenture.

3. Loans Receivable

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

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

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

On September 30, 2008, the Government of the Virgin Islands prepaid loan payments due on or before October 1, 2008. A summary of loan payments by associated bond series follows:

Bond Series	Payment
2006 Bonds	$ 1,490,000
2004 Bonds	3,285,000
2003 Bonds	3,230,000
1999 Bonds	5,900,000
1998 Bonds	17,370,000
	$ 31,275,000

4. Capital Assets

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

	Balance 9/30/2006	Additions	Disposals	Transfers	Balance 9/30/2007
Land	$ 4,980,006	$ -	$ -	$ -	$ 4,980,006
Buildings and building improvements	44,021,433	42,870	-	3,186,982	47,251,285
Personal property and equipment	2,319,718	523,412	(8,410)	-	2,834,720
	51,321,157	566,282	(8,410)	3,186,982	55,066,011
Less - accumulated depreciation	(13,114,491)	(1,633,872)	1,358		(14,747,005)
	38,206,666	(1,067,590)	(7,052)	3,186,982	40,319,006
Construction in progress	5,598,818	4,455,386	-	(3,186,982)	6,867,222
	$ 43,805,484	$ 3,387,796	$ (7,052)	$ -	$ 47,186,228

5. Bonds Payable

A summary of bond activity (gross) for the period ended September 30, 2008, and 2007 follows (in thousands):

	1998 Bonds	Series 1999 A Revenue Bonds	2002 Series Revenue Bonds	2003 Series A Revenue Bonds	2004 Series A Bonds	Series 2006 Revenue Bonds	Total
Balance at 9/30/06	$ 445,025	$ 110,695	$ 12,940	$ 265,145	$ 91,705	$ 219,490	$ 1,145,000
Bond Issuance	-	-	-	-	-	-	-
Principal payments	(15,620)	(5,285)	(6,155)	(2,990)	(2,980)	-	(33,030)
Balance at 9/30/07	$ 429,405	$ 105,410	$ 6,785	$ 262,155	$ 88,725	$ 219,490	$ 1,111,970
Bond Issuance	-	-	-	-	-	-	-
Principal payments	(16,530)	(5,585)	(3,310)	(3,110)	(3,130)	(505)	(32,170)
Balance at 9/30/08	$ 412,875	$ 99,825	$ 3,475	$ 259,045	$ 85,595	$ 218,985	$ 1,079,800

Bonds payable at September 30, 2008, and 2007 are comprised of the following (in thousands):

	2008	2007
2006 Series Revenue Bonds		
Interest at 3.50% to 4.25%	$ 218,985	$ 219,490
2004 Series A Revenue Bonds		
Interest at 4.00% to 5.25%	85,595	88,725
2003 Series A Revenue Bonds		
Interest at 4.00% to 5.25%	259,045	262,155
2002 Series Revenue Bonds		
Interest at 2.50% to 5.00%	3,475	6,785
1999 Series A Revenue Bonds		
Interest at 4.20% to 6.50%	99,825	105,410
1998 Series A, B, C, D and E Revenue &		
Refunding Bonds Interest at 5.50% to 7.11%	412,875	429,405
Total Bonds payable	1,079,800	1,111,970
Less: Current portion	(34,750)	(32,170)
Deferred amount on defeased bonds	(10,497)	(11,646)
Long-term portion of bonds payable	$ 1,034,553	$ 1,068,154

On September 28, 2006 the Authority issued the 2006 Series Bonds, the proceeds of which amounted to $219,490,000. These bonds are secured by a pledge of the Trust estate, which includes certain funds established under the original Indenture, the Seventh Supplemental Indenture and the 2006 Gross Receipts Taxes Loan Note, Series issued by the Government. The proceeds were loaned to the Government of the United States Virgin Islands under the same terms as the Bonds. The bonds are limited special obligations of the Authority. The bonds bear interest at 3.50% to 4.25% and mature from 2007 to 2029. The proceeds of the bonds were issued to: (i) refund a portion of the Authority's Revenue Bonds, Series 1999 A, (ii) pay the cost of a termination fee in connection with an outstanding swap option agreement, (iii) fund certain capital projects, (iv) fund the Debt Service Reserve Account, (v) pay certain costs of issuing the Series 2006 Bonds and (vi) fund a net payment reserve account for a new swap agreement. The 2006 Series Bonds maturing on or before October 1, 2016 are not subject to optional redemption.

The advance refunding of the 2024 and 2020 to 2029 maturities of the 1999 Series A Bonds was made in order to obtain lower interest rates. The economic gain obtained by this advance refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a debt service saving of approximately $40.8 million and an economic gain of approximately $25.6 million.

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

The proceeds of the 2006 Series Bonds related to the refunding were placed in a trust account to provide for all future debt service payments on the 2020 to 2029 maturities of the 1999 Series A Bonds. Approximately $175,125,168 in funds was deposited into the Escrow Fund accounts. At September 30, 2008, $162,870,000 of defeased bonds are outstanding.

On December 1, 2004 Authority issued the 2004 Series A Bonds, the proceeds of which amounted to $94,000,000. The Government has pledged the Matching Fund Revenues to the timely payment of principal and interest on the 2004 Series A Bonds. The bonds bear interest at 4.00% to 5.25% and mature from 2005 to 2024. The proceeds of the bonds were issued to: (i) finance the planning, development, constructing, renovating and equipping of wastewater treatment facilities and collection systems on St. Thomas and St. Croix (ii) finance the repairs, renovations and construction of solid waste facilities in the Territory (iii) finance the repair and construction of public roads in the Territory, (iv) provide start-up capital for the newly created Virgin Islands Waste Management Authority, (v) fund the Series 2004A Senior Lien Debt Service Reserve Subaccount and (vi) pay certain costs of issuing the Series 2004A Bonds. The Series A Bonds are not subject to optional redemption prior to October 1, 2014.

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

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

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

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

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

On May 1, 1998, the Authority issued the 1998 Series A, B, C, D, and E Bonds, which proceeds amounted to $541,820,000. These bonds are not guaranteed by the Government, however, the Government has pledged the Matching Fund Revenues to the timely payment of principal and interest on the 1998 Series Bonds. These bonds were issued for the purpose of, among others, the advance refunding of previously issued bonds. The advance refunding of these bond series was made in order to obtain lower interest rates. The economic gain obtained by this advance refunding is the difference between the present value of old debt service requirements and the new debt service. This refunding resulted in a debt service saving of approximately $40 million and an economic gain of approximately $19 million.

The proceeds of the 1998 Series A and B Bonds were placed in an irrevocable trust account to provide for all future debt service payments on the Highway Revenue Bonds Series 1989, Series 1991, Series 1992, Series 1993 and Series 1994 Bonds. Approximately $304,520,000 in funds was deposited into the Escrow Fund accounts. At September 30, 2008, $138,345,000 of defeased bonds were outstanding. The 1998 Series C Bonds and the 1998 Series D Bonds were issued to pay, on behalf of the Government, the full principal balance and interest on the 1998 Revenue Anticipation Note. The balance of the 1998 Series D Bond financed approximately $ 11,600,000 in additional working capital. The 1998 Series E Bonds were designated to fund the construction of certain capital projects.

The proceeds of the Series 1992 Revenue bonds were placed in an irrevocable trust to provide for all future debt service payments on the Series 1989 Revenue bonds. At September 30, 2008, $130,415,000 of defeased bonds was outstanding.

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

Pledged Funds

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

The Government has pledged Gross Receipts Taxes subject to the annual moderate income housing fund deposit, as well as any prior lien or pledge, to the timely payment of the principal and interest on the Series 2006 Notes, 2006 Revenue Bonds, Series 2005 Notes, the Series 2003 A Bonds and the 1999 Series A Bonds. The Government has contracted an independent certified public accounting firm to provide quarterly verification of gross receipts deposits made to the collecting agent, in accordance with bond covenants.

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

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

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

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

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

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

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

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

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

Interest expense related to bonds payable during the period ended September 30, 2008, and 2007, was as follows (in thousands):

	2008	2007
2006 Series Revenue Bonds	$ 10,574	$ 10,680
2004 Series Revenue Bonds	4,427	4,583
2003 Series Revenue Bonds	12,942	13,066
2002 Series Revenue Bonds	339	497
1999 Series Bonds	6,224	6,538
1998 Revenue & Refunding Bonds	23,062	23,995
	57,568	59,359
Other interest expense mainly related to loans and notes payable outstanding	1,563	1,668
Total	$ 59,131	$ 61,027

Maturity dates and debt service requirements as of September 30, 2008, for the Series 2006 Revenue Bonds are as follows (in thousands):

		Series 2006	
October 1	Principal	Interest	Total
2008	$ 1,490	$ 5,287	$ 6,777
2009	1,530	10,522	12,052
2010	1,580	10,460	12,040
2011	2,705	10,397	13,102
2012	2,805	10,262	13,067
2013-2017	15,645	49,101	64,746
2018-2022	56,155	43,374	99,529
2023-2027	94,300	24,364	118,664
2028-2029	42,775	2,901	45,676
	$ 218,985	$ 166,668	$ 385,653

Maturity dates and debt service requirements as of September 30, 2008, for the Series 2004 Revenue Bonds are as follows (in thousands):

		Series 2004 A	
October 1	Principal	Interest	Total
2008	$ 3,285	$ 2,213	$ 5,498
2009	3,450	4,263	7,713
2010	3,625	4,090	7,715
2011	3,805	3,909	7,714
2012	3,995	3,719	7,714
2013-2017	23,210	15,353	38,563
2018-2022	29,935	8,627	38,562
2023-2024	14,290	1,135	15,425
	$ 85,595	$ 43,309	$ 128,904

Maturity dates and debt service requirements as of September 30, 2008, for the Series 2003 Revenue Bonds are as follows (in thousands):

	Series 2003 A		
October 1	Principal	Interest	Total
2008	$ 3,230	$ 6,471	$ 9,701
2009	3,360	12,813	16,173
2010	3,495	12,678	16,173
2011	3,635	12,539	16,174
2012	3,815	12,357	16,172
2013-2017	22,190	58,689	80,879
2018-2022	28,625	52,257	80,882
2023-2027	36,690	44,183	80,873
2028-2032	117,310	30,637	147,947
2033	36,695	1,835	38,530
	$ 259,045	$ 244,459	$ 503,504

Maturity dates and debt service requirements as of September 30, 2008, for the Series 2002 Revenue Bonds is as follows (in thousands):

	Series 2002 Garvey Revenue Bonds		
	Principal	Interest	Total
September			
2009	$ 3,475	$ 174	$ 3,649
	$ 3,475	$ 174	$ 3,649

Maturity dates and debt service requirements as of September 30, 2008, for the Series 1999 A Revenue Bonds is as follows (in thousands):

	Series 1999 A		
October 1	Principal	Interest	Total
2008	$ 5,900	$ 3,112	$ 9,012
2009	6,230	5,892	12,122
2010	6,580	5,541	12,121
2011	6,950	5,171	12,121
2012	7,395	4,720	12,115
2013-2017	44,665	15,940	60,605
2018-2019	22,105	2,135	24,240
	$ 99,825	$ 42,511	$ 142,336

Maturity dates and debt service requirements as of September 30, 2008, for the 1998 bonds are as follows (in thousands):

	Series 1998 A		Series C		Series 1998 D	
October 1	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ -	$ 7,911	$ 12,455	$ 343	$ 4,915	$ 147
2009	13,135	15,821	-	-	-	-
2010	13,835	15,138	-	-	-	-
2011	14,580	14,419	-	-	-	-
2012	15,380	13,647	-	-	-	-
2013-2017	90,950	54,623	-	-	-	-
2018-2022	103,090	26,619	-	-	-	-
2023-2026	38,105	4,708	-	-	-	-
	$ 289,075	$ 152,886	$ 12,455	$ 343	$ 4,915	$ 147

	Series 1998 E		Total 1998 Bonds		
October 1	Principal	Interest	Principal	Interest	Total
2008	$ -	$ 3,130	$ 17,370	$ 11,531	$ 28,901
2009	5,345	6,261	18,480	22,082	40,562
2010	5,665	5,954	19,500	21,092	40,592
2011	6,000	5,628	20,580	20,047	40,627
2012	6,355	5,283	21,735	18,930	40,665
2013-2017	37,530	20,460	128,480	75,083	203,563
2018-2022	45,535	8,187	148,625	34,806	183,431
2023-2026	-	-	38,105	4,708	42,813
	$ 106,430	$ 54,903	$ 412,875	$ 208,279	$ 621,154

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

Total Debt Service October 1	Principal	Interest	Total
2008	$ 31,275	$ 28,614	$ 59,889
2009	36,525	55,746	92,271
2010	34,780	53,861	88,641
2011	37,675	52,063	89,738
2012	39,745	49,988	89,733
2013-2017	234,190	214,166	448,356
2018-2022	285,445	141,199	426,644
2023-2027	183,385	74,390	257,775
2028-2032	160,085	33,538	193,623
2033	36,695	1,835	38,530
	$ 1,079,800	$ 705,400	$ 1,785,200

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

2006 Series	Price
October 1, 2016 and thereafter	100%

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

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

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

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

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

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

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

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

1998 Series C and D are not redeemable at the option of the Authority.

6. Basis Swap

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

Terms. The bonds and the related Basis Swap agreement mature on October 1, 2029, and the swap's notional amount of $219,490,000 match the Series 2006 fixed rate bonds. Beginning in fiscal year 2007, the notional value of the swap and the principal amount of the associated debt will decline. Under the Basis Swap agreement, the Authority pays the counterparty a variable payment based on The Bond Market Association Municipal Swap Index ("BMA") and receives a variable payment computed as 67.03% of the 10-year London Interbank Offered Rate ("LIBOR").

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

7. Long-Term Loans and Notes

Long-term loans and notes outstanding were as follows:

	Loans Outstanding 9/30/2006	(in thousands) New Issuances	Debt Payments	Loans Outstanding 9/30/2007	(in thousands) New Issuances	Debt Payments	Loans Outstanding 9/30/2008
2008 VIPD Note	-			-	7,650	(208)	7,442
2006 VIFD Note	4,000		(1,266)	2,734	-	(1,331)	1,403
2005 VIPD Note	3,588		(2,147)	1,441	-	(1,441)	-
WICO	20,719	1,780	(484)	22,015	2,216	(674)	23,557
Total	28,307	1,780	(3,897)	26,190	9,866	(3,654)	32,402

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

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

On September 7, 2005, the Authority issued the Subordinate Lien Revenue Notes, Series 2005 (Virgin Islands Gross Receipts Taxes Loan Note) in the aggregate amount of $6,350,000 (the "Series 2005 Notes"). The Series 2005 Notes accrue interest monthly at a rate of 4% for 36 months. The proceeds of the Series 2005 Notes were loaned to the Government of the Virgin Islands under the same terms, for the purposes of (i) financing the acquisition of a fleet of vehicles for the Virgin Islands Police Department, and (ii) paying certain costs of issuing the Series 2005 Notes. On October 19, 2005 and September 22, 2005, the Authority made prepayments on the loan balance in the amount of $200,000 and $500,000, respectively from unexpended loan proceeds.

On June 6, 2006, the Company refinanced its outstanding debt and obtained financing for a total of $22,500,000, at an effective interest rate of 6.20% per annum, to be effective on November 20, 2006. This refinancing was used to upgrade the pier for the Freedom class of mega cruise ships. On June 1, 2008, the Company refinanced its outstanding loans and obtained additional financial for $2.3 million, increasing the facility to $23,500,000. The loan will be repaid in 120 consecutive monthly installments of $154,953 (representing principal and interest) and a final payment of the outstanding principal balance plus any unpaid interest in 2018. The loan may be prepaid, in whole or in part, at any time without penalty.

The Company has guaranteed the notes and has pledged all leases and revenues to secure the loans. Pursuant to the requirement of the Loan Agreements the Company maintains restricted cash in a reserve account controlled by PFA for the payment of principal and interest on the long-term notes. This Debt Service Reserve Fund will be equal to one year's debt service payments. As of September 30, 2008 and 2007, as required by the Loan Agreements, the Company has funded 100% of this amount, which is presented in the statement of net assets as restricted cash in the amount of $1,875,184 at September 30, 2008 (2007 - $1,848,499).

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

Future minimum payments of principal for the five years subsequent to September 30, 2008, and thereafter are as follows:

	Series 2008 Notes	Series 2006 Notes	WICO	Total
2009	2,229,035	1,403,181	416,188	4,048,404
2010	2,545,648		438,198	2,983,846
2011	2,667,085		466,151	3,133,236
2012			495,888	495,888
2013			527,522	527,522
Thereafter			21,213,034	21,213,034
	7,441,768	1,403,181	23,556,981	32,401,930
Less current portion	2,229,035	1,403,181	416,188	4,048,404
Long term portion	5,212,733	-	23,140,793	28,353,526

The Authority has pledged WICO revenues to the timely payment of principal and interest of the loan. Interest expense during the period ended September 30, 2008, and 2007, amounted to $1.3 million and $1.4 million, respectively.

8. Commitments

Future Minimum Lease Payments

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

2009	$ 55,000
2010	64,374
2011	70,000
2012	70,000
2013 - 2016	236,250
Total future minimum payments	$ 495,624

9. Contingencies

The Authority has a loan receivable amounting to approximately $1.057 billion ($1.087 billion in 2007) from the Government (see Note 3). The principal and interest to be paid by the Government to the Authority on the loans receivable is mainly derived from excise taxes on exported rum received by the Government and gross receipts taxes, as more fully described in Note 6 under Pledged Funds. The principal and interest is subsequently passed-through for payment of the 2006, 2004, 2003, 2002, 1999 and 1998 Bonds and the Series 2008 and 2006 Notes.

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

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

The Series 2002 Bonds are secured by pledged revenues under the Federal Highway Reimbursement Program under the Transportation Equity Act for the 21st Century (TEA-21) which was scheduled to expire on September 30, 2003. On October 1, 2003, President Bush signed a 5 month extension of the Act to fund transportation activities through February 29, 2004 and a second extension was granted until May 31, 2005. On August 10, 2005 The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was enacted for a 5 year period expiring on September 30, 2009.

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

10. Concentration of Risk

All of the matching fund revenues are derived from federal excise taxation of the sale of rum produced in the Virgin Islands. All the rum production in the Virgin Islands is by a single producer.

11. Pension Plan

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

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

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Summarized Statement of Net Assets
September 30, 2008

Description	Total From Business Type Activities	Total From Debt Service Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 24,777,211	$ -	$ 24,777,211
Restricted cash and cash equivalents	-	73,765,951	73,765,951
Restricted Investments, at fair value	-	140,255,229	140,255,229
Receivables, net	1,246,081	-	1,246,081
Restricted loan receivable Government of the U.S. Virgin Islands	-	39,925,118	39,925,118
Prepaid expenses and other assets	795,966	-	795,966
Total current assets	26,819,258	253,946,298	280,765,556
Noncurrent assets:			
Restricted cash and cash equivalents	1,875,184	-	1,875,184
Restricted Investments, at fair value	-	97,757,378	97,757,378
Restricted loan receivable Government of the U.S. Virgin Islands	-	1,017,441,153	1,017,441,153
Bond discount & issuance costs	228,165	5,520,230	5,748,395
Capital assets:			
Land and improvements	4,980,006	-	4,980,006
Construction in progress	3,039,944	-	3,039,944
Buildings and building improvements	54,635,492	-	54,635,492
Personal Property and equipment	3,499,045	-	3,499,045
Less: accumulated depreciation	(16,804,683)	-	(16,804,683)
Total noncurrent assets	51,453,153	1,120,718,761	1,172,171,914
Total assets	$ 78,272,411	$ 1,374,665,059	$ 1,452,937,470
LIABILITIES			
Current Liabilities:			
Accrued expenses	$ 2,895,574	$ -	$ 2,895,574
Loans payable related to capital assets	416,188	-	416,188
Bonds payable	-	34,750,000	34,750,000
Interest payable	-	28,643,698	28,643,698
Notes payable	-	3,632,216	3,632,216
Deferred Revenue	-	193,714	193,714
Due to (from) other PFA funds	324,093	(324,093)	-
Total current liabilities	3,635,855	66,895,535	70,531,390
Noncurrent liabilitites			
Loans payable related to capital assets	23,140,793	-	23,140,793
Notes payable	-	5,212,733	5,212,733
Bonds payable	-	1,045,050,000	1,045,050,000
Deferred amount on defeased bonds	-	(10,496,872)	(10,496,872)
Restricted assets held for Government of the U.S. Virgin Islands	8,929,674	132,309,274	141,238,948
Payable from restricted assets	4,910,000	113,333,685	118,243,685
Deferred revenue	-	193,716	193,716
Total noncurrent liabilities	36,980,467	1,285,602,536	1,322,583,003
Total Liabilities	40,616,322	1,352,498,071	1,393,114,393
NET ASSETS			
Invested in capital assets, net of related debt	27,668,007	-	27,668,007
Restricted	-	27,183,366	27,183,366
Unrestricted	9,988,082	(5,016,378)	4,971,704
Total net assets	$ 37,656,089	$ 22,166,988	$ 59,823,077

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statement of Net Assets - from Business Type Activities
September 30, 2008

Description	Operating	The West Indian Company	King's Alley Management Inc.	Total From Business Type Activities
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 19,340,735	$ 5,158,622	$ 277,854	$ 24,777,211
Receivables, net	33,750	1,139,176	73,155	1,246,081
Prepaid expenses and other assets	-	795,966	-	795,966
Total current assets	19,374,485	7,093,764	351,009	26,819,258
Noncurrent assets:				
Restricted cash and cash equivalents	-	1,875,184	-	1,875,184
Bond discount & issuance costs	-	228,165	-	228,165
Capital assets:				
Land and improvements	-	4,980,006	-	4,980,006
Construction in progress	-	3,039,944	-	3,039,944
Buildings and building improvements	-	44,288,834	10,346,658	54,635,492
Personal Property and equipment	-	3,380,765	118,280	3,499,045
Less: accumulated depreciation	-	(15,162,685)	(1,641,998)	(16,804,683)
Total noncurrent assets	-	42,630,213	8,822,940	51,453,153
Total assets	$ 19,374,485	$ 49,723,977	$ 9,173,949	$ 78,272,411
LIABILITIES				
Current Liabilities:				
Accrued expenses	$ 434,725	$ 2,439,075	$ 21,774	$ 2,895,574
Loans payable related to capital assets	-	416,188	-	416,188
Due to (from) other PFA funds	(319,465)	-	643,558	324,093
Total current liabilities	115,260	2,855,263	665,332	3,635,855
Noncurrent liabilitites				
Loans payable related to capital assets	-	23,140,793	-	23,140,793
Restricted assets held for Government	-	-	-	-
of the U.S. Virgin Islands	8,888,174	-	41,500	8,929,674
Payable from restricted assets	4,910,000	-	-	4,910,000
Total noncurrent liabilities	13,798,174	23,140,793	41,500	36,980,467
Total Liabilities	13,913,434	25,996,056	706,832	40,616,322
NET ASSETS				
Invested in capital assets, net of related debt	-	18,845,067	8,822,940	27,668,007
Unrestricted	5,461,051	4,882,854	(355,823)	9,988,082
Total net assets	$ 5,461,051	$ 23,727,921	$ 8,467,117	$ 37,656,089

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statement of Net Assets - from Debt Service Fund
September 30, 2008

Description	2008 Series Notes	2006 Series Revenue Bonds	2006 Series Notes	2005 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Garvey Bonds	Swap Option Agreement	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Series 1994 A Series 1994 B and Series 1994 C	Bonds Series 1992 A and Series 1992 B	Transportation Trust 1989 Series Bonds	Y2K	Total From Debt Service Fund
ASSETS															
Current Assets:															
Restricted cash and cash equivalents	$ -	$ 9,137,781	$ 126	$ -	$ 5,498,419	$ 11,573,838	$ -	$ 5,480,498	$ 9,011,759	$ 29,430,094	$ -	$ 3,510,451	$ -	$ 122,985	$ 73,765,951
Restricted investments, at fair value	7,342,998	16,994,326	-	-	25,577,171	45,459,026	4,736,102	-	1,281,289	38,864,317	-	-	-	-	140,255,229
Restricted loan receivable Government of the U.S. Virgin Islands	2,000,615	1,530,000	1,403,181	-	3,450,000	3,360,000	3,471,322	-	6,230,000	18,480,000	-	-	-	-	39,925,118
Total current assets	9,343,613	27,662,107	1,403,307	-	34,525,590	60,392,864	8,207,424	5,480,498	16,523,048	86,774,411	-	3,510,451	-	122,985	253,946,298
Noncurrent assets:															
Restricted investments, at fair value	-	-	-	-	7,975,049	17,018,643	2,407,685	-	26,715,936	43,640,065	-	-	-	-	97,757,378
Restricted loan receivable Government of the U.S. Virgin Islands	5,441,153	215,965,000	-	-	78,860,000	252,455,000	-	-	87,695,000	377,025,000	-	-	-	-	1,017,441,153
Bond discount & issuance costs	-	-	-	-	-	-	15,554	-	3,455,893	2,048,783	-	-	-	-	5,520,230
Total noncurrent assets	5,441,153	215,965,000	-	-	86,835,049	269,473,643	2,423,239	-	117,866,829	422,713,848	-	-	-	-	1,120,718,761
Total assets	$ 14,784,766	$ 243,627,107	$ 1,403,307	$ -	$ 121,360,639	$ 329,866,507	$ 10,630,663	$ 5,480,498	$ 134,389,877	$ 509,488,259	$ -	$ 3,510,451	$ -	$ 122,986	$ 1,374,665,059

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statement of Net Assets - from Debt Service Fund
September 30, 2008

Description	2008 Series Notes	2006 Series Revenue Bonds	2006 Series Notes	2005 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Garvey Bonds	Swap Option Agreement	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Series 1994 A Series 1994 B and Series 1994 C	Bonds Series 1992 A and Series 1992 B	Transportation Trust 1989 Series Bonds	Y2K	Total From Debt Servi Fund
LIABILITIES															
Current Liabilities:															
Bonds payable	$ -	$ 1,490,000	$ -	$ -	$ 3,285,000	$ 3,230,000	$ 3,475,000	$ -	$ 5,900,000	$ 17,370,000	$ -	$ -	$ -	$ -	$ 34,750,000
Interest payable	29,457	5,286,919	-	-	2,213,419	6,471,038	-	-	3,111,759	11,531,106	-	-	-	-	28,643,698
Notes payable	2,229,035	-	1,403,181	-		-	-	-	-	-	-	-	-	-	3,632,216
Deferred Revenue	-	-	-	-		-	-	-	105,306	88,408	-	-	-	-	193,714
Due to (from) other PFA funds	-	-	-	-		-	-	-	-	-	(324,093)	-	-	-	(324,093)
Total current liabilities	2,258,492	6,776,919	1,403,181	-	5,498,419	9,701,038	3,475,000	-	9,117,065	28,989,514	(324,093)	-	-	-	66,895,535
Noncurrent liabilitites															
Notes payable	5,212,733	-	-	-	-	-	-	-	-	-	-	-	-	-	5,212,733
Bonds payable	-	217,495,000	-	-	82,310,000	255,815,000	-	-	93,925,000	395,505,000	-	-	-	-	1,045,050,000
Deferred amount on defeased bonds	-	-	-	-	-	-	-	-	(10,496,872)	-	-	-	-	-	(10,496,872)
Restricted assets held for Government of the U.S. Virgin Islands	7,313,541	18,123,040	126	-	23,396,109	45,860,067	4,736,097	-	-	27,539,823	5,340,471	-	-	-	132,309,274
Payable from restricted assets	-	1,232,148	-	-	10,156,111	18,490,402	2,407,690	4,903,443	29,971,373	46,172,516	-	-	-	-	113,333,685
Deferred revenue	-	-	-	-	-	-	-	-	105,307	88,409	-	-	-	-	193,716
Total noncurrent liabilities	12,526,274	236,850,188	126	-	115,862,220	320,165,469	7,143,787	4,903,443	113,504,808	469,305,750	5,340,471	-	-	-	1,285,602,536
Total Liabilities	14,784,766	243,627,107	1,403,307	-	121,360,639	329,866,507	10,618,787	4,903,443	122,621,873	498,295,264	5,016,378	-	-	-	1,352,498,071
NET ASSETS															
Restricted	-	-	-	-	-	-	11,876	577,055	11,768,004	11,192,995	-	3,510,451	-	122,985	27,183,366
Unrestricted	-	-	-	-	-	-	-	-	-	-	(5,016,378)	-	-	-	(5,016,378)
Total net assets	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,876	$ 577,055	$ 11,768,004	$ 11,192,995	$ (5,016,378)	$ 3,510,451	$ -	$ 122,985	$ 22,16

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Summarized Statement of Revenues, Expenses and Changes in Net Assets - From Business Type Activities
Year Ended September 30, 2008

Description	Total From Business Type Activities	Total From Debt Service Fund	Total
OPERATING REVENUES			
Charges for services	$ 14,143,632	$ -	$ 14,143,632
Other operating revenues	78,611	-	78,611
Total operating revenues	14,222,243	-	14,222,243
OPERATING EXPENSES			
General and administrative	14,619,510	619,324	15,238,834
Depreciation	2,112,630	-	2,112,630
Total operating expenses	16,732,140	619,324	17,351,464
Operating income(loss)	(2,509,897)	(619,324)	(3,129,221)
NONOPERATING REVENUES (EXPENSES)			
Interest income:			
Cash & Investments	350,434	5,704,850	6,055,284
Loans receivable	-	57,744,283	57,744,283
Other investment income	-	193,714	193,714
Interest expense	(1,386,309)	(57,744,284)	(59,130,593)
Amortization of bond discount/issuance costs	-	(2,002,577)	(2,002,577)
Amortization of deferred amount	-	(1,148,853)	(1,148,853)
Gain (loss) on sale of fixed assets	2,500	-	2,500
In lieu of taxes	(100,000)	-	(100,000)
Total nonoperating revenue(expenses)	(1,133,375)	2,747,133	1,613,758
Income(loss) before contributions and transfers	(3,643,272)	2,127,809	(1,515,463)
Payments on behalf of GVI	(2,023,976)	(1,802,725)	(3,826,701)
Internal transfers	799	(799)	-
Change in net assets	(5,666,449)	324,285	(5,342,164)
Total net assets-beginning	43,322,538	21,842,703	65,165,241
Total net assets-ending	$ 37,656,089	$ 22,166,988	59,823,077

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Summarized Statement of Revenues, Expenses and Changes in Net Assets - From Business Type Activities
Year Ended September 30, 2008

Description	Operating	The West Indian Company	King's Alley Management Inc.	Total From Business Type Activities
OPERATING REVENUES				
Charges for services	$ 3,570,000	$ 10,071,987	$ 501,645	$ 14,143,632
Other operating revenues	78,611	-	-	78,611
Total operating revenues	3,648,611	10,071,987	501,645	14,222,243
OPERATING EXPENSES				
General and administrative	6,813,248	7,335,928	470,334	14,619,510
Depreciation	-	1,695,075	417,555	2,112,630
Total operating expenses	6,813,248	9,031,003	887,889	16,732,140
Operating income(loss)	(3,164,637)	1,040,984	(386,244)	(2,509,897)
NONOPERATING REVENUES (EXPENSES)				
Interest income:				
Cash & Investments	197,502	147,118	5,814	350,434
Interest expense	-	(1,386,309)	-	(1,386,309)
Gain (loss) on sale of fixed assets	-	2,500	-	2,500
In lieu of taxes	-	(100,000)	-	(100,000)
Total nonoperating revenue(expenses)	197,502	(1,336,691)	5,814	(1,133,375)
Income(loss) before contributions and transfers	(2,967,135)	(295,707)	(380,430)	(3,643,272)
Payments on behalf of GVI	(2,023,976)	-	-	(2,023,976)
Internal transfers	(200,000)	-	200,799	799
Change in net assets	(5,191,111)	(295,707)	(179,631)	(5,666,449)
Total net assets-beginning	10,652,162	24,023,628	8,646,748	43,322,538
Total net assets-ending	$ 5,461,051	$ 23,727,921	$ 8,467,117	$ 37,656,089

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the United States Virgin Islands)
Statement of Revenues, Expenses and Changes in Net Assets - From Debt Service Fund
Year Ended September 30, 2008

Description	2008 Series Notes	2006 Series Revenue Bonds	2006 Series Notes	2005 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Garvey Bonds	Swap Option Agreement	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Revenue Bonds Series 1994 A Series 1994 B and Series 1994 C	Revenue Bonds Series 1992 A and Series 1992 B	Transportation Trust, 1989 Series Bonds	Y2K	Total From Debt Service Fund
OPERATING REVENUES															
Charges for services	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other operating revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPERATING EXPENSES															
General and administrative	-	-	-	-	-	-	-	-	-	63,729	-	2,000	-	553,595	619,324
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	-	-	-	-	-	-	-	-	-	63,729	-	2,000	-	553,595	619,324
Operating income(loss)	-	-	-	-	-	-	-	-	-	(63,729)	-	(2,000)	-	(553,595)	(619,324)
NONOPERATING REVENUES (EXPENSES)															
Interest income:															
Cash & Investments	-	503,137	-	-	228,723	31,448	216,610	105,220	1,826,526	2,668,218	2	94,577	23,416	6,973	5,704,650
Loans receivable	49,645	10,573,838	105,966	20,939	4,426,836	12,942,075	339,250	-	6,223,520	23,062,212	-	-	-	-	57,744,283
Other investment income	-	-	-	-	-	-	-	-	105,306	88,408	-	-	-	-	193,714
Interest expense	(49,645)	(10,573,838)	(105,966)	(20,939)	(4,426,838)	(12,942,075)	(339,250)	-	(6,223,520)	(23,062,213)	-	-	-	-	(57,744,284)
Amortization of bond discount/issuance costs	-	(503,137)	-	-	(228,723)	(31,448)	(232,163)	-	(568,092)	(439,014)	-	-	-	-	(2,002,577)
Amortization of deferred amount	-	-	-	-	-	-	-	-	(532,833)	(616,020)	-	-	-	-	(1,148,653)
Total nonoperating revenue(expenses)	-	-	-	-	-	-	(15,553)	105,220	830,907	1,701,591	2	94,577	23,416	6,973	2,747,133
Income(loss) before contributions and transfers	-	-	-	-	-	-	(15,553)	105,220	830,907	1,637,862	2	92,577	23,416	(546,622)	2,127,809
Payments on behalf of GVI	-	-	-	-	-	-	-	(7,965)	-	-	0	(1,752,647)	(42,213)	-	(1,802,725)
Internal transfers	-	-	-	-	-	-	-	-	-	-	(799)	-	-	-	(799)
Change in net assets	-	-	-	-	-	-	(15,553)	97,255	830,907	1,637,862	(797)	(1,659,970)	(18,797)	(546,622)	324,285
Total net assets-beginning	-	-	-	-	-	-	27,429	479,800	10,937,097	9,555,132	(5,015,581)	5,170,421	18,797	669,608	21,842,703
Total net assets-ending	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,876	$ 577,055	$ 11,768,004	$ 11,192,994	$ (5,016,378)	$ 3,510,451	$ -	$ 122,986	$ 22,166,988