PRICEWATERHOUSECOOPERS

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

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

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

September 30, 2002

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(a blended component of the Government of the Virgin Islands)
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Report of Independent Accountants

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

In our opinion, the accompanying statement of net assets and the related statements of revenues, expenses and changes in net assets, and of cash flows present fairly, in all material respects, the financial position of The Virgin Islands Public Finance Authority (a blended component of The Government of the Virgin Islands) (the "Authority") at September 30, 2002 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America which 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.

As discussed in Note 1 to the financial statements, the Authority implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of September 30, 2002.

The management's discussion and analysis on pages 2 through 7 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 Condensed Information Schedules as of September 30, 2002 and for the year ended September 30, 2002 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

February 7, 2003

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2004
Stamp 1838465 of the P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

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 year ended September 30, 2002.

This information should be read in conjunction with the Authority's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

At September 30, 2002, the total assets of the Authority amounted to $1.010 billion, of which $33.9 million were capital assets (2001 - $1.039 billion of which $31.1 were capital assets). Total liabilities amounted to $949.1 million of which $802.5 million were for bonds and loans outstanding, and $147.6 million were for other liabilities (2001 - $966.3 of which $822.9 were for bonds and loans outstanding, and $143.4 were for other liabilities). The total assets of the Authority exceeded its liabilities as of September 30, 2002 by $60.8 million (net assets) (2001 - $72.3 million). Unrestricted net assets amounted to $6.8 million (2001 – $3.7 million), net assets invested in capital assets, net of related debt, amounted to $13.7 million (2001 - $9.8 million), and net assets restricted to debt and investment purposes amounted to $40.3 million (2001 – $58.8 million).

During the fiscal year, operating income amounted to $1.3 million (2001 - $3.1 million). The Authority received principal and interest payments on loans to the Government of the Virgin Islands of $19.5 million and $46.5 million, respectively. The Authority made debt service principal and interest payments on bonds of $19.5 million and $46.9 million. The Authority made payments on behalf of the Government of the Virgin Islands during fiscal year 2002, from restricted investments amounting to $14.4 million.

The Authority's net assets decreased by $11.4 million, or 15.8% during the fiscal year ended September 30, 2002. Please refer to the section named Activities of the Authority for the main reasons for this decrease.

The activities of the West Indian Company ("WICO") port facility resulted in an increase in net assets of $1.5 million (2001 - $1.0 million). WICO made a dividend payment to the Authority of $800,000 during the fiscal year.

The activities of the King's Alley Management, Inc. hotel facility resulted in a decrease in net assets of $555,000 (2001 – net increase of approximately $51,000).

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 8 through 27 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 Condensed Information presented on pages 28 and 29, provide detailed segment information of the activities of the Authority.

All financial statements have been presented using the accrual basis of accounting.

ACTIVITIES OF THE AUTHORITY

The Authority engages only in business-type activities. The Authority is a finance authority which aids the Government of the Virgin Islands in the performance of its fiscal duties in raising capital for essential public projects. Upon issuance of bonds, the Authority manages debt service reserves, receives pledged revenues and invests unused bond proceeds. In addition, the Authority has oversight of two commercial complexes.

The net assets of the Authority decreased by $11.4 million from the prior year (2001 – increase of $9.0 million). This decrease was mainly due to (i) payments to the Government of the Virgin Islands of investment income earned in prior years which have been reprogrammed by the Legislature for capital projects ($14.4 million in 2002 as compared to $37,000 in 2001), and (ii) a reduction in returns from investments on US Treasury Bonds and Notes due to a decrease in investment yields of approximately 3%.

The net assets of the Authority decreased by $11.4 million during fiscal year 2002 (2001 – increase of $9.0 million). This decrease was due to 1) payments made on behalf of the Government of the Virgin Islands of $14.4 million in 2002 (consisting of legislatively reprogrammed revenues from prior years and construction payments made on behalf of the Government) ($37,000 in 2001) and 2) reductions in returns from investments on US Treasury Bonds and Notes and 3) losses from the King's Alley hotel operation (a drop of 3 yield points);.

Non-current assets, excluding capital assets, decreased from $975.0 million in 2001 to $937.5 million in 2002. The decrease was due to a reduction in the long term portion of notes receivable from the Government of the Virgin Islands amounting to $19.5 million, payments made on behalf of the Government of $14.4, and the release of bond proceeds for restricted purposes of $5.3 million.

Current assets increased by $5.4 million from the prior year due to an increase in the current portion of the Loan receivable from the Government of the Virgin Islands scheduled to be collected during fiscal year 2003. Capital assets increased due to the foreclosure of a portion of the King's Alley property recorded for approximately $2.5 million.

Non-current liabilities decreased mainly due to the repayment of principal on Bonds Payable by approximately $19.5 million and a reduction in amounts due to the Government due to disbursements made to the government for capital projects of approximately $19.7.

Operating revenues experienced an increase in the investment and bond management fees charged to the Government of the Virgin Islands by approximately $300,000 which were partially offset by a decrease in WICO and King's Alley revenues (please refer to the Commercial complexes section on this MD&A for discussion on WICO and King's Alley). Operating expenses increased mainly due to an increase in the operating expenses of the commercial complexes (WICO and King's Alley). Non-operating revenues and expenses decreased mainly to the payments made to the Government of the Virgin Islands.

Following is condensed financial information of the business type activities of the Authority as of September 30, 2002:

	(in thousands) 2002	2001
Condensed information from Statement of Net Assets		
Current assets	$ 38,989	$ 32,471
Non-current assets excluding capital assets	937,529	975,088
Capital assets (net of depreciation)	33,938	31,071
Total assets	1,010,456	1,038,630
Current liabilities	24,385	22,982
Long-term portion of bonds outstanding	761,590	802,454
Other Liabilities	163,655	140,922
Total liabilities	949,630	966,358
Net Assets		
Invested in capital assets, net of debt	13,722	9,791
Restricted	40,341	58,819
Unrestricted	6,763	3,662
Total net assets	$ 60,826	$ 72,272
Condensed information from Statement of Revenue, Expenses and Changes in Net Assets		
Operating revenues	$ 13,198	$ 12,922
Operating expenses	(11,879)	(9,779)
Operating income	1,319	3,143
Non-operating (expenses) income and other changes in net assets	(12,764)	5,871
Change in net assets	$ (11,445)	$ 9,014

Investment Management Activities

During the current year, the Authority (i) managed the assets of four outstanding bond series, (ii) managed the assets of four defeased bond series, and (iii) managed depository trust funds for the Government and an independent agency.

Investments under management for fiscal years 2002 and 2001 were as follows:

	Restricted and Pooled Investments	
	2002	**2001**
Outstanding bond series	$ 123,809,078	$ 133,133,156
Defeased bond series	25,926,415	21,418,472
Depository Trust	11,978,784	13,931,955
Investments under management	$ 161,714,277	$ 168,483,583

Commercial Complexes

The Authority managed two commercial complexes during the year which were 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 in the island of St. Thomas. King's Alley is a shopping mall and hotel in the island of St. Croix.

	WICO		King's Alley	
	2002	**2001**	**2002**	**2001**
Operating Revenues	$ 9,995,454	$ 10,801,404	$ 1,119,547	$ 318,863
Operating Expenses	(7,354,222)	(6,807,638)	(1,674,172)	(267,847)
Operating Income	2,641,232	3,993,766	(554,625)	51,016
Nonoperating Revenues	220,016	457,864	-	-
Nonoperating Expenses	(1,317,082)	(3,414,057)	-	-
Change in Net Assets	$ 1,544,166	$ 1,037,573	$ (554,625)	$ 51,016

WICO operates a cruise ship port and shopping mall on the island of St. Thomas. Operating revenues consist of agency fees charged to cruise lines and rental income. Operating income for WICO decreased during fiscal year 2002 as compared to fiscal year 2001 due to a) effects of decreased tourist activity after September 11th, 2001 reflected in a 6% reduction in passenger arrivals during 2002 (from 1.585 million to 1.490 million passengers) and b) a reduction in approximately 15% in agency fees and charges to cruise lines, based on requests made by the cruise lines.

King's Alley is a hotel and shopping complex in Christiansted, St. Croix. The Authority assumed management of King's Alley in July 2001 after default on its collateral guarantee. King's Alley revenues and expenses increased during the year due to the fact that 2002 was the company's first full year of operations under the Authority's management. The reasons expenses for the year exceeded revenues were due to a) a decrease in tourist activity during 2002 resulting in lower occupancy rates during the year; b) cancellation of St. Croix as a port of call by the cruise line industry; c) the increase in the hotel's property insurance rates due to worldwide insurance premiums increases following September 11th; and d) rent expenses related to the operating leases of the portion property not owned by King's Alley which were fixed throughout the year.

DEBT ADMINISTRATION

At year end, the Authority had approximately $782 million in bonds outstanding as follows:

	(in thousands)			
	Bonds Outstanding September 30, 2001	New Issuances	Debt Payments	Bonds Outstanding September 30, 2002
1999 Series	$ 292,180	$ -	$ (4,305)	$ 287,875
1998 Series	499,495	-	(12,525)	486,970
Y2K Series	9,915	-	(2,620)	7,295
Total	$ 801,590	$ -	$ (19,450)	$ 782,140

Defeased bonds outstanding from prior years amounted to $177 million (1989 Series) and $214.5 million (1994,1993,1992 and 1991 Series) at year end.

Loans outstanding were as follows:

	(in thousands)			
	Loans Outstanding September 30, 2001	New Issuances	Debt Payments	Loans Outstanding September 30, 2002
WICO	$ 21,281	$ -	$ (958)	$ 20,323

In November 2002, WICO consolidated and refinanced its long term debt and obtained an additional $2.0 million in additional financing to fund further infrastructure developments.

ECONOMIC FACTORS

Tax Collections

Bonds issued by the Authority are supported by pledged rum excise tax revenues and gross receipts tax revenues. 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, 2002	2001 (in thousands)	2000
Excise rum tax	$ 40,397	$ 40,391	$ 40,380
Gross receipts tax	$ 22,358	$ 22,357	$ 20,494

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

Investment Performance and Agreements

The Authority investments include Aaa rated money market funds, commercial paper and Federal Home Loan Notes. 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 $1.582 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.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the Virgin Islands)
Statement of Net Assets
September 30, 2002

ASSETS		
Current Assets:		
Cash and cash equivalents	$	14,347,617
Receivables, net		1,697,316
Loan receivable - Government Development Bank		38,119
Loan receivable - Government of the Virgin Islands		20,550,000
Prepaid expenses		2,134,871
Other assets		221,679
Total current assets		38,989,602
Noncurrent assets:		
Restricted cash and cash equivalents		19,100,844
Restricted Investments		109,036,124
Pooled investments		19,476,802
Assets held in trust:		
Pooled investments		16,281,349
Loan receivable - Government of the Virgin Islands		761,590,000
Bond discount and issuance costs		12,044,035
Capital assets		33,937,510
Total noncurrent assets		971,466,664
Total assets	$	1,010,456,266
LIABILITIES		
Current Liabilities:		
Accrued expenses	$	2,805,502
Loans payable related to capital assets		1,029,851
Bonds payable		20,550,000
Total current liabilities		24,385,353
Noncurrent liabilitites:		
Loans payable related to capital assets		19,293,678
Bonds payble (including a reduction of $3,696,169 due to deferred amount on defeased bonds)		757,893,831
Restricted assets held for Government of the Virgin Islands		62,993,076
Deferred income		1,356,000
Payable from assets held in trust		11,881,327
Payable from restricted assets		71,826,377
Total noncurrent liabilities		925,244,289
Total liabilities		949,629,642
NET ASSETS		
Invested in capital assets, net of related debt		13,722,349
Restricted		40,340,737
Unrestricted		6,763,538
Total net assets	$	60,826,624

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the Virgin Islands)
Statement of Revenues, Expenses and Changes in Net Assets
Year ended September 30, 2002

OPERATING REVENUES	
Charges for services	$ 13,115,001
Other	83,350
Total operating revenues	13,198,351
OPERATING EXPENSES	
General and administrative	10,573,925
Depreciation	1,305,616
Total operating expenses	11,879,541
Operating income	1,318,810
NONOPERATING REVENUES (EXPENSES)	
Interest income:	
Cash & Investments	4,994,986
Loans receivable	46,508,961
Other investment income	32,286
Amortization of bond discount and issuance costs	(1,037,040)
Interest expense	(48,407,463)
In lieu of taxes	(500,000)
Payments on behalf of Government of the Virgin Islands	(14,355,787)
Total nonoperating (expenses)	(12,764,057)
Change in net assets	(11,445,247)
Total net assets at beginning of fiscal year	72,271,871
Total net assets at ending of fiscal year	$ 60,826,624

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the Virgin Islands)
Statement of Cash Flows
Year ended September 30, 2002

Cash flows from operating activities:	
Cash received from customers	$ 13,113,131
Cash paid to suppliers	(7,972,999)
Cash payments to employees for services	(3,047,705)
Other cash receipts	83,350
Net cash provided by operating activities	2,175,777
Cash flows from investing activities:	
Purchases of investments	(91,647,812)
Interest received on investments	4,994,972
Investment maturities and sales	105,830,684
Net cash provided by investing activities	19,177,844
Cash flows from capital and related financing activities:	
Acquisition of property and equipment	(1,577,839)
Interest payment on long-term debt related to capital assets	(1,287,148)
Principal payments on loans payable related to capital assets	(957,341)
Net cash used in capital and related financing activities	(3,822,328)
Cash flows from non-capital financing activities:	
In lieu of taxes paid	(500,000)
Interest paid on bonds payable	(46,504,295)
Interest collected on loans receivable	46,508,961
Other investment income	1,582,000
Payment of bond issuance costs	(1,096,462)
Decrease in loan receivable	19,481,166
Principal payments on bonds payable	(19,450,000)
Payments on behalf of Government of the Virgin Islands	(8,988,219)
Increase in other non-operating assets	(107,694)
Payments from restricted assets	(15,030,365)
Net cash used in non-capital financing activities	(24,104,908)
Net decrease in cash and restricted cash	(6,573,615)
Cash and restricted cash at beginning of year	40,022,076
Cash and restricted cash at end of year	$ 33,448,461

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

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
(a blended component of the Government of the Virgin Islands)
Statement of Cash Flows
Year ended September 30, 2002

(continued)

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 1,318,810
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation and amortization	1,305,630
Provision for bad debts	19,045
Amortization of non-operating prepaid expenses	270,781
Changes in operating assets and liabilities that increase (decrease) cash:	
Receivables	(20,930)
Accrued expenses and other liabilities	(182,781)
Prepaid expenses and other assets	(534,778)
Total adjustments	856,967
Net cash provided by operating activities	$ 2,175,777

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

1. Reporting Entity and Significant Accounting Policies

The Virgin Islands Public Finance Authority (the "Authority"), a blended component of Government of the Virgin Islands, was created by the Virgin Islands Act No. 5365, "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.

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.

General Obligation Bonds

Pursuant to Section 8(b)(ii), 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 year end, the Authority was below the Legislature imposed limit.

Future Bond Issuances

Subsequent to year end, the Authority issued $20.8 million of Revenue Bond Series 2002 for the purpose of financing certain approved federal-aid transportation projects. 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. 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 paragraph7 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 as an addition to or deduction from the new debt. Effective October 1, 2001, the Authority implemented Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, (GASB) Statement No. 37, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments:Omnibus, and GASB Statement No. 38, Certain Financial Statement Note Disclosures. As a result of this implementation, a Management Discussion and Analysis section, which describes the overall financial condition of the Authority, accompanies these financial statements as required supplementary information. The financial statements are presented in a classified format, with separate presentation of operating and nonoperating revenues. Capital contributions of the West Indian Company of $6 million dollars have been reclassified as part of beginning net assets of that fund.

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 King's Alley Walk shopping center in Frederiksted, St.Croix.

Investments

Under GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for Most External Investments Pools" (GASB 31), the Authority reports investments at fair value in the balance sheet and changes in the fair value in the statement of income.

Investments are restricted by various bond resolutions of the Authority and the Act, generally, to direct obligations of the U.S. Government, the 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.

Investments Managed by Authority are as follows:

- 1999 Series A Revenue Bonds: 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.

- 1998 Series Revenue & Refunding Bonds: Proceeds of the 1998 Bonds that were used to (i) advance refund 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 in the island of St. Croix. The bonds were defeased May 1, 1998, with the proceeds of the 1998 Series Bonds.

- Government Construction and Revolving Loan: Proceeds of the Series 1989 B bonds were deposited with the Authority to make distributions to the Government and loans to agencies, instrumentalities, commissions, authorities and political subdivisions of the Government for the purpose of financing capital projects approved by the Legislature or otherwise authorized by law.

- 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 Virgin Islands. These bonds were defeased May 1, 1998 with the proceeds of the 1998 Series Bonds.

- Depository Trust: Funds deposited with the Authority for investment purposes by the Government or any agency, authority or instrumentality thereof is recorded in this Account.

- Y2K: Activities related to funding the various upgrades, acquisitions, and improvements to the computer information systems owned by the Government 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 2002, the Authority charged the Government of the Virgin Island fees amounting to $2,000,000 for its investment and bond management services.

Payments and Transfers on Behalf of the Government

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

During the 2002 fiscal year, capital expenditures of $ 2.7 million were disbursed from the 1992 Revenue and 1994 Revenue Funds, and $ 17.0 million were disbursed from the 1998 Bond Fund. The disbursements from the 1992 Revenue and the 1994 Revenue Funds are recorded as a reduction of the Restricted Assets held for Government of the Virgin Islands in the accompanying statement of net assets. The disbursements from the 1998 Bond Fund are recorded as a reduction in the Payable from Assets Held In Trust and as Payments on behalf of the Government for the disbursements paid from reprogrammed interest earnings.

Capital Assets

Capital assets are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major improvements are capitalized as additions to capital assets.

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, WICO is 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. This payment shall be made annually in lieu of taxes.

Operating and Nonoperating Revenues

Operating revenues of the Authority include revenues of the operating account of the Authority, revenues from the West Indian Company complex and King's Alley Management, Inc. complex.

Fair Value of Financial Instruments

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

Investment (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: the carrying amounts reported in the statement of net assets for these instruments approximate their fair values.

Bonds payable: bonds were issued in November 1999, April 1999 and May 1998. These Bonds are reported at amortized cost.

Long-term debt: carrying value represents the debt's amortized cost.

Intrafund Transfers: investment earnings not otherwise restricted are transferred between Authority accounts in accordance with Board requests and Legislative acts.

Effect of Recent GASB Statements

Effective for periods beginning after June 15, 2003, GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* provides guidance in accounting for organizations that are closely related to a primary government. The adoption of this statement, will not have a material effect on the Authority's financial statements.

2. Cash, Cash Equivalents and Investments

The Authority utilizes a cash and investment pool to manage certain investments. Although investments from different bond issuances and investments held for the Government may be combined within the pool, separate records are maintained for each account within the pool.

Earnings on pooled investments are allocated to each bond and depository account based on the percentage of each account's shares held in the pool to total shares outstanding in the pool.

Cash and Cash Equivalents

As of September 30, 2002, cash consists of deposits in banks and is categorized following the GASB Statement No. 3 on Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. The categories for deposits are the following:

Category 1 - Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or its agent in the Authority's name.

Category 3 - Uncollateralized

The carrying amount of the deposits approximates their fair value. The following presents the deposits categorized:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
2002					
Restricted	$ 17,020,002	$ -	$ 2,080,842	$ 19,100,844	$ 19,100,844
Unrestricted	$ 3,217,419	$ -	$ 11,121,933	$ 14,339,352	$ 14,347,617

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 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 protect funds for the defeased bonds.

Investments in the reserve accounts at September 30, 2002 were as follows:

Restricted	1999 Bond Series	1998 Bonds Series A, B, C, D & E	1994 Revenue Bonds Series A, B and C	VIPFA Y2K Project Activities	Total
Debt service reserve	$ 39,259,517	$ 55,378,523		$ 1,573,648	$ 96,211,688
Project activities	14,398,084		9,006,413	1,203,473	24,607,970
Construction activities		7,693,268			7,693,268
	$ 53,657,601	$ 63,071,791	$ 9,006,413	$ 2,777,121	$ 128,512,926

These investments may be categorized into three levels to provide an indication of risk assumed.

These categories are as follows:

Category 1 - Includes investments that are insured, or registered, or for which the Authority or its agent in the Authority's name holds the securities.

Category 2 - Includes investments that are uninsured and/or unregistered for which the securities are held by the brokers' or dealers' trust department or agent, in the Authority's name.

Category 3 - Includes investments that are uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Authority's name.

Restricted investments in the reserve accounts, all category 1, as of September 30, 2002 consist of:

Commercial Paper	$ 107,254,124
Federal Home Loan Bank Notes	1,782,000
	$ 109,036,124

Restricted investments in external pooled investment accounts consist of:

Pooled Investments	$ 19,476,802

In fiscal year 2002, the Authority entered into Debt Service Fund Agreements with Morgan Stanley, Bear Stearns and Banc of America. Under the terms of the agreements, the Authority accepted the guaranty of payment of debt service amounts in exchange for the receipt of a guaranteed rate of return on investments ranging from 5% to 6%. In consideration for entering into the agreements, the Authority received approximately $1.6 million in commitment fees recorded as other investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

3. Loans Receivable

The Authority loaned the proceeds of the 1999 Bonds Series A bonds to the Government. 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 bonds payable (see Note 6).

The Authority loaned the proceeds of the 1998 Bonds Series A, B, C, D and E to the Government. The loans, which are secured with pledged matching fund revenues pursuant to Section 28(b) of the Revised Organic Act of the Virgin Islands, bear the same base interest rates, maturities, and repayment terms as the bonds payable (see Note 6).

The Authority loaned the proceeds of an April 1999 $ 13.5 million project revenue bond issuance to the Government. The loan is secured by lease payments made by the Government to the Authority pursuant to a municipal lease purchase agreement dated April 13, 1999 and bears interest of 6.25% with a maturity date of January 1, 2005.

4. Assets Held in Trust

As of September 30, 2002, the Authority managed the following investments for the Government and one of its agencies:

Virgin Islands Government:	
Pooled investments	$ 4,302,565
Virgin Islands Government Agency:	
Pooled investments	11,978,784
	$ 16,281,349

These restricted assets may be categorized to provide an indication of risk assumed. The risk categories are described in Note 3. All of the above investments are classified Category 1.

5. Capital Assets

Capital assets at September 30, 2002 follows:

	Balance September 30, 2001	Additions, net of transfers	Disposals	Balance September 30, 2002
Land	$ 5,037,451	$ -	$ -	$ 5,037,451
Construction in progress	526,520	592,729	-	1,119,249
Buildings and building improvements	29,874,130	3,368,153	-	33,242,283
Personal property and equipment	1,283,488	210,684	(67,357)	1,426,815
Total	36,721,589	4,171,566	(67,357)	40,825,798
Less - accumulated depreciation	(5,650,029)	(1,305,616)	67,357	(6,888,288)
Total Capital Assets, net	$ 31,071,560	$ 2,865,950	$ -	$ 33,937,510

6. Bonds Payable

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 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.

The Authority plans to refinance the 1999 Bonds during 2003. As of the date of these financial statements the refinancing of the 1999 Bonds had not been completed. Certain issuance costs related to this refinancing (amounting to approximately $1.1 million) have been paid in advance of issuance, and are reflected in the financial statements as prepaid expenses.

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 secure 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, 2002, $214,480,000 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, 2002, $176,885,000 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 Gross Receipts Taxes not 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 1999 Series 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 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 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. As a result, 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.

A summary of bond activity (gross) during fiscal year 2002 follows:

	1998 Bonds	Y2K Project Revenue Bonds	Series 1999 A Revenue Bonds	Total
		(in thousands)		
Balance at September 30, 2001	$ 499,495	$ 9,915	$ 292,180	$ 801,590
Bond Issuance	-	-	-	-
Principal payments	(12,525)	(2,620)	(4,305)	(19,450)
Balance at September 30, 2002	$ 486,970	$ 7,295	$ 287,875	$ 782,140

Bonds payable at September 30, 2002 are comprised of the following:

	(in thousands)
1998 Series A, B, C, D and E Revenue & Refunding Bonds Interest at 5.50% to 7.11%	$ 486,970
1999 Y2K Project Revenue Bonds Interest at 6.25%	7,295
1999 Series A Revenue Bonds Interest at 4.20% to 6.50%	287,875
Total Bonds payable	782,140
Less: Current portion	(20,550)
Deferred amount on defeased bonds	(3,696)
Long-term portion of Bonds payable	$ 757,894

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 and principal on the 1999 Y2K bond is payable semi-annually on January 1 and July 1. 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 paid related to Bonds Payable during the year ended September 30, 2002 was as follows:

1998 Revenue & Refunding Bonds	$ 27,871,814
1999 Series Bonds	18,053,106
Y2K Bonds	579,375
	$ 46,504,295

Maturity dates and debt service requirements as of September 30, 2002 for the Series 1999 A Revenue Bonds is as follows (in thousands):

October 1	Series 1999 A Principal	Interest	Total
2003	$ 4,540	$ 17,816	$ 22,356
2004	4,765	17,589	22,354
2005	5,005	17,351	22,356
2006	5,285	17,070	22,355
2007	5,585	16,772	22,357
2008-2012	33,055	78,728	111,783
2013-2017	44,665	67,112	111,777
2018-2022	60,885	50,894	111,779
2023-2027	83,175	28,608	111,783
2028-2029	40,915	3,796	44,711
	$ 287,875	$ 315,736	$ 603,611

Maturity dates and debt service requirements as of September 30, 2002 for the 1998 bonds are as follows (in thousands):

October 1	Series 1998 A Principal	Series 1998 A Interest	Series B Principal	Series B Interest	Series C Principal	Series C Interest
2003	$ -	$ 15,821	$ -	$ -	$ 9,480	$ 3,550
2004	-	15,821	-	-	9,990	3,076
2005	-	15,821	-	-	10,555	2,527
2006	-	15,821	-	-	11,150	1,946
2007	-	15,821	-	-	11,780	1,333
2008-2012	56,930	74,846	-	-	12,455	685
2013-2017	51,545	55,677	-	-	-	-
2018-2022	142,495	36,528	-	-	-	-
2023-2025	38,105	6,430	-	-	-	-
	$ 289,075	$ 252,586	$ -	$ -	$ 65,410	$ 13,117

October 1	Series 1998 D Principal	Series 1998 D Interest	Series 1998 E Principal	Series 1998 E Interest	Total 1998 Bonds Principal	Total 1998 Interest	Total
2003	$ 3,745	$ 1,545	$ -	$ 6,261	$ 13,225	$ 27,177	$ 40,402
2004	3,965	1,339	-	6,261	13,955	26,497	40,452
2005	4,210	1,101	-	6,261	14,765	25,710	40,475
2006	4,470	848	-	6,261	15,620	24,876	40,496
2007	4,750	580	-	6,261	16,530	23,995	40,525
2008-2012	4,915	295	-	29,386	74,300	105,212	179,512
2013-2017	-	-	30,095	20,460	81,640	76,137	157,777
2018-2022	-	-	76,335	8,187	218,830	44,715	263,545
2023-2025	-	-	-	-	38,105	6,430	44,535
	$ 26,055	$ 5,708	$ 106,430	$ 89,338	$ 486,970	$ 360,749	$ 847,719

Maturity dates and debt service requirements as of September 30, 2002 for the Y2K bonds is as follows (in thousands):

January 1 and July 1	Principal	Interest	Total
2003	$ 2,785	$ 413	$ 3,198
2004	2,960	236	3,196
2005	1,550	48	1,598
	$ 7,295	$ 697	$ 7,992

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

	Principal	Interest	Total
2003	$ 20,550	$ 45,406	$ 65,956
2004	21,680	44,322	66,002
2005	21,320	43,109	64,429
2006	20,905	41,946	62,851
2007	22,115	40,767	62,882
Thereafter	675,570	461,632	1,137,202
	$ 782,140	$ 677,182	$ 1,459,322

The Series 1999 A Bonds are not subject to optional redemption prior to October 1, 2010. The Series 1999 A Bonds maturing after October 1, 2010 are redeemable at the option of the Authority, at the respective redemption prices, expressed as a percentage of the principal amount redeemed as follows:

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 B, C and D are not redeemable at the option of the Authority.

7. Long-Term Debt

Long-term debt outstanding was as follows:

Long-term Debt Outstanding September 30, 2001	New Issuances	Debt Payments	Long-term Debt Outstanding September 30, 2002
$ 21,280,870	$ -	$ (957,341)	$ 20,323,529

On July 1, 1993 the Authority borrowed from a commercial bank, under a short-term note payable, funds to finance the acquisition of WICO in the amount of $18,000,000 with an interest rate of 5.24%. On December 21, 1993, the short-term note was refinanced with a long-term loan in the amount of $18,150,000 with an interest rate of 5.75%. The loan is payable in 239 monthly installments of $127,428, including interest, and a final payment comprised of the principal sum outstanding and all accrued interest unpaid to the date of the final payment. During fiscal year 2000, WICO entered into a long-term agreement, with the permission of the Authority, to borrow $8 million from a financial institution for property, plant and equipment improvements. The debt will be restructured at the end of the construction phase. Future minimum payments of principal for the five years subsequent to September 30, 2002 and thereafter are as follows:

2003	$ 1,029,851
2004	1,092,783
2005	1,161,375
2006	1,234,331
2007	1,311,931
Thereafter	14,493,258
	$ 20,323,529

The Authority has pledged WICO revenues to the timely payment of principal and interest of this long term debt. Interest paid during fiscal year 2002 for this loan amounted to $1,287,148.

In June 2002, WICO paid dividends to the Authority amounting to $ 800,000. Existing loan covenants on WICO's debt restricting the payment of dividends were waived by the financial institution.

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:

2003	$ 45,000
2004	45,000
2005	45,000
2006	45,000
2007	55,000
Thereafter	553,125
	$ 788,125

Financial Advisory Agreements

In fulfilling its duties, the Authority has entered into financial advisory contracts with an investment manager. Future contract payments under this agreement are as follows:

2003	$ 750,000
2004	750,000
2005	187,000
	$ 1,687,000

9. Contingencies

The Authority has a loan receivable amounting to approximately $782 million 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 1999 and 1998 Bonds.

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.

The Government is currently experiencing financial difficulties. Given the economic situation of the Government it is uncertain that such subsidy will continue in the future. In the event that the subsidy is discontinued, 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. As a result, the collectibility of the loans receivable from the Government is highly dependent on the ability of the Government in collecting these taxes.

The Authority is managing the operations related to King's Alley Hotel through King's Alley Management, Inc., a wholly-owned subsidary. The hotel was received in foreclosure, upon default of the loan guarantee given by the Authority to the developer of the property.

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 processed by a single producer.

11. Subsequent Events

In November 2002, the Authority issued approximately $20.8 million of Revenue Bonds Series 2002 (Federal Highway Reimbursement Anticipation Loan Note), for the purpose of financing certain approved federal-aid transportation projects in the United States Virgin Islands.

In November 2002, WICO consolidated and refinanced its long-term debt and obtained an additional $2.0 million in additional financing to fund further infrastructure developments. The total amount of the consolidated and refinanced debt amounts to $22,500,000 at a fixed rate of 4.5% for the first four years of the twenty-year term of the loan. Interest rate after the four-year fixed interest period will be set at one of the following three options: a) prime rate plus 75 basis points, b) 1 year-Libor plus 200 basis points, or c) 3-year Treasury notes plus 125 basis points. The loan will be repaid in 240 consecutive monthly installments

Exhibit I

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

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

Schedule on Condensed Financial Information

September 30, 2002

Description	Operating	The West Indian Company	King's Alley Management Inc.	Total From Activities	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Revenue Bonds Series 1992 A and Series 1992 B	Revenue Bonds Series 1994 A Series 1994 B and Series 1994 C	Government Construction and Revolving Loan	Transportation Trust 1989 Series Bonds	Depository Trust	Y2K	Total From Bond and Investment Management	Total
ASSETS														
Current Assets:														
Loan Receivable Government of the Virgin Islands	$ -	$ -	$ -	$ -	$ 4,540,000	$ 13,225,000	$ -	$ -	$ -	$ -	$ -	$ 2,785,000	$ 20,550,000	$ 20,550,000
Other Current Assets	8,736,734	8,347,004	107,298	17,191,036		1,096,462			38,119			113,985	1,248,566	18,439,602
Total current assets	8,736,734	8,347,004	107,298	17,191,036	4,540,000	14,321,462	-	-	38,119	-	-	2,898,985	21,798,566	38,989,602
Noncurrent assets:														
Loan Receivable Government of the Virgin Islands				-	283,335,000	473,745,000						4,510,000	761,590,000	761,590,000
Other Non-current assets		2,677,611		2,677,611	60,522,046	72,057,177	7,226,674	9,006,413		9,693,328	11,978,784	2,777,121	173,261,543	175,939,154
Capital assets		31,452,151	2,485,359	33,937,510									-	33,937,510
Total noncurrent assets	-	34,129,762	2,485,359	36,615,121	343,857,046	545,802,177	7,226,674	9,006,413	-	9,693,328	11,978,784	7,267,121	934,851,543	971,466,664
Total assets	$ 8,736,734	$ 42,476,766	$ 2,592,657	$ 53,806,157	$ 348,397,046	$ 560,123,639	$ 7,226,674	$ 9,006,413	$ 38,119	$ 9,693,328	$ 11,978,784	$ 10,166,106	$ 956,650,109	$ 1,010,458,266
LIABILITIES														
Current Liabilities:														
Bonds payable					$ 4,540,000	$ 13,225,000						$ 2,785,000	$ 20,550,000	$ 20,550,000
Other Current Liabilities	$ 593,252	$ 2,845,195	$ 89,208	$ 3,527,655	105,306	88,408	$ -	$ -	$ -	$ -	$ -	113,984	307,698	3,835,353
Due to (from) other accounts	(673,362)		413,314	(260,048)			96,485		4,500	61,606	97,457		260,048	-
Total current liabilities	(80,110)	2,845,195	502,522	3,267,607	4,645,306	13,313,408	96,485	-	4,500	61,606	97,457	2,898,984	21,117,746	24,385,353
Noncurrent liabilitites														
Loans Payable related to capital assets		19,293,678		19,293,678									-	19,293,678
Bonds Payble				-	283,335,000	473,745,000						4,510,000	761,590,000	761,590,000
Other Non-current liabilities				-	54,437,312	68,553,423	888,433	6,763,230			11,881,327	1,836,886	144,360,611	144,360,611
Total noncurrent liabilities	-	19,293,678	-	19,293,678	337,772,312	542,298,423	888,433	6,763,230	-	-	11,881,327	6,346,886	905,950,611	925,244,289
Total Liabilities	$ (80,110)	$ 22,138,873	$ 502,522	$ 22,561,285	$ 342,417,618	$ 555,611,831	$ 984,918	$ 6,763,230	$ 4,500	$ 61,606	$ 11,978,784	$ 9,245,870	$ 927,068,357	$ 949,629,642
Total Net Assets	$ 8,816,844	$ 20,337,893	$ 2,090,135	$ 31,244,872	$ 5,979,428	$ 4,511,808	$ 6,241,756	$ 2,243,183	$ 33,619	$ 9,631,722	$ -	$ 940,236	$ 29,581,752	$ 60,826,624

Exhibit II

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

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

Schedule on Condensed Financial Information

For the twelve months ended September 30, 2002

Description	Operating	The West Indian Company	King's Alley Management Inc.	Total From Activities	1999 Series A Revenue Bonds	1998 Series Revenue & Refunding Series Bonds	Revenue Bonds Series 1992 A and Series 1992 B	Series 1994 A Series 1994 B and Series 1994 C	Construction and Revolving Loan	Transportation Trust 1989 Series Bonds	Y2K	Total From Bond and Investment Management	Total
OPERATING REVENUES													
Charges for services	$ 2,000,000	$ 9,995,454	$ 1,119,547	$ 13,115,001	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,115,001
Other operating revenues	83,350			83,350								-	83,350
	2,083,350	9,995,454	1,119,547	13,198,351	-	-	-	-	-	-	-	-	13,198,351
OPERATING EXPENSES													
General and administrative	2,803,905	6,156,974	1,565,804	10,526,683			2,108		35,832	9,302		47,242	10,573,925
Depreciation		1,197,248	108,368	1,305,616								-	1,305,616
Total operating expenses	2,803,905	7,354,222	1,674,172	11,832,299	-	-	2,108	-	35,832	9,302	-	47,242	11,879,541
Operating income(loss)	(720,555)	2,641,232	(554,625)	1,366,052	-	-	(2,108)	-	(35,832)	(9,302)	-	(47,242)	1,318,810
NONOPERATING REVENUES (EXPENSES)													
Interest Income	704,806	220,016	15	924,837	20,063,079	29,361,473	140,243	199,498	4,666	179,089	631,062	50,579,110	51,503,947
Other Investment Income				-	17,551	14,735						32,286	32,286
Interest expense		(1,317,082)		(1,317,082)	(18,621,198)	(28,926,848)					(579,375)	(48,127,421)	(49,444,503)
Capital Contributions	800,000	(800,000)		-								-	-
In Lieu of Taxes		(500,000)		(500,000)								-	(500,000)
Account Transfers	5,001,913		2,593,729	7,595,642	(4,271,143)	(2,341,384)		(983,115)				(7,595,642)	-
Payments on behalf of GVI	(580,000)			(580,000)		(13,765,618)				(10,769)		(13,776,787)	(14,355,787)
Total nonoperating revenue(expenses)	5,926,719	(2,397,066)	2,593,744	6,123,397	(2,811,711)	(15,657,042)	140,243	(783,617)	4,666	168,320	51,687	(18,887,454)	(12,764,057)
Changes in Net Assets and transfers	$ 5,206,164	$ 244,166	$ 2,039,119	$ 7,489,449	$ (2,811,711)	$ (15,657,042)	$ 138,135	$ (783,617)	$ (31,166)	$ 159,018	$ 51,687	$ (18,934,696)	$ (11,445,247)