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, 2005 and 2004

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
254 Muñoz Rivera Avenue
BBVA Tower, 9th Floor
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, 2005 and 2004 and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 included on Exhibit I, as of September 30, 2005 and for the year ended September 30, 2005 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

April 28, 2006

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2007
Stamp 2126437 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 years ended September 30, 2005 and 2004.

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

FINANCIAL HIGHLIGHTS

As indicated in table included on page 4, at September 30, 2005, the total assets of the Authority amounted to $1.5 billion, of which $41 million were capital assets (2004 - $1.4 billion of which $40 million were capital assets). Total liabilities amounted to $1.5 billion of which $1.1 billion represent bonds and loans outstanding, and $361 million represent other liabilities (2004 - $1.3 billion of which $1.0 billion were for bonds and loans outstanding, and $288 million were for other liabilities) . The total assets of the Authority exceeded its liabilities as of September 30, 2005 by $68.6 million (net assets) (2004 - $64.1 million). Unrestricted net assets amounted to $10.6 million (2004 - $7.6 million), net assets invested in capital assets, net of related debt amounted to $20.6 million (2004 - $18.5 million), and net assets restricted to debt and investment purposes amounted to $37.5 million (2004- $38.0 million).

During the 2005 fiscal year, the Authority experienced an operating loss of $1.6 million (2004 – operating income of $4.5 million). In addition, the Authority received principal and interest payments on loans to the Government of the U.S. Virgin Islands of $29.9 million (2004 - $124.5 million) and $61.2 million (2004 - $56.6 million), respectively. The Authority made debt service principal and interest payments on bonds of $29.3 million (2004 - $24.5 million) and $61.2 million (2004 - $56.6 million). The Authority made payments on behalf of the Government of the U.S.Virgin Islands during fiscal year 2005, from restricted investments amounting to $5.0 million (2004 - $5.6 million).

The Authority's net assets increased by $4.5 million or 7.0% in 2005 and increased by $5.2 million or 8.8% in 2004.

The activities of the West Indian Company ("WICO") port facility resulted in an increase in net assets of $743 thousand (2004 - $549 thousand).

The activities of the King's Alley Management, Inc. hotel facility resulted in an increase in net assets of $313 thousand in 2005, and a increase of $2.2 million in 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Statements of Net Assets and the Statements of Revenues, Expenses and Changes in Net Assets, and Notes to the Financial Statements presented on pages 8 through 32 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 Exhibit I provide detailed 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, and 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 increased by $4.5 million during fiscal year 2005 (2004 – increase of $5.2 million). This increase was due to an increase in investment income on funds invested by the Authority. In 2004, the increase was due to (i) an increase in bond issuance fees collected for advisory services and (ii) an increase in operating revenues from its port facility.

Non-current assets, excluding capital assets, increased from $1.3 billion in 2004 to $1.4 billion in 2005 (and increased from $968 million in 2003 to $1.3 billion in 2004). The increase was due to an increase in investments from additional loans, and bonds floated by the Authority in both 2005 and 2004.

Current assets increased by $3.2 million (decreased by $93 million in 2004) due to an increase in the current receivable from the Government of the U.S. Virgin Islands which in turn is due to the issuance of the 2004 Series A Revenue Bonds and the issuance of the 2005 Series Notes, on December 2004 and September 2005, respectively. During 2004, current assets decreased due to payments from the Government of the U.S. Virgin Islands. Capital assets increased due to capital improvements at the Authority's two commercial complexes.

Current and non-current liabilities increased mainly due to the same reasons as the increase in current assets and an increase in amount due to the Government for capital projects and working capital.

In 2005, operating revenues experienced a decrease due to a decrease in the investment and bond management fees charged to the Government of the U.S. Virgin Islands of $4 million as a result of fewer bond issuances and a decrease in WICO charges to cruise lines of $1 million as a result of a decrease in passenger arrivals. These decreases were offset by an increase in King's Alley operating income of $639 thousand (please refer to the Commercial complexes section on this MD&A for discussion on WICO and King's Alley). Operating expenses in 2005 increased by approximately $1 million mainly due to an increase in legal fees incurred in conjunction with various improvement projects.

In 2004, operating revenues experienced an increase in the investment and bond management fees charged to the Government of the U.S. Virgin Islands by approximately $3.1 million, and an increase in WICO charges to cruise lines, which were partially offset by a decrease in King's Alley revenues during 2004 (please refer to the Commercial complexes section on this MD&A for discussion on WICO and King's Alley). Operating expenses in 2004 increased by approximately $700 thousand mainly due to an increase in the operating costs of WICO of approximately $1.5 million. Such increase in WICO occurred mainly due to higher traffic of cruises and depreciation expense and it was offset by a decrease in operating expenses of King's Alley of $800 thousand due to decreased operations during the renovation of the hotel facilities completed during fiscal year 2005.

Following is condensed financial information of the business type activities of the Authority as of :

	(in thousands) 2005	2004	2003
Condensed information from Statement of Net Assets			
Current assets	$ 53,812	$ 50,585	$ 143,712
Non-current assets excluding capital assets	1,447,432	1,304,088	968,377
Capital assets (net of depreciation)	41,123	39,862	39,973
Total assets	1,542,367	1,394,535	1,152,062
Current liabilities	37,302	31,318	128,745
Long-term portion of bonds outstanding, net	1,056,657	994,211	755,750
Other Liabilities	379,777	304,860	208,608
Total liabilities	1,473,736	1,330,389	1,093,103
Net Assets			
Invested in capital assets, net of debt	20,578	18,487	17,958
Restricted	37,502	38,038	32,918
Unrestricted	10,551	7,621	8,083
Total net assets	$ 68,631	$ 64,146	$ 58,959
Condensed information from Statement of Revenue, Expenses and Changes in Net Assets			
Operating revenues	$ 13,269	$ 18,073	$ 14,806
Operating expenses	(14,845)	(13,550)	(12,838)
Operating (loss) income	(1,576)	4,523	1,968
Non-operating income (expenses) and other changes in net assets	6,061	664	(3,835)
Change in net assets	$ 4,485	$ 5,187	$ (1,867)

Investment Management Activities

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

Investments under management for fiscal years 2005, 2004 and 2003 were as follows:

	Restricted Cash, Cash Equivalents and Investments (in thousands)		
	2005	2004	2003
Outstanding bond series	$ 348,151	$ 268,270	$ 168,962
Defeased bond series	18,355	18,889	22,606
Investments under management	366,506	287,159	191,568
Other restricted cash, cash equivalents and investments	9,630	10,210	8,733
	$ 376,136	$ 297,369	$ 200,301

Commercial Complexes

The Authority managed two commercial complexes 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 on the island of St. Thomas. King's Alley is a shopping mall and hotel, on the island of St.Croix.

	WICO			King's Alley		
	2005	2004	2003	2005	2004	2003
Operating Revenues	$ 11,358,478	$ 12,381,032	$ 9,949,937	$ 909,205	$ 555,241	$ 1,038,906
Operating Expenses	(8,816,670)	(8,948,904)	(7,392,533)	(624,331)	(909,081)	(1,738,120)
Operating Income (Loss)	2,541,808	3,432,128	2,557,404	284,874	(353,840)	(699,214)
Nonoperating Revenues	147,996	97,904	375,536	27,974	2,535,037	10,329
Nonoperating Expenses	(1,947,057)	(2,980,839)	(2,039,385)			
Nonoperating Revenues (expenses)	(1,799,061)	(2,882,935)	(1,663,849)	27,974	2,535,037	10,329
Change in Net Assets	$ 742,747	$ 549,193	$ 893,555	$ 312,848	$ 2,181,197	$ (688,885)

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 2005 compared to fiscal year 2004 as a result of a decrease in passenger arrivals and increased during fiscal year 2004 compared to fiscal year 2003 due to an increase in operating revenues from an increase in fees from cruise ships.

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 operating income increased during fiscal year 2005 compared to fiscal year 2004 due to $550 thousand in funds transferred from the 1994 Series Bonds. The overall decrease in operating loss from $699 thousand in 2003 to $354 thousand in 2004 was due to decreased operations during the renovation of the hotel facilities completed during fiscal year 2005.

DEBT ADMINISTRATION

At September 30, 2005, the Authority had approximately $1.088 billion in bonds outstanding as follows.

	Bonds Outstanding 9/30/2003	New Issuances	(in thousands) Debt Payments	Bonds Outstanding 9/30/2004	New Issuances	(in thousands) Debt Payments	Bonds Outstanding 9/30/2005
2004 Series	$ -	$ -	$ -	$ -	$ 94,000	$ (2,295)	$ 91,705
2003 Series	-	268,020	-	268,020	-	(2,875)	265,145
2002 Series	18,645	-	(2,805)	15,840	-	(2,900)	12,940
1999 Series	283,335	-	(4,765)	278,570	-	(5,005)	273,565
1998 Series	473,745	-	(13,955)	459,790	-	(14,765)	445,025
Y2K Series	4,510	-	(2,960)	1,550	-	(1,550)	-
Total	$ 780,235	$ 268,020	$ (24,485)	$ 1,023,770	$ 94,000	$ (29,390)	$ 1,088,380

In December 2004, the Authority issued the 2004 Series A Bonds amounting to $94 million to finance capital projects of the Virgin Islands Waste Management Authority (see Note 5).

Defeased bonds outstanding from prior years amounted to $153.4 million (1989 Series) ($160 million in 2004) and $171.4 million (1994, 1993, 1992 and 1991 Series) ($181 million in 2004) at year-end.

Loans and notes outstanding were as follows:

	Loans Outstanding 9/30/2003	(in thousands) New Issuances	Debt Payments	Loans Outstanding 9/30/2004	(in thousands) New Issuances	Debt Payments	Loans Outstanding 9/30/2005
Bond Anticipation	$ 100,000	$ -	$ (100,000)	$ -	$ -	$ -	$ -
WICO	22,015		(639)	21,376		(830)	20,546
2005 Series Notes	-		-	-	6,350	(500)	5,850
Total	$ 122,015	$ -	$ (100,639)	$ 21,376	$ 6,350	$ (1,330)	$ 26,396

In September 2005, the PFA issued the Series 2005 Notes to finance the purchase of a fleet of vehicles for the U.S. Virgin Islands Police Department (see Note 6).

Currently Known Facts Affecting Financial Position or Results of Operations - Economic Factors

Tax Collections
Bonds 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 U.S. 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,		
	2005	2004	2003
		(in thousands)	
Excise rum tax:	$ 46,790	$ 40,452	$ 40,402
Gross receipts tax:	$ 38,532	$ 32,847	$ 22,358

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

Investment Performance and Agreements
The Authority investments include Aaa rated money market funds and commercial 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.

Virgin Islands Public Finance Authority
(a blended component of the Government of the United States Virgin Islands)
Statements of Net Assets
September 30, 2005 and 2004

	2005	2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 19,648,067	$ 21,336,214
Receivables, net	600,082	1,190,949
Restricted loans receivable - Government of the U.S. Virgin Islands	31,926,368	27,095,000
Investments, at fair value	839,503	-
Prepaid expenses and other assets	798,404	963,175
Total current assets	53,812,424	50,585,338
Non-current assets		
Restricted cash and cash equivalents	76,882,090	51,942,490
Restricted investments, at fair value	299,253,821	245,426,187
Restricted loans receivable - Government of the U.S. Virgin Islands	1,062,299,954	996,671,322
Bond discounts and issuance costs	8,995,124	10,047,717
Capital assets, net of depreciation	41,123,439	39,862,199
Total non-current assets	1,488,554,428	1,343,949,915
Total assets	$ 1,542,366,852	$ 1,394,535,253
LIABILITIES		
Current liabilities		
Accrued expenses and other liabilities	$ 4,330,134	$ 3,216,337
Loans payable related to capital assets	851,804	813,140
Notes payable	2,051,368	-
Deferred income	193,714	193,714
Bonds payable	29,875,000	27,095,000
Total current liabilities	37,302,020	31,318,191
Non-current liabilities		
Loans payable related to capital assets	19,693,748	20,562,492
Notes payable	3,798,632	-
Bonds payable (including a reduction of $1,848,109 and $2,464,129 in 2005 and 2004, respectively, due to a deferred amount on defeased bonds)	1,056,656,891	994,210,871
Restricted assets held for the Government of the U.S. Virgin Islands	242,932,137	180,978,418
Deferred income	774,859	968,572
Payable from restricted assets	112,577,339	102,350,518
Total non-current liabilities	1,436,433,606	1,299,070,871
Total liabilities	1,473,735,626	1,330,389,062
NET ASSETS		
Invested in capital assets, net of related debt	20,577,887	18,486,567
Restricted	37,502,369	38,038,430
Unrestricted	10,550,970	7,621,194
Total net assets	$ 68,631,226	$ 64,146,191

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
For the Years Ended September 30, 2005 and 2004

	2005	2004
OPERATING REVENUES		
Charges for services	$ 11,717,683	$ 14,936,273
Other	1,551,594	3,136,906
Total operating revenues	13,269,277	18,073,179
OPERATING EXPENSES		
General and administrative	13,117,324	11,859,764
Depreciation and amortization	1,728,026	1,690,386
Total operating expenses	14,845,350	13,550,150
Operating (loss) income	(1,576,073)	4,523,029
NON-OPERATING REVENUES (EXPENSES)		
Interest income		
Cash, cash equivalents and investments	4,856,543	5,544,653
Loans receivable	61,154,678	56,542,582
Other investment income	5,591,277	233,791
Amortization of bond discount and issuance costs	(2,077,340)	(1,910,907)
Interest expense	(62,101,735)	(57,523,136)
Gain on sale of capital assets	625	2,921
Total non-operating income	7,424,048	2,889,904
Income before transfers	5,847,975	7,412,933
TRANSFERS		
Operating transfer from Government of the U.S. Virgin Islands	-	1,410,295
In lieu of taxes	(1,000,000)	(1,000,000)
Payments on behalf of Government of the U.S. Virgin Islands	(362,940)	(2,636,164)
Total transfers	(1,362,940)	(2,225,869)
Change in net assets	4,485,035	5,187,064
Total net assets at beginning of fiscal year	64,146,191	58,959,127
Total net assets at ending of fiscal year	$ 68,631,226	$ 64,146,191

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
For the Years Ended September 30, 2005 and 2004

	2005	2004
Cash flows from operating activities		
Cash received from customers	$ 12,902,585	$ 14,936,274
Cash paid to suppliers and employees for services	(9,450,811)	(10,286,166)
Other cash receipts	1,001,594	3,136,906
Net cash provided by operating activities	4,453,368	7,787,014
Cash flows from investing activities		
Purchases of investments	(101,666,724)	(96,203,294)
Interest received on cash, cash equivalents and investments	14,749,568	5,428,095
Investment maturities and sales	30,254,899	39,031,288
Net cash used in investing activities	(56,662,257)	(51,743,911)
Cash flows from capital and related financing activities		
Proceeds from long-term debt issuance	100,350,000	268,020,000
Acquisition of capital assets	(2,959,331)	(2,047,034)
Interest paid on long-term debt related to capital assets	(947,057)	(1,011,797)
Principal paid on loans payable related to capital assets	(1,330,080)	(100,608,432)
Net cash provided in capital and related financing activities	95,113,532	164,352,737
Cash flows from non-capital financing activities		
In lieu of taxes paid	(1,000,000)	(1,000,000)
Interest paid on bonds payable	(61,178,897)	(56,612,767)
Interest collected on loans receivable	61,178,897	56,613,052
Payment of bond issuance costs	(96,088)	(2,367,118)
Decrease in loan receivable	23,445,000	124,489,215
Principal payments on bonds payable	(29,295,000)	(24,485,000)
Payments on behalf of Government of the U.S. Virgin Islands	(48,830,747)	(168,060,892)
Increase in other non-operating assets	36,123,646	8,765,500
Net cash used in non-capital financing activities	(19,653,189)	(62,658,010)
Net increase in cash, cash equivalents and restricted cash	23,251,454	57,737,830
Cash, cash equivalents and restricted cash at beginning of fiscal year	73,278,703	15,540,873
Cash, cash equivalents and restricted cash at end of fiscal year	$ 96,530,157	$ 73,278,703
Reconciliation of operating (loss) income to net cash provided by operating activities		
Operating (loss) income	$ (1,576,073)	$ 4,523,029
Adjustments to reconcile opeating (loss) income to net cash provided by operating activities		
Depreciation and amortization	1,728,026	1,690,386
Provision for doubtful accounts	150,593	-
Changes in operating assets and liabilities that increase (decrease) cash		
Receivables	484,306	17,490
Accrued expenses and other liabilities	3,569,370	513,710
Prepaid expenses and other assets	97,146	1,042,399
Total adjustments	6,029,441	3,263,985
Net cash provided by operating activities	$ 4,453,368	$ 7,787,014

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 U.S. 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 U.S. Virgin Islands existing on October 1, 2000 shall be the debt limit of the Government of the U.S. Virgin Islands, exclusive of bond principal and interest that may become due. At the end of fiscal year 2005, 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 refunding 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) of 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. Effective October 1, 2001, the Authority implemented 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's 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 non-operating revenues.

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 U.S.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 No. 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 2004 A Revenue Bonds: The proceeds of the bonds were used to: (i) finance the planning, development, constructing, renovating and equipping of the 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 used 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 were used 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: Proceeds of the 1998 Bonds 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 of the previously outstanding Revenue Bonds Series 1989 A and Series 1989 B. The bonds were defeased on 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 U.S. 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 2005, the Authority charged the Government of the U.S. Virgin Islands and other entities under the private activity bond program, fees amounting to $1,001,594 ($5,136,906 for 2004) for its investment and bond management services.

Payments and Transfers on Behalf of Government

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

During the year ended September 30, 2005, capital expenditures of $4.5 million were disbursed from the restricted investments related to the Series 2005 notes. The disbursements are reported as a reduction of Restricted Assets held for the Government of the U.S. Virgin Islands.

During the year ended September 30, 2005, there were $550 thousand and $297 thousand of capital expenditures disbursed from the restricted investments related to the 1992 Revenue and 1994 Revenue bonds, respectively, and $137 thousand was disbursed from the 1998 bond investments. The disbursements from the 1994 Revenue Bond Investments are recorded as a reduction of the

Restricted Assets held for Government of the Virgin Islands. The disbursements from the 1992 Revenue bond investments are recorded as payments on behalf of the Government. The disbursements from the 1998 Bond investments are recorded as payments from restricted investments and payments on behalf of the Government for the disbursements paid from reprogrammed interest earnings.

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 U.S. 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.

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.

Operating and Non-operating Revenues
Operating revenues of the Authority include revenues of the general operations of the Authority, revenues from the WICO 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 and are offset 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.

Reclassifications

Certain amounts reflected in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

Effect of Recent GASB Statements

In March 2003, the GASB issued its Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3.* This statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates, focusing on disclosure of credit and custodial risk regarding funds deposited with financial institutions. The disclosures required by GASB Statement No. 40 are included in Note 2 to the financial statements.

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

Statement Number		Adoption Required in Fiscal Year
42	Accounting and Financial Reporting For Impairment of Capital Assets and for Insurance Recoveries	2006
43	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	2007
44	Economic Condition Reporting: The Statistical Section	2006
45	Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions	2008
46	Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34	2006
47	Accounting for Termination Benefits	2006

2. Cash, Cash Equivalents and Investments

Cash and cash equivalents, segregated by category at September 30, 2005 and 2004, are as follows:

2005	Bank Balance	Carrying Amount
Restricted	$ 77,229,752	$ 76,882,090
Unrestricted	19,761,417	19,648,067
	$ 96,991,169	$ 96,530,157

2004	Bank Balance	Carrying Amount
Restricted	$ 51,982,691	$ 51,942,490
Unrestricted	19,376,413	21,336,214
	$ 71,359,104	$ 73,278,704

Restricted cash and cash equivalents represents cash segregated for debt service due under the Authority's debt agreements. At September 30, 2005, restricted cash amounting to $1,792,264 (2004 - $1,764,956) represents cash segregated for debt service under loans payable related to capital assets and is presented as part of net assets restricted in the Statement of Net Assets.

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 (see Note 6).

As of September 30, 2005, $95,801,497, or 99.2% of the Authority's deposits in banks were held at Banco Popular de Puerto Rico. At September 30, 2004, $71,511,667, or 97.6%, of the Authority's deposits in banks were held at Banco Popular de Puerto Rico. Uncollateralized deposits at Banco Popular de Puerto Rico amounted to $92,109,335 in 2005 and $70,957,023 in 2004.

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 2003 Bonds Series A, 2002 Bonds Series, 1999 Bonds Series A and the 1998 Bonds Series A, B, C, D and E.

Pursuant to the requirements of the Loan Agreement, 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 WICO, and to manage construction and project funds for the defeased bonds.

Investments in the reserve accounts at September 30, 2005 were as follows:

	2005 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Series Revenue Bonds	1999 Series A Revenue Bonds	1998 Bonds Series A, B, C, D and E	Total
Restricted							
Debt service reserve	$ 20,910	$ 10,735,054	$ 17,676,698	$ 2,284,786	$ 27,719,680	$ 60,647,266	$ 119,084,394
Construction Funds	-	71,493,271	92,919,206	6,324,368	-	-	170,736,845
Project Fund	1,191,394	-	-	-	8,241,188	-	9,432,582
	$ 1,212,304	$ 82,228,325	$ 110,595,904	$ 8,609,154	$ 35,960,868	$ 60,647,266	$ 299,253,821

Investments in the reserve accounts at September 30, 2004 were as follows:

	2003 Series A Revenue Bonds	2002 Series Revenue Bonds	1999 Series A Revenue Bonds	1998 Bonds Series A, B, C, D and E	Total
Restricted					
Debt service reserve	$ 16,603,732	$ 2,391,215	$ 25,856,405	$ 77,596,643	$ 122,447,995
Construction Funds	105,528,785	9,407,108	-	-	114,935,893
Project Fund	-	-	8,042,299	-	8,042,299
	$ 122,132,517	$ 11,798,323	$ 33,898,704	$ 77,596,643	$ 245,426,187

Restricted investments, categorized by investment type, and weighted average maturity, for 2005 and 2004, are as follows:

	2005 Fair Value	2005 Weighted Average Maturity (Years)	2004 Fair Value	2004 Weighted Average Maturity (Years)
Money Market Funds	$ 139,911,632		$ 162,253,947	
Portfolio investments				
Commercial Paper	128,737,996	0.36	80,929,811	0.01
U.S. government agencies notes	30,604,193	0.13	2,242,429	0.42
	159,342,189		83,172,240	
Portfolio weighted average maturity		0.10		0.10
Total investments	$ 299,253,821		$ 245,426,187	

During fiscal year 2005, the Authority recognized $5.4 million on gain on sale of investment securities. This amount is presented as part of other investment income in the accompanying Statement of Revenues, Expenses and Changes in Net Assets.

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

Credit Risk. The authorizing legislation of the Authority does not limit investments by credit rating categories. Authorizing legislation limits the investment choices of the Authority to: direct obligations or obligations guaranteed by the United States, obligations of states, territories, possessions and commonwealths of the United States, obligations of international banking institutions, repurchase agreements, investment contracts, certificates of deposits, guaranteed investment contracts, shares in mutual funds, investment companies, corporate commercial paper, money market portfolio and investment pools.

At September 30, 2005, 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 paper were rated A-1 or A-1+ by Standard & Poor's, and P-1 by Moody's Investor Service; and the Authority's investments in U.S. government agencies were rated AAA by both Standard & Poor's and Moody's Investor Services.

Concentration of Credit Risk. The Authority places no limit on the amount that may be invested in one issuer. At September 30, 2005, more than 5% of the Authority's investments were invested in: Fidelity Treasury Money Market No. 696, Class 3 (20.3%), General Electric Capital Corporation Commercial Paper (17.2%), Goldman Financial Square Money Market No. 474 (17.0%), AIM Short Term Investment Co. Treasury No. 2 (9.5%), Federal Home Loan Mortgage Corporation (8.9%), Commoloco, Inc. Commercial Paper (8.7%), and Natexis Banques Populaires Commerical Paper (6.3%).

At September 30, 2004, more than 5% of the Authority's investments were invested in: Goldman Financial Square Money Market No. 474 (41.7%), Morgan Stanley Dean Witter Commerical Paper (16.9%), Fidelity Treasury Money Market No. 696, Class 3 (15.6%), Bear Stearns Co. Commercial Paper (9.4%), Eurohypo Ag Commercial Paper (6.8%), and AIM Short Term Investment Co. Treasury No. 2 (5.1%).

Custodial Credit Risk. The Authority does not have a custodial 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, 2005 and 2004, 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 2005 Notes, 2003 Revenue Bonds Series A, 2003 Revenue Bond Anticipation Loan Note and 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 notes payable (see Note 5).

The Authority loaned the proceeds of the 2004 Bonds Series A and 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 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).

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. Capital Assets

Capital assets at September 30, 2005 and 2004 and changes during both fiscal years follows:

	Balance 9/30/04	Additions Net of transfers	Disposal	Balance 9/30/05
Land	$ 5,020,006	$ -	$ (40,000)	$ 4,980,006
Construction in progress	808,939	1,044,988	(96,941)	1,756,986
Buildings and building improvements	41,957,998	1,593,028	(30,970)	43,520,056
Personal property and equipment	1,869,906	507,144	(138,506)	2,238,544
Total	49,656,849	3,145,160	(306,417)	52,495,592
Less accumulated depreciation	(9,794,650)	(1,577,503)	-	(11,372,153)
Total capital assets, net	$ 39,862,199	$ 1,567,657	$ (306,417)	$ 41,123,439

	Balance 9/30/03	Additions Net of transfers	Disposal	Balance 9/30/04
Land	$ 5,020,006	$ -	$ -	$ 5,020,006
Construction in progress	721,801	87,138	-	808,939
Buildings and building improvements	40,873,570	1,084,428	-	41,957,998
Personal property and equipment	1,561,658	308,248	-	1,869,906
Total	48,177,035	1,479,814	-	49,656,849
Less accumulated depreciation	(8,203,709)	(1,590,941)	-	(9,794,650)
Total capital assets, net	$ 39,973,326	$ (111,127)	$ -	$ 39,862,199

5. Bonds Payable

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 2003 Revenue Bonds Series A 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 Authority has outstanding $273,565,000 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 Brothers 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. The objective of the Authority was to monetize the economies of the Series of 1999 A Bonds call option and lock in the favorable interest rates prevailing on February 28, 2003 without currently issuing refunding bonds. The swaption was the most efficient mechanism available to the Authority to effect savings from the Series of 1999 A Bonds at that time. As a synthetic refunding of its 1999 Series A Bonds, this payment represents the risk-adjusted, present-value savings of a refunding as of October 1, 2010, without issuing refunding bonds at February 2003. The swaption gave the counterparty the option to make the Authority enter into a pay-fixed, receive-variable interest rate swap. If the option is exercised, the Authority would then expect to issue variable-rate refunding bonds.

The up-front payment of $8.3 million was received by the Authority on behalf of the primary Government. The amount is restricted for capital projects. As of September 30, 2005, the Authority had allocated $2 million for the Micro Loan Financing Program, and had expended $640 thousand of that amount as of September 30, 2005 ($78 thousand in 2004).

The $8.3 million payment was based on a notional amount of $174.9 million. The counterparty has the option to exercise the agreement on October 1, 2010—the Authority's 1999 bonds' first call date. If the swap is exercised, the swap will also commence October 1, 2010. The fixed swap rate (5.27 percent) was set at a rate that, when added to an assumption for remarketing and liquidity costs, will approximate the coupon rates of the "refunded" bonds. The swap's variable payment would be 64 percent of the London Interbank Offered Rate (USD-LIBOR-BBA).

As of September 30, 2005, the swap had a negative fair value of $29.3 million ($21.8 million in 2004) in favor of the counterparty estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by the current yield curve for the hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

If the option is exercised and refunding bonds are not issued, the 1999 bonds would not be refunded and the Authority would make net swap payments as required by the terms of the contract—that is, making a fixed payment to the counterparty for the term of the swap at 5.27 percent and receiving a variable payment of 64 percent of LIBOR. If the option is exercised and the variable-rate bonds issued, the actual savings ultimately recognized by the transaction will be affected by the relationship between the interest rate terms of the to-be-issued variable-rate bonds versus the variable payment on the swap (64 percent of LIBOR). If the option is not exercised, the Authority is not obligated to repay the up-front payment.

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 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 maturity date of the bonds was 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 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, 2005, $171,395,000 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, 2005, $153,400,000 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 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 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 U.S. Virgin Islands (primarily rum), and exported to the United States from the U.S. 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 Bonds activity (gross) for the period ended September 30, 2005 follows (in thousands):

	1998 Bonds	Y2K Project Revenue Bonds	1999 Series A Revenue Bonds	2002 Garvey Bonds	2003 Series A Revenue Bonds	2004 Series A Revenue Bonds	Total
Balance at 9/30/03	$ 473,745	$ 4,510	$ 283,335	$ 18,645	$ -	$ -	$ 780,235
Bond Issuance	-	-	-	-	268,020	-	268,020
Principal payments	(13,955)	(2,960)	(4,765)	(2,805)	-	-	(24,485)
Balance at 9/30/04	459,790	1,550	278,570	15,840	268,020	-	1,023,770
Bond Issuance	-	-	-	-	-	94,000	94,000
Principal payments	(14,765)	(1,550)	(5,005)	(2,900)	(2,875)	(2,295)	(29,390)
Balance at 09/30/05	$ 445,025	$ -	$ 273,565	$ 12,940	$ 265,145	$ 91,705	$ 1,088,380

Bonds payable at September 30, 2005 are comprised of the following (in thousands):

	2005	2004
2004 Series A Revenue Bonds; Interest at 4.00% to 5.25%	$ 91,705	$ -
2003 Series A Revenue Bonds; Interest at 4.00% to 5.25%	265,145	268,020
2002 Garvey Bonds; Interest at 2.50% to 5.00%	12,940	15,840
1999 Series A Revenue Bonds; Interest at 4.20% to 6.50%	273,565	278,570
1999 Y2K Project Revenue Bonds; Interest at 6.25%	-	1,550
1998 Series A, B, C, D and E Revenue and Refunding Bonds; Interest at 5.50% to 7.11%	445,025	459,790
Total bonds payable	1,088,380	1,023,770
Less: Current portion	(29,875)	(27,095)
Deferred amount on defeased bonds	(1,848)	(2,464)
Long-term portion of bonds payable	$ 1,056,657	$ 994,211

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, 2005 and 2004 was as follows:

	2005	2004
2004 Series Revenue Bonds	$ 4,020	$ -
2003 Series A Revenue Bonds	13,301	10,493
2002 Series Revenue Bonds	749	847
1999 Series Bonds	17,351	17,589
Y2K Bonds	24	190
1998 Revenue & Refunding Bonds	25,710	26,497
	61,155	55,616
Other interest expense mainly related to loans and notes payable outstanding	947	1,907
	$ 62,102	$ 57,523

Maturity dates and debt service requirements as of September 30, 2005 for the Series A 2004 Revenue Bonds is as follows (in thousands):

October 1	Series 2004 A Principal	Interest	Total
2006	$ 2,980	$ 4,732	$ 7,712
2007	3,130	4,583	7,713
2008	3,285	4,427	7,712
2009	3,450	4,263	7,713
2010	3,625	4,090	7,715
2011-2015	21,025	17,544	38,569
2016-2020	27,020	11,538	38,558
2021-2025	27,190	3,660	30,850
	$ 91,705	$ 54,837	$ 146,542

Maturity dates and debt service requirements as of September 30, 2005 for the Series A 2003 Revenue Bonds is as follows (in thousands):

October 1	Series 2003 A Principal	Interest	Total
2006	$ 2,990	$ 13,186	$ 16,176
2007	3,110	13,066	16,176
2008	3,230	12,942	16,172
2009	3,360	12,813	16,173
2010	3,495	12,678	16,173
2011-2015	20,090	60,783	80,873
2016-2020	25,840	50,041	75,881
2021-2025	33,270	47,609	80,879
2026-2030	64,830	38,400	103,230
2031-2033	104,930	10,664	115,594
	$ 265,145	$ 272,182	$ 537,327

Maturity dates and debt service requirements as of September 30, 2005 for the Series 2002 Revenue Bonds is as follows (in thousands):

October 1	Series 2002 Garvey Revenue Bonds Principal	Interest	Total
2006	$ 3,000	$ 647	$ 3,647
2007	3,155	497	3,652
2008	3,310	339	3,649
2009	3,475	174	3,649
	$ 12,940	$ 1,657	$ 14,597

Maturity dates and debt service requirements as of September 30, 2005 for the Series 1999 A Revenue Bonds is as follows (in thousands):

	Series 1999 A		
October 1	**Principal**	**Interest**	**Total**
2006	$ 5,285	$ 17,070	$ 22,355
2007	5,585	16,772	22,357
2008	5,900	16,458	22,358
2009	6,230	16,126	22,356
2010	6,580	16,126	22,706
2011-2015	30,575	74,625	105,200
2016-2020	50,540	61,236	111,776
2021-2025	69,015	42,765	111,780
2026-2030	93,855	17,928	111,783
	$ 273,565	$ 279,106	$ 552,671

Maturity dates and debt service requirements as of September 30, 2005 for the 1998 bonds are as follows (in thousands):

	Series 1998 A		Series 1998 C		Series 1998 D	
October 1	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2006	$ -	$ 15,821	$ 11,150	$ 1,946	$ 4,470	$ 848
2007	-	15,821	11,780	1,333	4,750	580
2008	-	15,821	12,455	685	4,915	295
2009	13,135	15,821	-	-	-	-
2010	13,835	15,138	-	-	-	-
2011-2015	81,505	63,781	-	-	-	-
2016-2020	107,270	38,752	-	-	-	-
2021-2025	73,330	11,482	-	-	-	-
	$ 289,075	$ 192,437	$ 35,385	$ 3,964	$ 14,135	$ 1,723

	Series 1998 E		Total 1998 Bonds		
October 1	**Principal**	**Interest**	**Principal**	**Interest**	**Total**
2006	$ -	$ 6,261	$ 15,620	$ 24,876	$ 40,496
2007	-	6,261	16,530	23,995	40,525
2008	-	6,261	17,370	23,062	40,432
2009	5,345	6,261	18,480	22,082	40,562
2010	5,665	5,954	19,500	21,092	40,592
2011-2015	33,605	24,480	115,110	88,261	203,371
2016-2020	42,990	13,458	150,260	52,210	202,470
2021-2025	18,825	1,620	92,155	13,102	105,257
	$ 106,430	$ 70,556	$ 445,025	$ 268,680	$ 713,705

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

	Principal	Interest	Total
2006	$ 29,875	$ 60,511	$ 90,386
2007	31,510	58,913	90,423
2008	33,095	57,228	90,323
2009	34,995	55,458	90,453
2010	33,200	53,986	87,186
2011-2015	186,800	241,213	428,013
2016-2020	253,660	175,025	428,685
2021-2025	221,630	107,136	328,766
2026-2030	158,685	56,328	215,013
2031-2033	104,930	10,664	115,594
	$1,088,380	$ 876,462	$1,964,842

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. On February 28, 2003, the Authority entered into a Swaption contract that provided a synthetic refunding of the 1999 bonds. If the Swap is exercised, the Swap will commence October 1, 2010 and the Authority will pay a fixed rate of 5.27% and issue variable-rate refunding bonds. If the option is not exercised, the Authority may redeem the 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. Long-Term Loans and Notes

Long-term loans and notes outstanding were as follows:

	Loans and Notes Outstanding 9/30/2003	(in thousands) New Issuances	Debt Payments	Loans and Notes Outstanding 9/30/2004	(in thousands) New Issuances	Debt Payments	Loans and Notes Outstanding 9/30/2005
Bond Anticipation	$ 100,000	$ -	$ (100,000)	$ -	$ -	$ -	$ -
WICO	22,015		(639)	21,376		(830)	20,546
2005 Series Notes	-		-	-	6,350	(500)	5,850
Total	$ 122,015	$ -	$ (100,639)	$ 21,376	$ 6,350	$ (1,330)	$ 26,396

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 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 September 22, 2005, the Authority made a prepayment on the loan balance in the amount of $500,000 from unexpended loan proceeds.

On September 4, 2003, the Authority issued $100,000,000 Bond Anticipation Notes (BANs), in anticipation of the issuance of the 2003 Series A Bonds. Interest accrued quarterly at a rate of 3.25%. The proceeds of the BANs were loaned to the Government under the same terms, for the purposes of (i) funding vendor payments and tax refunds, (ii) funding capitalized interest, and (iii) paying the cost of issuance of the Bond Anticipation Notes. On December 17, 2003, the 2003 Series A Bonds were issued, and the Bond Anticipation Notes were repaid.

On November 20, 2002, WICO consolidated and refinanced existing loan balances. Under the terms of the refinancing, the Authority entered into a 20 year loan with a commercial bank 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 remaining balance at the end of the four-year period will be repaid in 240 consecutive monthly installments.

Future minimum payments of principal for the five years subsequent to September 30, 2005 and thereafter are as follows:

	WICO	Series 2005 Notes	Total
2006	$ 851,804	$ 2,051,368	$ 2,903,172
2007	870,169	2,136,672	3,006,841
2008	879,076	1,661,960	2,541,036
2009	919,700	-	919,700
2010	951,533	-	951,533
Thereafter	16,073,270	-	16,073,270
	20,545,552	5,850,000	26,395,552
Less-current portion	851,804	2,051,368	2,903,172
Total	$ 19,693,748	$ 3,798,632	$ 23,492,380

The Authority has pledged WICO revenues to the timely payment of principal and interest of the loan. Interest paid during the period ended September 30, 2005 amounted to $947 thousand ($981 thousand in 2004) for WICO.

As part of the loan agreements of WICO, no dividends may be declared and no additional equity interest may be granted during the term of the loans.

7. 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:

2006	$ 51,250
2007	55,000
2008	55,000
2009	55,000
2010	64,400
Thereafter	376,250
	$ 656,900

8. Contingencies

The Authority has a loan receivable amounting to approximately $1.094 billion ($1.024 billion in 2004) 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 5 under Pledged Funds. The principal and interest is subsequently passed-through for payment of the 2004, 2003, 2002, 1999 and 1998 Bonds and the Series 2005 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 U.S. Virgin Islands rum producer to ensure the competitive pricing of rum produced in the U.S. Virgin Islands. The effect of the molasses payments is to maintain the competitive position of the U.S. Virgin Islands rum 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 U.S. Virgin Islands. The Legislature, however, is not obligated to appropriate such amounts.

Notwithstanding the Government's past financial difficulties, the Legislature of the U.S. Virgin Islands has not yet waived or reduced the Molasses subsidy. If such an event should occur, the rum 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 such taxes.

The Authority is managing the operations related to King's Alley Hotel through King's Alley Management, Inc., a wholly-owned subsidiary. The hotel was received in foreclosure by Marshall's sale, upon default of the loan guarantee given by the Authority to the developer of the property. In December 2003, the Authority relinquished possession of the King's Alley Walk to the Inglovstad Family Trust. Legal title of the King's Alley Hotel, remains with King's Alley Management Inc.

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.

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

9. Concentration of Risk

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

10. 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. The Authority's contributions for the years ended September 30, 2005 and 2004 were approximately \$46 thousand and \$42 thousand, respectively, which represented the Authority's required contribution for those years.

Virgin Islands Public Finance Authority
Statement of Net Assets
September 30, 2005

Description	Operating	The West Indian Company	King's Alley Management Inc.	Total From Activities	2005 Series Notes	2004 Series A Revenue Bonds	2003 Series A Revenue Bonds	2002 Garvey Bonds
ASSETS								
Current Assets:								
Cash and cash equivalents	$ 12,189,499	$ 6,132,426	$ 1,326,142	$ 19,648,067	$ -	$ -	$ -	$ -
Receivables, net	82,555	455,743	61,783	600,082	-	-	-	-
Restricted loan receivable Government of the U.S Virgin Islands	-	-	-	-	2,051,368	2,980,000	2,990,000	3,000,000
Investments at fair value	-	839,503	-	839,503	-	-	-	-
Prepaid expenses and other assets	-	798,404	-	798,404	-	-	-	-
Total current assets	12,272,055	8,226,076	1,387,925	21,886,056	2,051,368	2,980,000	2,990,000	3,000,000
Non-current assets:								
Restricted cash and cash equivalents	-	1,792,264	-	1,792,264	-		4,408,978	-
Restricted investments	-	-	-	-	1,212,305	82,228,325	110,595,904	8,609,154
Restricted loan receivable Government of the U.S. Virgin Islands	-	-	-	-	3,798,632	88,725,000	262,155,000	9,936,322
Bond discount and issuance costs	-	406,963	-	406,963	-	-	-	62,213
Capital assets:								
Land and improvements	-	4,980,006	-	4,980,006	-	-	-	-
Construction in progress	-	221,296	1,535,690	1,756,986	-	-	-	-
Buildings and building improvements	-	38,751,747	4,768,309	43,520,056	-	-	-	-
Personal property and equipment	-	2,120,264	118,280	2,238,544	-	-	-	-
Less: accumulated depreciation	-	(10,593,049)	(779,104)	(11,372,153)	-	-	-	-
Total non-current assets	-	37,679,491	5,643,175	43,322,666	5,010,937	170,953,325	377,159,882	18,607,689
Total assets	$ 12,272,055	$ 45,905,567	$ 7,031,100	$ 65,208,722	$ 7,062,305	$ 173,933,325	$ 380,149,882	$ 21,607,689
LIABILITIES								
Current Liabilities:								
Accrued expenses	$ 1,455,512	$ 2,836,627	$ 20,017	$ 4,312,156	$ -	$ 17,978	$ -	$ -
Loans payable related to capital assets	-	851,804	-	851,804	-	-	-	-
Bonds payable	-	-	-	-	-	2,980,000	2,990,000	3,000,000
Notes payable	-	-	-	-	2,051,368	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Due to (from) other PFA funds	(423,227)	-	736,186	312,959	-	-	-	-
Total current liabilities	1,032,285	3,688,431	756,203	5,476,919	2,051,368	2,997,978	2,990,000	3,000,000
Non-current liabilities								
Loans payable related to capital assets	-	19,693,748	-	19,693,748	-	-	-	-
Bonds payable	-	-	-	-	-	88,725,000	262,155,000	9,940,000
Notes payable	-	-	-	-	3,798,632	-	-	-
Deferred amount on defeased bonds	-	-	-	-	-	-	-	-
Restricted assets held for the Government of U.S Virgin Islands	4,581,914	-	-	4,581,914	-	71,493,272	97,328,185	6,324,368
Payable from restricted assets	-	-	-	-	1,212,305	10,717,075	17,676,697	2,284,786
Deferred revenue	-	-	-	-	-	-	-	-
Total non-current liabilities	4,581,914	19,693,748	-	24,275,662	5,010,937	170,935,347	377,159,882	18,549,154
Total Liabilities	5,614,199	23,382,179	756,203	29,752,581	7,062,305	173,933,325	380,149,882	21,549,154
NET ASSETS								
Invested in capital assets, net of related debt	-	14,934,712	5,643,175	20,577,887	-	-	-	-
Restricted	-	1,792,264	-	1,792,264	-	-	-	58,535
Unrestricted	6,657,856	5,796,412	631,722	13,085,990	-	-	-	-
Total net assets	$ 6,657,856	$ 22,523,388	$ 6,274,897	$ 35,456,141	$ -	$ -	$ -	$ 58,535

Description	Swap Option Agreement	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	Transportation Trust 1989 Series Bonds	Y2K	Total From Bond and Investment Management	Total
ASSETS									
Current Assets:									
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,648,067
Receivables, net	-	-	-	-	-	-	-	-	600,082
Restricted loan receivable Government of the U.S Virgin Islands	-	5,285,000	15,620,000	-	-	-	-	31,926,368	31,926,368
Investments at fair value	-	-	-	-	-	-	-	-	839,503
Prepaid expenses and other assets	-	-	-	-	-	-	-	-	798,404
Total current assets	-	5,285,000	15,620,000	-	-	-	-	31,926,368	53,812,424
Non-current assets:									
Restricted cash and cash equivalents	7,837,928	-	42,209,986	5,356,943	2,730,449	10,267,222	2,278,320	75,089,826	76,882,090
Restricted investments	-	35,960,868	60,647,265	-	-	-	-	299,253,821	299,253,821
Restricted loan receivable Government of the U.S. Virgin Islands	-	268,280,000	429,405,000	-	-	-	-	1,062,299,954	1,062,299,954
Bond discount and issuance costs	-	5,160,170	3,363,778	-	-	-	-	8,588,161	8,995,124
Capital assets:									
Land and improvements	-	-	-	-	-	-	-	-	4,980,006
Construction in progress	-	-	-	-	-	-	-	-	1,756,986
Buildings and building improvements	-	-	-	-	-	-	-	-	43,520,056
Personal property and equipment	-	-	-	-	-	-	-	-	2,238,544
Less: accumulated depreciation	-	-	-	-	-	-	-	-	(11,372,153)
Total non-current assets	7,837,928	309,401,038	535,628,029	5,356,943	2,730,449	10,267,222	2,278,320	1,445,231,762	1,488,554,428
Total assets	$ 7,837,928	$ 314,686,038	$ 551,248,029	$ 5,356,943	$ 2,730,449	$ 10,267,222	$ 2,278,320	$ 1,477,158,130	$ 1,542,366,852
LIABILITIES									
Current Liabilities:									
Accrued expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,978	$ 4,330,134
Loans payable related to capital assets	-	-	-	-	-	-	-	-	851,804
Bonds payable	-	5,285,000	15,620,000	-	-	-	-	29,875,000	29,875,000
Notes payable	-	-	-	-	-	-	-	2,051,368	2,051,368
Deferred revenue	-	105,306	88,408	-	-	-	-	193,714	193,714
Due to (from) other PFA funds	-	-	-	(12,842)	(312,959)	12,842	-	(312,959)	-
Total current liabilities	-	5,390,306	15,708,408	(12,842)	(312,959)	12,842	-	31,825,101	37,302,020
Non-current liabilities									
Loans payable related to capital assets	-	-	-	-	-	-	-	-	19,693,748
Bonds payable	-	268,280,000	429,405,000	-	-	-	-	1,058,505,000	1,058,505,000
Notes payable	-	-	-	-	-	-	-	3,798,632	3,798,632
Deferred amount on defeased bonds	-	-	(1,848,109)	-	-	-	-	(1,848,109)	(1,848,109)
Restricted assets held for the Government of U.S Virgin Islands	-	10,215,752	47,410,218	-	5,578,428	-	-	238,350,223	242,932,137
Payable from restricted assets	7,610,311	18,510,228	53,325,949	-	-	-	1,239,988	112,577,339	112,577,339
Deferred revenue	-	421,226	353,633	-	-	-	-	774,859	774,859
Total non-current liabilities	7,610,311	297,427,206	528,646,691	-	5,578,428	-	1,239,988	1,412,157,944	1,436,433,606
Total Liabilities	7,610,311	302,817,512	544,355,099	(12,842)	5,265,469	12,842	1,239,988	1,443,983,045	1,473,735,626
NET ASSETS									
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	20,577,887
Restricted	227,617	11,868,526	6,892,930	5,369,785	-	10,254,380	1,038,332	35,710,105	37,502,369
Unrestricted	-	-	-	-	(2,535,020)	-	-	(2,535,020)	10,550,970
Total net assets	$ 227,617	$ 11,868,526	$ 6,892,930	$ 5,369,785	$ (2,535,020)	$ 10,254,380	$ 1,038,332	$ 33,175,085	$ 68,631,226

Virgin Islands Public Finance Authority
Statement of Revenues, Expenses
and Changes in Net Assets
For the fiscal year ended September 30, 2005

Description	Operating	The West Indian Company	King's Alley Management Inc.	Total From Activities	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 1992 A and Series 1992 B	Revenue Bonds Series 1994 A Series 1994 B and Series 1994 C	Transportation Trust 1989 Series Bonds	Y2K	Total From Bond and Investment Management	Total
OPERATING REVENUES																	
Charges for services	$ -	$ 11,358,478	$ 359,205	$ 11,717,683	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,717,683
Other operating revenues	1,001,594	-	550,000	1,551,594	-	-	-	-	-	-	-	-	-	-	-	-	1,551,594
Total operating revenues	1,001,594	11,358,478	909,205	13,269,277	-	-	-	-	-	-	-	-	-	-	-	-	13,269,277
OPERATING EXPENSES																	
General and administrative	5,344,215	7,311,314	401,661	13,057,190	-	-	-	-	-	-	10,532	12,200	-	30,252	7,150	60,134	13,117,324
Depreciation	-	1,505,356	222,670	1,728,026	-	-	-	-	-	-	-	-	-	-	-	-	1,728,026
Total operating expenses	5,344,215	8,816,670	624,331	14,785,216	-	-	-	-	-	-	10,532	12,200	-	30,252	7,150	60,134	14,845,350
Operating income (loss)	(4,342,621)	2,541,808	284,874	(1,515,939)	-	-	-	-	-	-	(10,532)	(12,200)	-	(30,252)	(7,150)	(60,134)	(1,576,073)
NONOPERATING REVENUES (EXPENSES)																	
Interest income:																	
Cash and Investments	207,508	147,371	27,974	382,853	-	190,602	31,449	216,610	126,290	1,557,809	1,643,070	208,641	48,407	416,019	34,793	4,473,690	4,856,543
Loans receivable	-	-	-	-	-	4,020,115	13,301,075	748,500	-	17,351,081	25,709,688	-	-	-	24,219	61,154,678	61,154,678
Other investment income	-	-	-	-	-	-	-	-	-	2,078,320	3,512,957	-	-	-	-	5,591,277	5,591,277
Interest expense	-	(947,057)	-	(947,057)	-	(4,020,115)	(13,301,075)	(748,500)	-	(17,351,081)	(25,709,688)	-	-	-	(24,219)	(61,154,678)	(62,101,735)
Amortization of bond discount/issuance costs	-	-	-	-	-	(190,602)	(31,449)	(232,163)	-	(568,092)	(439,014)	-	-	-	-	(1,461,320)	(1,461,320)
Amortization of deferred amount	-	-	-	-	-	-	-	-	-	-	(616,020)	-	-	-	-	(616,020)	(616,020)
Transfers (to) from Government of the U.S. Virgin Islands	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intrafund transfers	18,778	-	-	18,778	-	-	-	-	(18,778)	-	-	-	-	-	-	(18,778)	-
Gain on sale of fixed capital assets	-	625	-	625	-	-	-	-	-	-	-	-	-	-	-	-	625
Total nonoperating revenue(expenses)	226,286	(799,061)	27,974	(544,801)	-	-	-	(15,553)	107,512	3,068,037	4,100,993	208,641	48,407	416,019	34,793	7,968,849	7,424,048
Income (loss) before contributions and transfers	(4,116,335)	1,742,747	312,848	(2,060,740)	-	-	-	(15,553)	107,512	3,068,037	4,090,461	196,441	48,407	385,767	27,643	7,908,715	5,847,975
Payments on behalf of the Government of U.S. Virgin Islands	-	-	-	-	-	-	-	-	-	-	(65,658)	(297,282)	-	-	-	(362,940)	(362,940)
In lieu of taxes	-	(1,000,000)	-	(1,000,000)	-	-	-	-	-	-	-	-	-	-	-	-	(1,000,000)
Total transfers	-	(1,000,000)	-	(1,000,000)	-	-	-	-	-	-	(65,658)	(297,282)	-	-	-	(362,940)	(1,362,940)
Change in net assets	(4,116,335)	742,747	312,848	(3,060,740)	-	-	-	(15,553)	107,512	3,068,037	4,024,803	(100,841)	48,407	385,767	27,643	7,545,775	4,485,035
Total net assets-beginning	10,774,191	21,780,641	5,962,049	38,516,881	-	-	-	74,088	120,105	8,800,489	2,868,127	5,470,626	(2,583,427)	9,868,613	1,010,689	25,629,310	64,146,191
Total net assets-ending	$ 6,657,856	$ 22,523,388	$ 6,274,897	$ 35,456,141	$ -	$ -	$ -	$ 58,535	$ 227,617	$ 11,868,526	$ 6,892,930	$ 5,369,785	$ (2,535,020)	$ 10,254,380	$ 1,038,332	$ 33,175,085	$ 68,631,226