THE PERFORMETER® and the A.F.T.E.R. Analysis

A Financial Statement Analysis Using Indicators of the Financial Health and Success

and a

Status Report of Audit Findings, Timeliness and Exception Resolution (A.F.T.E.R.)

of

The Government of the U.S. Virgin Islands

as of and for the Year Ended September 30, 2004

CA Crawford & Associates, P.C
Oklahoma City, Oklahoma

What Is The Performeter®?

- An analysis that takes a government's financial statements and converts them into useful and understandable measures of financial performance
- Financial ratios and a copyrighted analysis methodology are used to arrive at an overall rating of 1-10
- The overall reading is a barometer of the VI's financial health and performance

How to Use The Performeter®

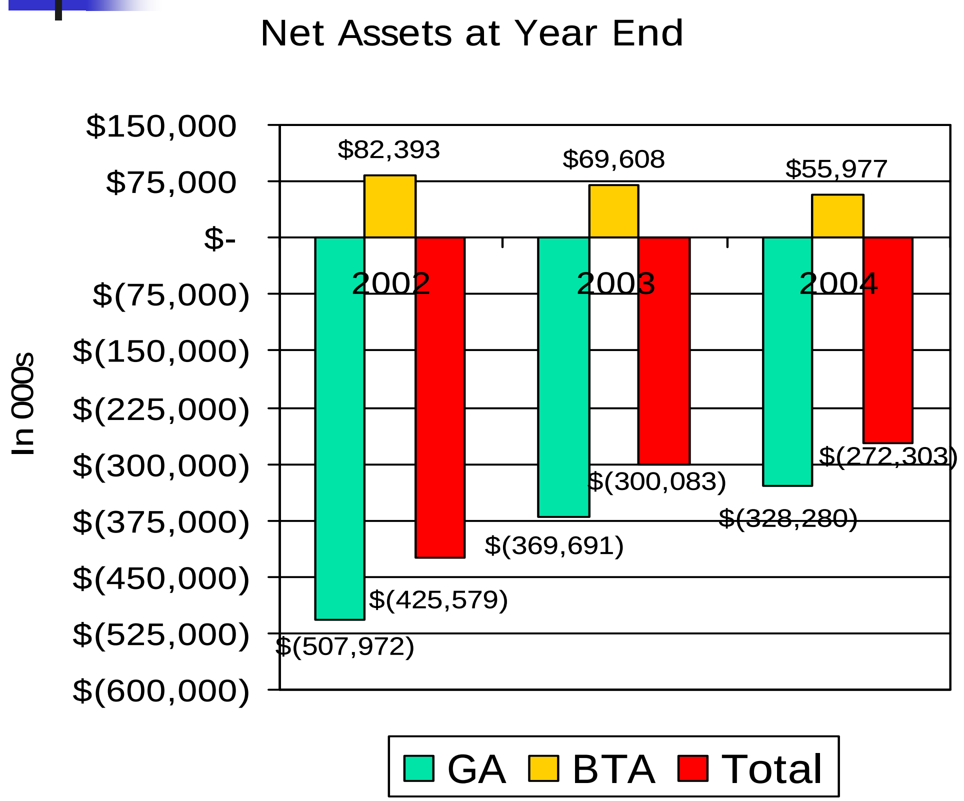
- Use the individual ratios to identify financial warning signals
- Use the overall rating as a collective benchmark of financial health and success of the VI as a whole
- Use the comparisons to prior years to monitor trends in financial indicators

Limitations of the Performeter®

- The Performeter® should not be used as the only source of financial information to evaluate the VI's performance and condition
- The analysis is an overall rating of the VI as a whole and not of specific activities, funds or units
- The Performeter® is based on Crawford & Associates' professional judgment and is limited as to its intended use

Change in Net Assets

Did our overall financial condition improve, decline or remain steady over the past year?



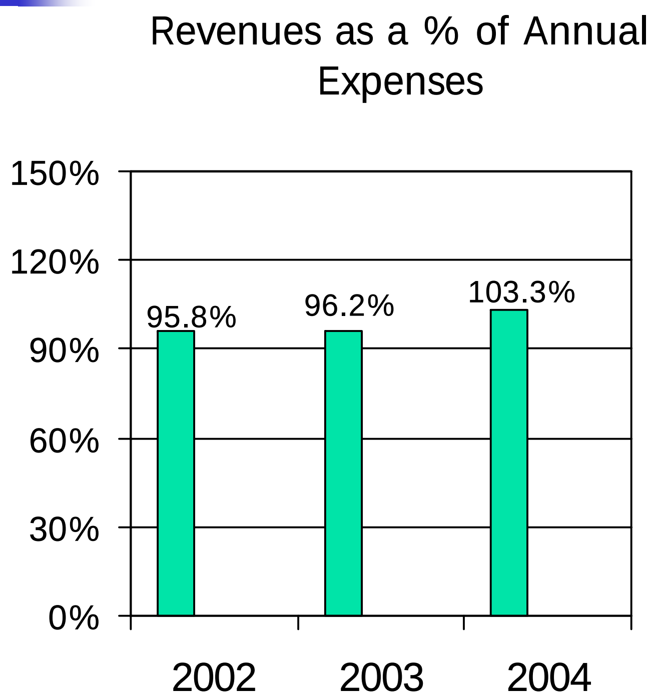
Net assets include all assets of the VI, except for fiduciary funds held for the benefit of others. It is measured as the difference between total assets, including capital assets, and total liabilities, including long-term debt.

For the year ended September 30, 2004, the total net assets deficit decreased by $30.9 million or 10.2% from the prior year, which leaves a total net assets deficit of approximately $272 million at year end. This overall decrease of the net assets deficit is indicative of the VI earning more revenue than incurring expenses during the current year, and continues a trend of deficit reduction over the past two periods shown in this analysis.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-9.4%	29.5%	10.2%							

Intergenerational Equity

Who is paying for today's costs of services?



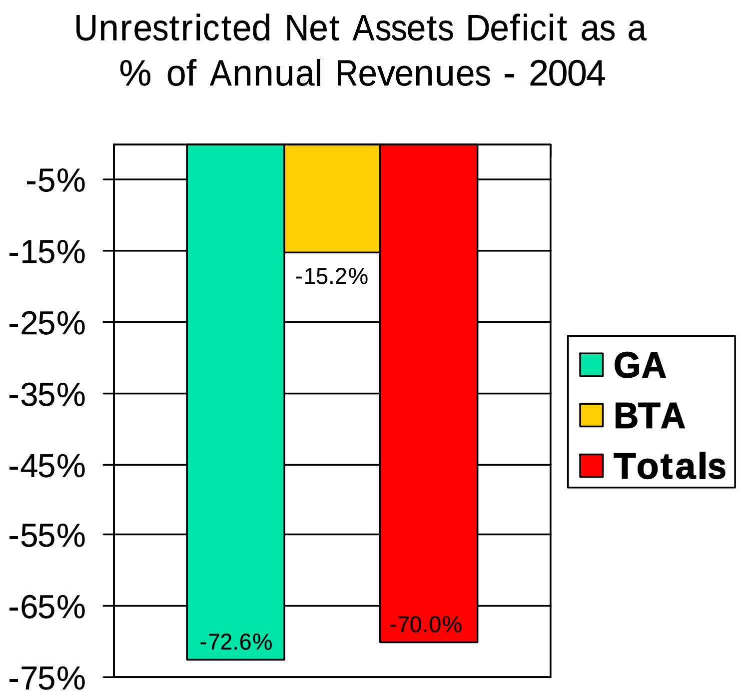
A measure of whether the government lived within its means in the measurement year, or was required to use prior year resources to fund a portion of current year costs, or shifted the funding of some of the current year costs to future periods.

For the year ended September 30, 2004, the VI funded 103.3% of their expenses with current year revenues, which is a favorable percentage, and an improvement from satisfactory ratios shown in the two prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
95.8%	96.2%	103.3%							

Level of Unrestricted Net Assets

How do our total rainy day funds look?



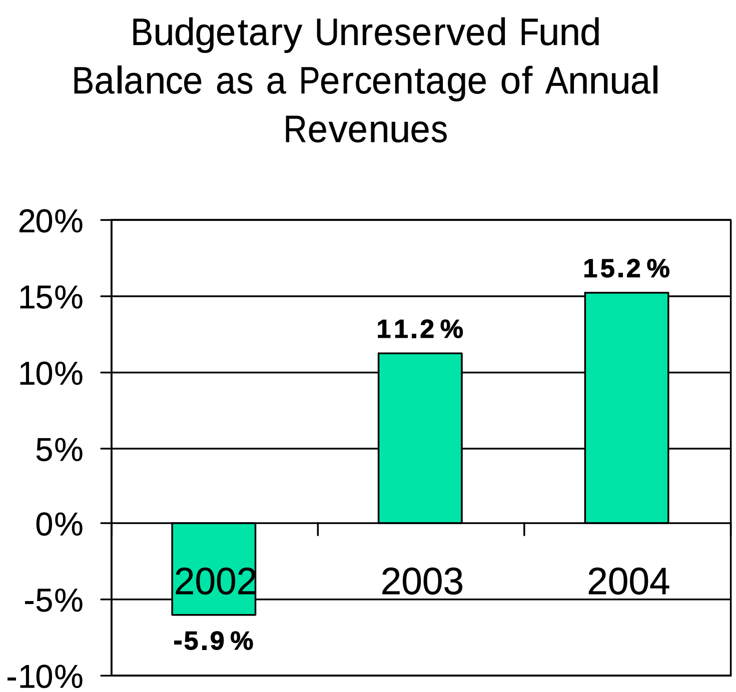
The level of total unrestricted net assets is an indication of the amount of unexpended and available resources the VI has at a point in time to fund emergencies, shortfalls or other unexpected needs.

For the year ended September 30, 2004, the VI's total unrestricted net assets deficit approximated $684.2 million or 70% of annual total revenues, continuing a trend of decreasing the size of the deficit reported in the two prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-100.4%	-81.2%	-70.0%							

Level of Budgetary Fund Balance

How does our budgetary carryover look?



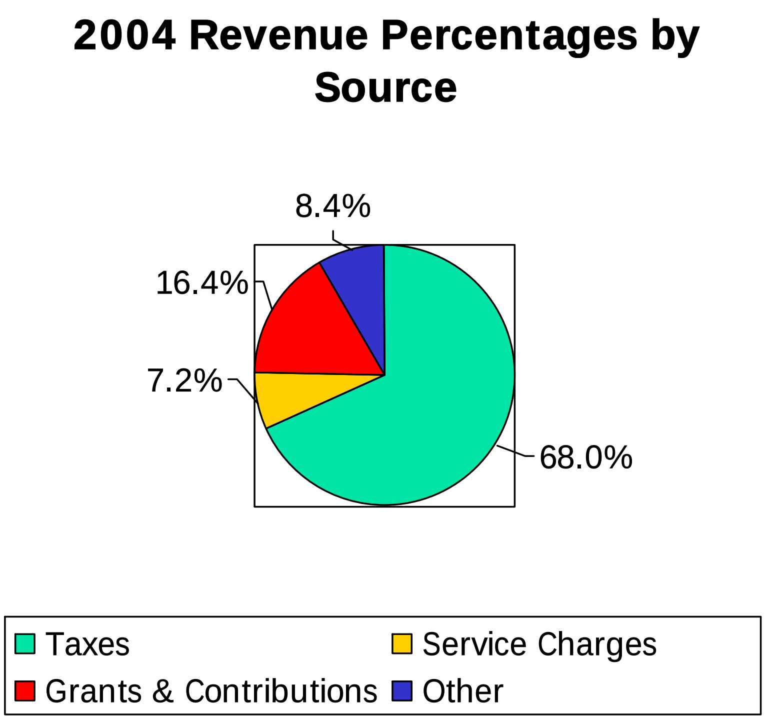
The level of budgetary unreserved fund balance is an indication of the amount of unexpended, unencumbered and available resources the VI has at a point in time to carryover into the next fiscal year to fund budgetary emergencies, shortfalls or other unexpected needs. In this analysis, only the General Fund is considered.

For the year ended September 30, 2004, the VI's unreserved fund balance of the General Fund was 15.2% of annual General Fund revenues. This is considered slightly above a satisfactory position for the General Fund to be in, and an increase in the General Fund unreserved fund balance reported in the two prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
-5.9%	11.2%	15.2%							

Revenue Dispersion

How heavily are we relying on revenue sources we can't directly control?



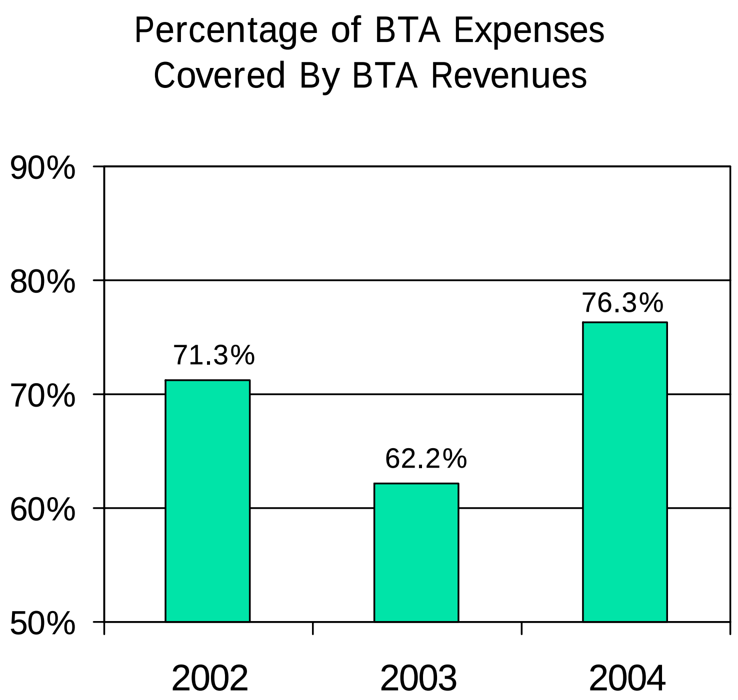
The percentage dispersion of revenue by source indicates how dependent the VI is on certain types of revenue. The more dependent the VI is on revenue sources beyond its direct control, such as grants and certain taxes, the less favorable the dispersion.

For the year ended September 30, 2004, the VI had direct control over 43.1% of its revenues (some taxes and charges for services). This ratio indicates that the VI has some exposure, as do most governments, to financial difficulties due to reliance on non-controlled revenue (56.9%). This ratio is consistent with that of the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
41.2%	44.6%	43.1%							

BTA Self-Sufficiency

Did current year business-type activities (BTA) pay for themselves?



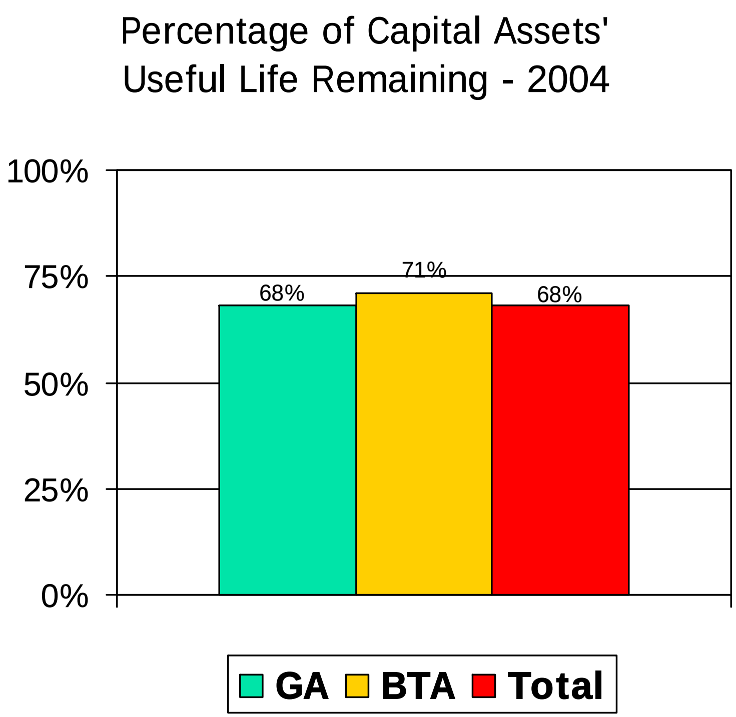
The self-sufficiency ratio indicates the level at which business-type activities covered their current costs with current year revenues, without having to rely on subsidies, grants or use of prior year reserves.

For the year ended September 30, 2004, the VI's total business-type activities were 76.3% self-sufficient. This indicates that approximately 3/4 of current year costs were funded by recurring current year revenues, and is an increase from that reported in the prior year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
71.3%	62.5%	76.3%							

Capital Asset Condition

How much useful life do we have left in our capital assets?



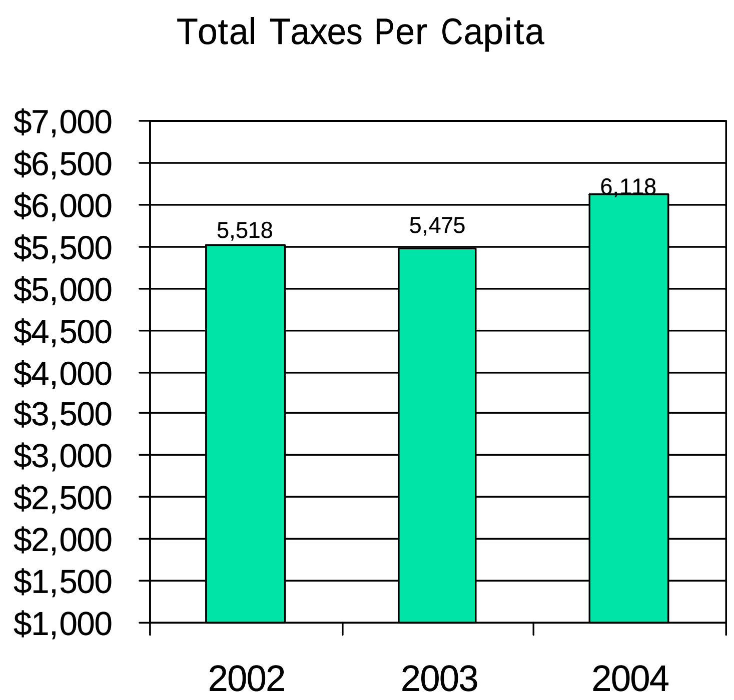
The capital asset condition ratio compares capital assets cost to accumulated depreciation to determine the overall percentage of useful life remaining. A low percentage could indicate an upcoming need to replace a significant amount of capital assets.

At September 30, 2004, the VI's depreciable capital assets amounted to $661.8 million while accumulated depreciation totaled $209.3 million. This indicates that, on the average, the VI's capital assets have 68% of their useful lives remaining. This is a favorable financial indicator although a slight decrease from the ratios reported in the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
72%	71%	68%							

Financing Margin - Taxes

Will our citizens be willing to pay increased taxes for operations or capital improvements, if needed?



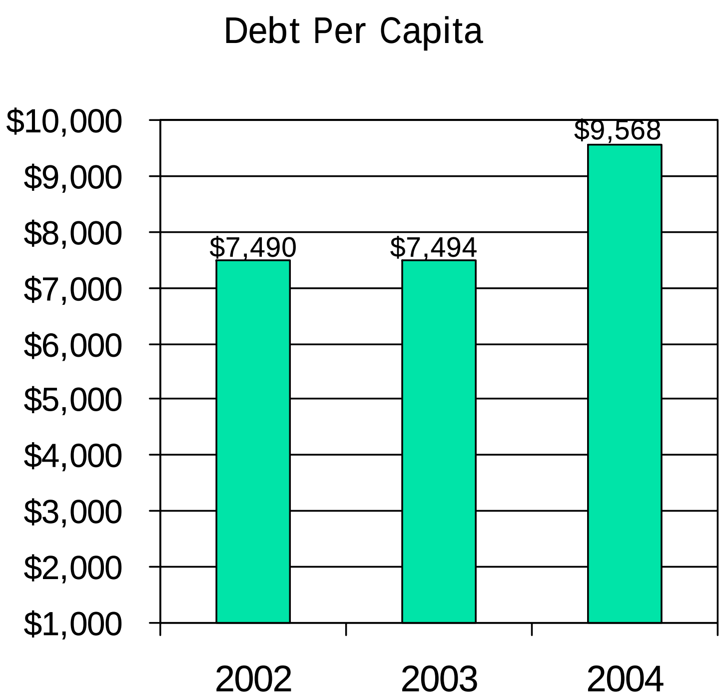
The financial ratio of taxes per capita is an indication of the VI's tax burden on its citizens and other taxpayers. The ratio includes all taxes, including income taxes, and other taxes.

For the year ended September 30, 2004, total taxes amounted to $664.5 million or $6,118 per capita. This is considered a high tax burden on the citizens, and an increase from that of the prior period.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
$5,518	$5,475	$6,118							

Financing Margin - Debt

Will we be able to issue more debt, if needed?



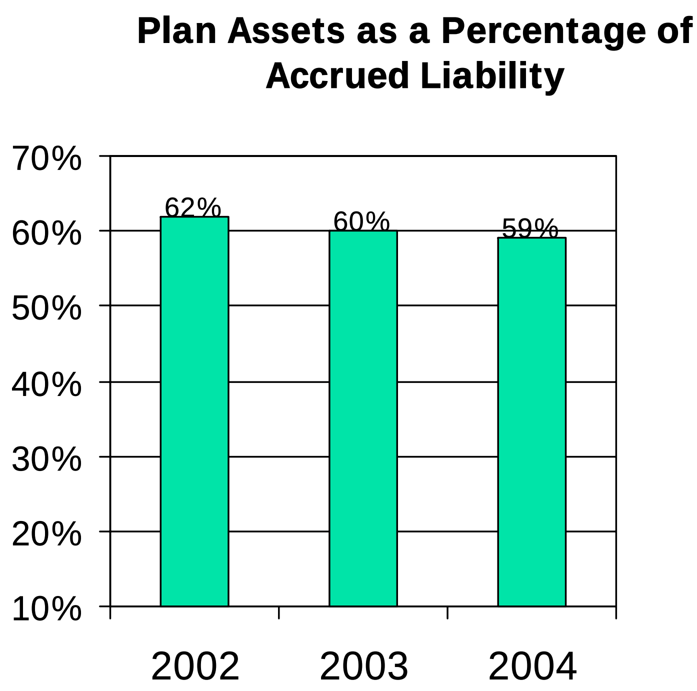
The financial ratio of debt per capita is an indication of the VI's debt burden on its citizens and other taxpayers.

For the year ended September 30, 2004, the VI had $1.039 billion of long-term debt or $9,568 per capita which is a high debt burden on its citizens and an increase from that reported in prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
$7,490	$7,494	$9,568							

Pension Plan Funding Ratio

Will we be able to pay our employees when they retire?



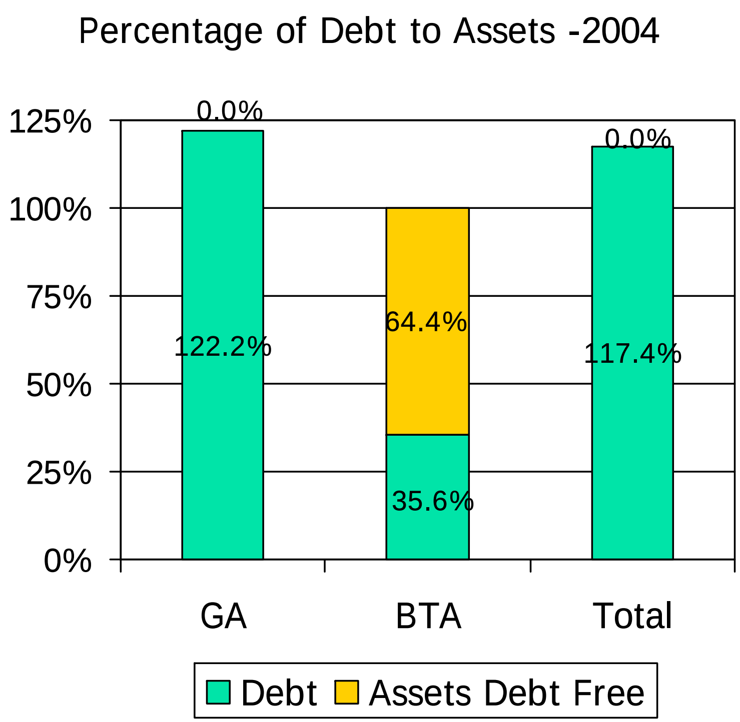
The pension funding ratio compares the actuarial fair value of the pension plan's assets to the actuarial accrued liability for pension benefits. A percentage less than 100% indicates the plan is under-funded at the valuation date.

At September 30, 2004, the VI's pension plan assets were 59% of the accrued pension benefit liability, indicating the plan was slightly more than half funded at the last valuation date, and an indicator of potential long-term cash demands to fund the future needs of the plan. The funded portion of the plan has continued to decline slightly during the previous periods reported.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
62%	60%	59%							

Debt to Assets

Who really owns the VI?



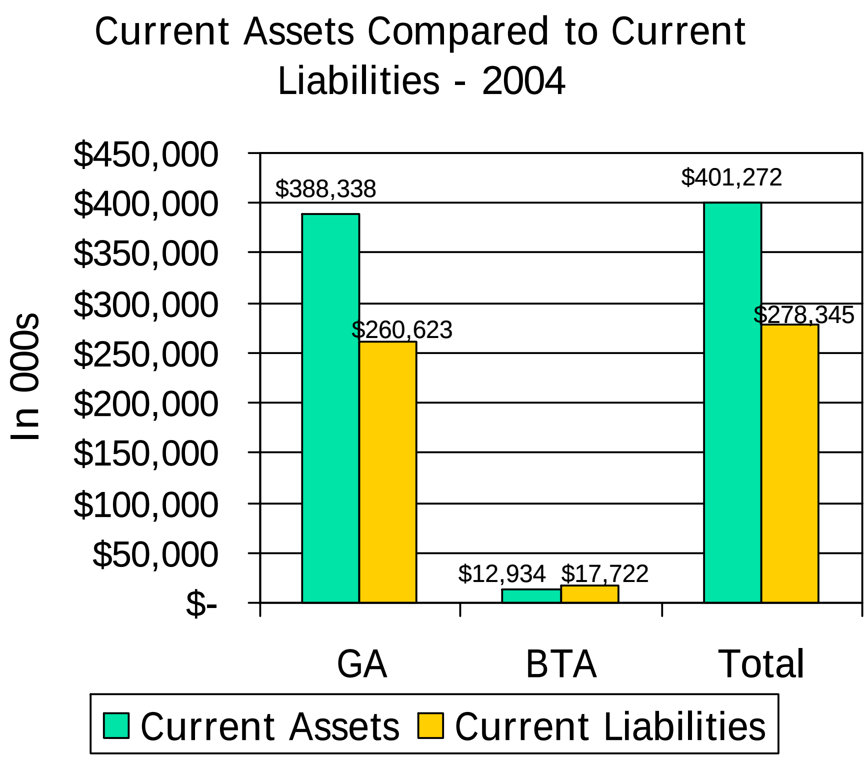
The debt to assets ratio measures the extent to which the VI had funded its assets with debt. The lower the debt percentage, the more equity the VI has in its assets.

At September 30, 2004, the VI had debt or other obligations that exceeded its total assets by 17.4%. This is an unfavorable financial indicator and indicates that none of the VI's assets are debt-free, and for each dollar of assets the VI owns, it owes $1.17 in liabilities to others. This ratio has improved though from the ratios reported in the previous periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
134.6%	122.4%	117.4%							

Current Ratio

Will our vendors and employees be pleased with our ability to pay them on time?



The current ratio is one measure of the VI's ability to pay its short-term obligations. The current ratio compares total current assets and liabilities. A current ratio of 2.00 to 1 indicates good current liquidity and an ability to meet the short-term obligations.

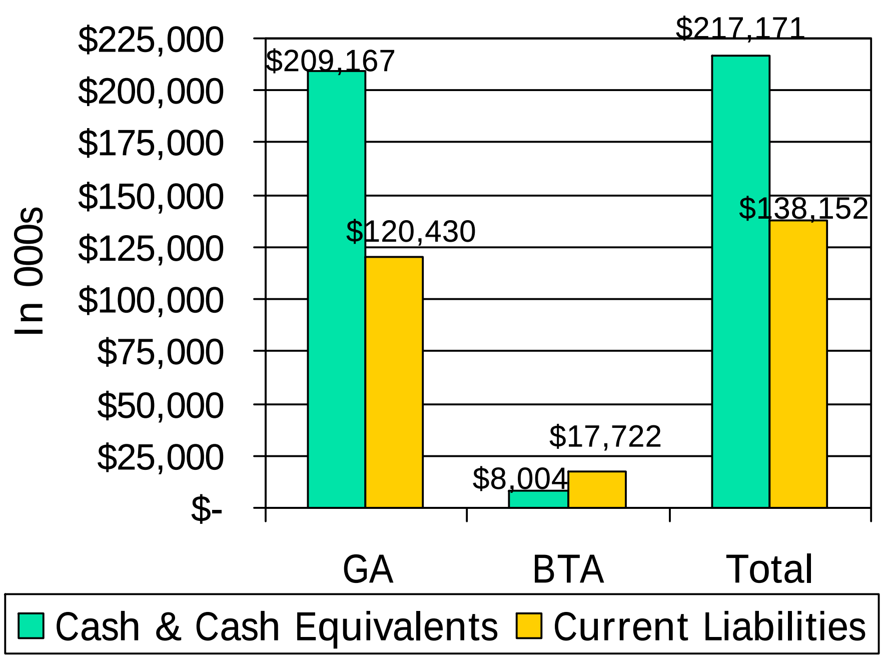
At September 30, 2004, the VI had a government-wide ratio of current assets to current liabilities of $1.44 to $1. This indicates that for every dollar of current liabilities, the VI had $1.44 to fund them. This is a less than satisfactory ratio, but an improvement from the ratios shown in the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1.10	1.39	1.44							

Quick Ratio

How is our short-term cash position?

Cash and Cash Equivalents Compared to Current Liabilities - 2004

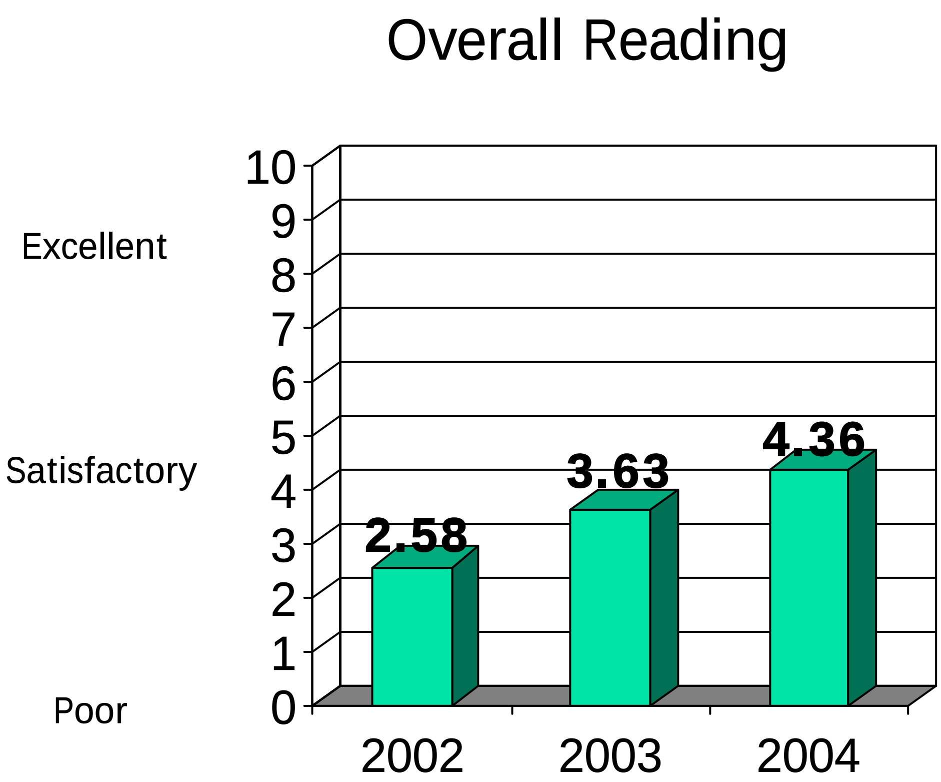


The quick ratio is another, more conservative, measure of the VI's ability to pay its short-term obligations. The quick ratio compares total cash and short-term investments to current liabilities. A quick ratio of 1.00 to 1 indicates adequate current liquidity and an ability to meet the short-term obligations with cash.

At September 30, 2004, the VI had a government-wide ratio of cash and cash equivalents to current liabilities of $1.57 to $1. This indicates that for every dollar of current liabilities, the VI had $1.57 in cash and cash equivalents to fund them. This is considered an above satisfactory ratio, and continues a trend of improvement from ratios reported in the prior periods.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1.09	1.30	1.57							

Performeter® Reading



The 2004 reading of 4.36 indicates the evaluator's opinion that the VI's overall financial health and performance continued to be slightly below satisfactory as of and for the fiscal year ended September 30, 2004, however the reading indicates a continued trend of improvement over the prior periods reported.

This improvements noted in the current year reading are due in a large part to the decrease in the net assets deficit, near excellent capital asset remaining useful lives, and improvements in intergenerational equity, General Fund unreserved fund balance and quick ratios. However the reading is tempered by the high unrestricted net assets deficit, high tax and debt burdens per capita, and a high debt to asset ratio.

What is the A.F.T.E.R. Analysis?

- The A.F.T.E.R. Analysis is very simply an analysis of the status of audit findings, the timeliness of the submission of the audit and the resolution of certain audit exceptions; this analysis can be used to track a government's progress towards eliminating its most significant findings and exceptions, along with tracking the timeliness of submission to the Federal Clearinghouse.

A.F.T.E.R.

	2002	2003	2004
Number of F.S. Opinion Qualifications/Exceptions	12	11	10
Number of Major Federal Program Qualifications/Exceptions	5	3	3
Number of F.S. Findings			
A. Internal Control and Compliance	0	1	1
B. Internal Control Only	2	2	2
C. Compliance Only	1	0	0
TOTAL			
Percentage of Findings Repeated	100%	100%	100%
Number of A-133 Findings			
A. Internal Control and Compliance	45	13	16
B. Internal Control Only	1	40	15
C. Compliance Only	11	12	1
TOTAL			
Percentage of A-133 Findings Repeated	70%	53.8%	71.9%
Number of months after Y/E the F.S. were Released	21	21	24
Number of Qualifications/Exceptions Related to C.U.	3	3	6
$ of Questioned Costs-Current Year	$6,192,702	$2,678,871	$478,569
$ of Questioned Costs- Cumulative	Unable to determine	Unable to determine	Unable to determine
$ of Questioned Costs Resolved – Current Year	Unable to determine	Unable to determine	Unable to determine

Thank You

We would like to commend and thank the management of the Government of the U.S. Virgin Islands, the U.S. Department of Interior, and the Graduate School - USDA for allowing us to present this financial analysis. We hope it serves as a useful and understandable compliment to VI's annual financial report.

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