PRICEWATERHOUSECOOPERS

Virgin Islands Port Authority

(a component unit of the Government of the U.S. Virgin Islands)

Report, Financial Statements and Additional Information September 30, 2003 and 2002

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
Management's Discussion and Analysis, Report and Financial Statements
Table of Contents
September 30, 2003 and 2002

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

The Board of Directors of the
Virgin Islands Port Authority

The Honorable Governor
of the U.S. Virgin Islands

The Legislature of the U.S. Virgin Islands

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses and changes in net assets, and cash flows present fairly, in all material respects, the financial position of the Virgin Islands Port Authority (the "Authority") (a component unit of the Government of the U.S. Virgin Islands) at September 30, 2003 and 2002, 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 which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Exhibits I through V is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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

March 26, 2004

CERTIFIED PUBLIC ACCOUNTANTS
(OF PUERTO RICO)
License No. 216 Expires Dec. 1, 2004
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affixed to the file copy of this report

The purpose of the following discussion and analysis of the financial performance and activity of the Virgin Islands Port Authority (the "Authority") is to provide an introduction to help understand the basic financial statements of the Authority for the year ended September 30, 2003 with selected comparative information for the year ended September 30, 2002. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Reporting Entity

The Authority is a public corporation and an autonomous governmental instrumentality of the Government of the U.S. Virgin Islands. The Authority owns and operates air and marine terminals of the U.S. Virgin Islands. The Authority has two operating divisions, Aviation and Marine.

The Aviation Division manages two airport facilities, the Cyril E. King Airport (CEKA) located on the Island of St. Thomas and the Henry E. Rohlsen Airport (HERA) located on the island of St. Croix. The division's revenues mainly consist of landing and passenger fees and rental income. The Division also generates a small amount of revenues from the leases of a housing complex and certain properties outside the airport facilities, which are known as Special Facilities.

The Marine Division is responsible for the maintenance and operation of marine cargo and passenger facilities in St. Thomas, St. Croix and St. John. Revenues are mostly derived from charges to cruise ship lines and cargo lines, including property rental fees.

Using the Financial Statements

The Authority's financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the *Government Accounting Standards Board* (GASB).

In fiscal year 2002, the Authority adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* This pronouncement did not have any effect in the reported financial condition of the Authority; however, it changed the presentation of the basic financial statements significantly.

Activities Highlights

During fiscal years 2003 and 2002, the Authority experienced a reduction in traffic of airline and cruise ship passengers mainly as a result of the slowdown of the U.S. economy and the events of September 11, 2001, which impacted the traffic during both years, especially the peak season of the fiscal year that extends from December to March.

Financial Highlights

Operating Revenues

The financial results of fiscal years 2003 and 2002 were impacted significantly by the slowdown in traffic described above, because most of the operating revenues of both Aviation and Marine Divisions are directly related to the number of passengers, and for aircraft and cruise ships operations. Operating revenues of the Authority increased by $1.6 million, from $33.9 million in fiscal year 2002 to $35.5 million in fiscal year 2003. This increase resulted mainly from the 25% increase in aviation rates implemented in February 2003. Operating revenues of the Authority decreased $2.2, million from $36.1 million in fiscal year 2001 to $34.0 million in fiscal year 2002. This decrease resulted from the lower revenues of both divisions. The following table details the components of and changes in revenue:

(in thousands of dollar)	2003	2002	2001	Change 2002	Change 2001
Aviation operating revenues					
Users' fees and dues	$ 13,664	$ 11,744	$ 13,035	$ 1,920	$ (1,291)
Rentals	5,052	4,627	4,598	425	29
Others	1,429	1,736	1,535	(307)	201
Total Aviation operating revenues	20,145	18,107	19,168	2,038	(1,061)
Marine operating revenues					
Users' fees and dues	10,117	10,921	11,151	(804)	(230)
Wharfage dues	2,353	2,087	2,880	266	(793)
Rentals	2,652	2,446	2,485	206	(39)
Others	298	390	475	(92)	(85)
Total Marine operating revenues	15,420	15,844	16,991	(424)	(1,147)
Total operating revenues	$ 35,565	$ 33,951	$ 36,159	$ 1,614	$ (2,208)

Operating Expenses

The Authority's operating expenses decreased 2% in fiscal year 2003, from $42.6 million in fiscal year 2002 to $41.7 million. The decrease was mainly due to cost cutting measures implemented by management in February 2003 in the areas of repairs and maintenance, material, supplies, other services, and payroll related expenses. The decreases in these categories were partly offset by increase in depreciation expense due to new projects capitalized. Operating expenses increased 9% in fiscal year 2002, from $39.1 million in fiscal year 2001 to $42.6 million. The increase was mainly due to higher insurance, material supplies and other services, and payroll related expenses. The increases in these categories were partly offset by slight reductions in repairs, maintenance and other operating expenses. The following table details the components of and changes in expenses:

(in thousands of dollar)	2003	2002	2001	Change 2002	Change 2001
Operating expenses					
Payroll, payroll taxes and fringe benefits	$ 15,813	$ 16,520	$ 13,333	$ (707)	$ 3,187
Repairs and maintenance	3,160	4,219	4,563	(1,059)	(344)
Materials, supplies and other services	3,536	3,885	2,755	(349)	1,130
Insurance	3,197	3,010	2,564	187	446
Depreciation	12,945	11,866	12,045	1,079	(179)
Other operating expenses	3,096	3,129	3,809	(33)	(680)
Total operating expenses	$ 41,747	$ 42,629	$ 39,069	$ (882)	$ 3,560

Most of the decrease in salaries, payroll taxes and fringe benefits resulted from a reduction in overtime, management benefits and elimination of temporary positions. In 2003 unlike 2002 there were no major large improvements, hence ,the reduction in the repair and maintenance category.

During fiscal year 2002, most of the increase in salaries, payroll taxes and fringe benefits resulted from security related expenditures and the annual increases for unionized employees covered by collective bargain agreements. Like in fiscal year 2001, the insurance expense continued increasing in fiscal year 2002 due to higher insurance rates prevailing in the insurance market.

Non operating revenues and expenses
The Authority has permission from the FAA to collect passenger facilities charges ("PFC") of $3.00 for each passenger departing from CEKA and HERA. These funds are restricted for certain capital projects as established by the Aviation Safety and Capacity Expansion Act of 1990. In fiscal year 2003, the Authority collected $0.9 million of PFC, while PFC collected in fiscal year 2002 amounted to $1.8 million (2001 - $1.9 million).

As discussed in Note 8 to the accompanying financial statements, in the year ended September 30, 2002, the Authority contributed $4 million to the Government of the U.S. Virgin Islands. The Authority agreed to make such contribution to receive in exchange $18.5 million in proceeds from bonds issued by the Virgin Islands Public Finance Authority, another component unit of the Government of the U.S. Virgin Islands. The bonds are secured by certain U.S. Federal Highway Administration funds annually allocated to the V.I. Department of Public Works. The bonds were issued in October 2002 and the funds are available for the construction of two marine facilities; the Enighed Pond cargo facility in St. John and the Red Hook facility in St. Thomas. The Enighed Pond Facility started in fiscal year 2003 and the Red Hook Facility will commence in fiscal year 2004.

Capital contributions
Capital contributions are received from the U.S. Government, mainly the Federal Aviation Administration (FAA), and the Government of the U.S. Virgin Islands to fund capital projects. In fiscal years 2003, 2002 and 2001, federal grants amounted to $15.2 million, $19.8 million and $4.9 million, respectively. Most of the federal funds received were used to fund the expansion and improvement of CERA and HERA.

Changes in Net Assets
Net assets, which represent the excess of assets over liabilities, of the Authority increased by $9.3 million. This change consisted of capital contributions amounting to $15.2 million partly offset by an operating loss of $6.2 million and net non operating revenues of $.3 million. The capital contributions were mostly reflected in the net assets invested in capital assets, which increased by $13.7 million. Unrestricted net assets decreased by $3.3 million, mainly as a result of the operating loss and the net non operating revenues.

During fiscal year 2002, net assets of the Authority increased $9.4 million. This change consisted of capital contributions amounting to $21.6 million partly offset by an operating loss of $8.7 million and net non operating expenses of $3.5 million. The capital contributions were mostly reflected in the net assets invested in capital assets, which increased by $18.1 million. Unrestricted net assets decreased by $8.8 million, mainly as a result of the operating loss and net non operating expenses.

Statements of Net Assets

The statements of net assets present the financial position of the Authority at the end of the fiscal year. A summarized comparison of the Authority's assets, liabilities and net assets at September 30, 2003, 2002 and 2001 is as follows:

(in thousands of dollar)

	2003	2002	2001
Assets			
Current assets			
Cash and cash equivalents	$ 13,468	$ 17,483	$ 18,017
Accounts receivable - net of allowance for doubtful accounts of $2,188 (2002 - $1,931) (2001 - $1,664)	2,634	4,177	3,456
Short-term investments	1,634	1,471	9,203
Sinking funds	21,810	279	-
Other current assets	2,875	2,862	4,093
Total current assets	42,421	26,272	34,769
Non-current assets			
Capital assets, net	251,033	231,753	216,961
Sinking funds	4,769	7,384	7,004
Debt issue cost	1,858	150	229
Total non current assets	257,660	239,287	224,194
Total assets	$ 300,081	$ 265,559	$ 258,963
Liabilities and Net Assets			
Liabilities:			
Current liabilities	$ 13,274	$ 15,380	$ 14,903
Non-current liabilities - Bonds payable	34,183	6,878	10,163
Total liabilities	47,457	22,258	25,066
Net assets			
Invested in capital assets, net of related debt	235,320	221,590	203,475
Restricted	2,758	3,894	3,772
Unrestricted	14,546	17,817	26,650
Total net assets	252,624	243,301	233,897
Total liabilities and net assets	$ 300,081	$ 265,559	$ 258,963

From September 30, 2002 to 2003, the Authority's current assets increased by $16.2 million. The most significant increases were experienced in sinking funds, which increased by $21.5 million. The increase in sinking funds is mainly related to the unused proceeds of the marine bond issuance for the construction of Crown Bay Dock Marine facilities in St. Thomas.

From September 30, 2001 to 2002, the Authority's current assets decreased by $9.4 million. The most significant decrease were experienced inc cash and cash equivalents and short term investments which decreased by $8.3 million combined. This decrease in cash and highly liquid investments was mainly caused by the use of funds for the construction of capital assets and the $4 million contributed to the Government of the U.S. Virgin Islands. These disbursements, combined with the lower amount of cash generated by operating activities, caused the decrease in these balances.

During fiscal year 2003 and 2002, the net increase in capital assets amounting to $19.3 million (2002 - $14.8 million) were comprised of additions to capital assets amounting to $32.2 million (2002 - $26.7 million), net of depreciation expense of $12.9 million (2002 - $11.9 million). The most significant additions were related to the following capital projects:

	2003	**2002**
Repavement of asphalt taxiway and conversion of apron from asphalt to a concrete base at CEKA	$3.3 million	$7.3 million
Acquisition of land surrounding HERA to permit the runway extension	$2.3 million	$1.6 million
Construction of the marine terminal at Enighed Pond	$4.8 million	-
Improvement to the HERA Air Traffic Control and terminal	$3.4 million	$4.2 million
Dredging and improvement of marine facilities	$3.7 million	$7.3 million
Crown Bay Dock and retail development	$11.9 million	-
Improvements of the apron and extension of the runway at HERA	-	$6.9 million

Capital Financing and Debt Management

On January 16, 2003, the Authority issued the Marine Revenue Bonds Series 2003A(AMT) and 2003B (federally taxable), with principal amounts of approximately $18 million and $17 million, respectively, (collectively, the Marine Bonds). The proceeds to the Authority, net of costs of issuance, underwriters' discount, and insurance premium, amounted to approximately $33.8 million. The Authority is using the proceeds of the Marine Bonds to finance the dredging, rehabilitation and construction of berthing piers for cruise and seagoing vessels at Crown Bay in St. Thomas, and the construction of a mixed commercial complex.

A summary of the Marine Bonds' terms follows:

	Interest Rate
$ 5,930,000 Series A, due serially from 2015 through 2018	5.25%
$12,075,000 Series A, due serially from 2016 through 2023	5.00%
$ 6,745,000 Series B, due serially from 2003 through 2008	3.54%
$ 7,245,000 Series B, due serially from 2009 through 2013	5.08%
$ 3,435,000 Series B, due serially from 2014 through 2015	5.43%

As of September 30, 2003, the bonds payable outstanding amounted to $35.7 million, an increase of $25.6 million compared to the balance outstanding as of September 30, 2002. The increase is related to the issuance of Marine Bonds partially offset by payments. The bonds outstanding as of September 30, 2003, consisted of the Marine Revenue Bonds and the Rolhsen Terminal Airport Terminal Revenues Bonds (collectively, the Bonds).

As of September 30, 2002, the bonds outstanding amounted to $10.2 million, a decrease of $3.3 million compared to the balance outstanding as of September 30, 2001. The bonds outstanding as of September 30, 2002, consisted of the Airport Revenue Bonds and the Rothsen Terminal Airport Terminal Revenue Bonds.

As discussed in Note 6 to the financial statements, both bond indentures require a debt service coverage ratio of not less than 125%. This debt service coverage is calculated based on a formula described in Note 6. In fiscal years 2003 and 2002, the Authority complied with the debt service coverage of the Bonds.

As explained in Note 7 to the financial statements, the Authority has long-term use agreement with several air carriers (the signatory airlines) for use of the Airport System, the facilities covered by the Airport Revenue Bonds. Under the terms of the agreement, the signatory airlines have agreed to a fee structure that should be sufficient to comply with the debt service coverage requirement. Therefore, based on the advise of its independent rate consultants, the Authority increased the landing and passenger fees rates on February 1, 2003 by 25%. However, since Airport Revenue Bonds were paid-off as of September 30, 2003, the Authority decided to decrease rates effective October 1, 2003 to the same level that was in effect prior to the adjustment.

Virgin Islands Port Authority

(a component unit of the Government of the U.S. Virgin Islands)

Statements of Net Assets

September 30, 2003 and 2002

(in thousands of dollars)

	2003	2002
Assets		
Current assets		
Cash and cash equivalents	$ 13,468	$ 17,483
Accounts receivable - net of allowance for doubtful accounts of $2,188 (2002 - $1,931)	2,634	4,177
Short-term investments	1,634	1,471
Sinking funds	21,810	279
Receivables from U.S. Government agencies	788	362
Receivable from the Government of the U.S. Virgin Islands	746	695
Prepaid insurance	988	1,286
Other current assets	353	519
Total current assets	42,421	26,272
Non current assets		
Capital assets, net	251,033	231,753
Sinking funds	4,769	7,384
Debt issue cost	1,858	150
Total non current assets	257,660	239,287
Total assets	$ 300,081	$ 265,559
Liabilities and Net Assets		
Current liabilities		
Note payable	$ 913	$ -
Bonds payable	1,555	3,285
Accounts payable related to capital projects, including contract retainages	6,595	7,215
Compensated absences payable	1,752	1,785
Other accounts payable and accrued liabilities	2,459	3,095
Total current liabilities	13,274	15,380
Noncurrent liabilities -		
Bonds payable	34,183	6,878
Total liabilities	47,457	22,258
Net assets		
Invested in capital assets, net of related debt	235,320	221,590
Restricted	2,758	3,894
Unrestricted	14,546	17,817
Total net assets	252,624	243,301
Total liabilities and net assets	$ 300,081	$ 265,559

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

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2003 and 2002

(in thousands of dollars)

	2003	2002
Operating revenues		
Aviation, net of provision for doubtful accounts of $344 (2002 - $97)	$ 20,145	$ 18,107
Marine, net of provision for doubtful accounts of $252 (2002 - $170)	15,420	15,844
	35,565	33,951
Operating expenses		
Payroll, payroll taxes and fringe benefits	15,813	16,520
Repairs and maintenance	3,160	4,219
Materials, supplies and other services	3,536	3,885
Insurance	3,197	3,010
Depreciation	12,947	11,866
Other operating expenses	3,094	3,129
Total operating expenses	41,747	42,629
Operating loss	(6,182)	(8,678)
Non operating revenues (expenses)		
Passenger facilities charges	861	1,780
Other income, including interest	1,394	1,061
Interest expense	(1,913)	(603)
Contribution to the Government of the U.S. Virgin Islands	-	(4,000)
Total non operating revenues (expenses), net	342	(1,762)
Loss before capital contributions	(5,840)	(10,440)
Federal and state government grants	15,163	19,844
Increase in net assets	9,323	9,404
Total net assets at beginning of year	243,301	233,897
Total net assets at end of year	$ 252,624	$ 243,301

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

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
Statements of Cash Flows
Years Ended September 30, 2003 and 2002

(in thousands of dollars)

	2003	2002
Cash flows from operating activities		
Cash received from customers and others	$ 36,768	$ 32,963
Cash paid to suppliers and employees, net of capitalized expenses	(28,321)	(30,769)
Net cash provided by operating activities	8,447	2,194
Cash flows from investing activities		
(Increase) decrease in investments	(13,239)	7,182
Interest received from investments	973	1,135
Net cash (used in) provided by investing activities	(12,266)	8,317
Cash flows from capital and related financing activities		
Acquisition of capital assets	(32,847)	(24,345)
Proceeds from marine bond issue and note payable	35,789	-
Principal payments on bonds payable and note payable	(11,296)	(3,395)
Interest paid on bonds	(2,103)	(669)
Contribution to the Government of the U.S. Virgin Islands	-	(4,000)
Cash received from U.S. Government agencies and local government	15,240	18,751
Passenger facilities charges	861	1,780
Net cash provided by (used in) capital and related financing activities	5,644	(11,878)
Net increase (decrease) in cash and cash equivalents	1,825	(1,367)
Cash and cash equivalents, at beginning of year	20,530	21,897
Cash and cash equivalents, at end of year	$ 22,355	$ 20,530
Cash and cash equivalents include		
Unrestricted and restricted cash and cash equivalents	$ 13,468	$ 17,483
Cash and cash equivalents restricted in sinking funds	8,887	3,047
	$ 22,355	$ 20,530
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities		
Operating loss	$ (6,182)	$ (8,678)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation	12,947	11,866
Provision for doubtful accounts	596	267
Change in assets and liabilities		
Decrease (increase) in accounts receivable	1,373	(988)
(Increase) decrease in receivable from the Government of the U.S. Virgin Islands	(51)	87
Decrease (increase) in prepaid insurance	298	(236)
Decrease in other current assets	135	28
Decrease in accounts payable and other accrued liabilities	(669)	(152)
Total adjustments	14,629	10,872
Net cash provided by operating activities	$ 8,447	$ 2,194

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

1. Reporting Entity and Significant Accounting Policies

Reporting Entity
The Virgin Islands Port Authority (the Authority) was created by Act 2375 of December 23, 1968, to operate as an autonomous agency. The Authority commenced operations on February 11, 1969, by virtue of Act 2405. The Authority owns and manages air and marine terminals of the U.S. Virgin Islands.

The Authority is a component unit of the Government of the U.S. Virgin Islands and, therefore, the financial statements of the Authority are not intended to present fairly the financial position and results of operations of the Government of the U.S. Virgin Islands. Only the accounts of the Authority are included in the reporting entity. There are no component units that should be considered for inclusion in the Authority's financial statements.

Significant Accounting Policies

Basis of Accounting
The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States of America for governmental enterprise funds as prescribed by the Government Accounting Standards Board (GASB). In addition, the Authority follows all Financial Accounting Standard Board pronouncements and certain other pronouncements that do not conflict with GASB standards.

The financial statements are prepared on the accrual basis of accounting. Under this method revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

Basic Financial Statements and Management's Discussion and Analysis
Standards for external financial reporting for state and local governments require that resources be classified for accounting and reporting purposes into net assets categories and to report the changes in net assets. Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consists of the following categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The portion of debt attributed to the unspent debt proceeds is included in the same net asset component as the unspent proceeds.

- Restricted: Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by the actions of the Authority pursuant to those stipulations or that expire by the passage of time.

- Unrestricted: Net assets that are not subject to externally imposed stipulations.

Sources of Income
The Authority derives most of its income from user fees and rental charges. These amounts are charged to the users of its airports, harbors and terminal facilities at St. Thomas, St. Croix and St. John and recorded as operating revenues. The Authority is empowered by law to establish and charge the necessary fees and dues to permit the recovery of facility costs.

Passenger Facilities Charges (PFCs)
The airlines that use the Authority's airport facilities collect a PFC of $3 per passenger from travelers leaving the U.S. Virgin Islands. As approved by the Federal Aviation Administration (FAA), the use of funds generated by the PFC is restricted for the construction of certain FAA approved capital projects. The PFCs, less an administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the Authority. The Authority recognizes the revenues when it receives the PFCs collected by airlines. Due to their restricted use, PFCs are categorized as non-operating revenues and are recorded as restricted net assets until the funds are expended. Once funds generated by PFCs are used in the construction of the FAA approved projects, such amounts are transferred to net assets invested in capital assets.

Capital contributions: Federal and State Government Grants
The Authority receives federal and state government grants mainly to support its capital construction program. The assets and revenues arising from government grants are recorded when the Authority meets the eligibility requirements. Grants for capital projects are reported as other revenues. If resources are transmitted in advance, the recognition of revenues is deferred.

Cash Equivalents
The Authority considers non-negotiable certificates of deposit and highly-liquid investments with a maturity of three months or less when purchased, excluding those in sinking funds accounts, to be cash equivalents in the accompanying statements of net assets. For purposes of the statements of cash flows, cash and cash equivalents also includes the restricted balances deposited in the sinking funds.

Accounts Receivable
Accounts receivable 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
The Authority follows the provisions of GASB Statement No. 31. This statement requires governmental entities to report their investments at fair value in the statements of net assets and report changes in their fair value in the statements of revenues, expenses and changes in net assets. Fair value of investments is based on quoted market prices.

Short-term investments, which consist of non-negotiable certificates of deposits and other highly liquid investments such as U.S. Government and agencies securities with a maturity of less than one year when purchased, are carried at amortized cost, which approximates fair value due to their short term maturities. Nonparticipating guaranteed investment contracts are also carried at amortized cost.

The Authority maintains certain investments deposited in the sinking funds that are restricted for specific uses in accordance with the corresponding bond indentures. These investments are presented in the statements of net assets within the sinking fund balances (see Note 3).

Interest
Interest on funds used to finance construction of qualifying projects is capitalized unless it has been funded with internally generated funds or government grants limited for use in such projects. Capitalized interest expense is reduced by interest income earned on related investments acquired with proceeds of tax exempt borrowings. During 2003, capitalized interests amounted to approximately $70,000. No interest was capitalized in fiscal year 2002.

Capital Assets
Land transferred from the United States Government or from the Government of the U.S. Virgin Islands is carried at the Government's original cost if the information is available; if not, it is carried at amounts estimated by management to approximate cost at the time the properties were acquired by the U.S. Virgin Islands from the United States Government. Depreciable assets transferred at inception by the Government of the U.S. Virgin Islands are carried at amounts estimated based on total capital expenditures incurred by predecessor agencies. Depreciation has been accumulated on such assets from the dates the predecessor agencies incurred the expenditures, and placed the assets in operation, based on their estimated average life. All other capital assets are carried at cost.

Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. Estimated useful lives of capital assets are as follows:

	Years
Buildings and structures	20 - 40
Runways, aprons and pavings	10
Equipment	5 – 10
Land improvements	20

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.

Debt Issue Costs , Debt Reacquisition Costs and Original Bond Issue Premium
Debt expenses and discounts incurred in the issuance of bonds are deferred and amortized using the straight-line method. The excess of reacquisition cost over the carrying value of long-term debt resulting from advance refundings is deferred and amortized to expense using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Original Bond Issue premium is also deferred and amortized using the straight-line method.

Compensated Absences
Unpaid vacation and sick leave compensation, as well as the Authority's share of related social security taxes, are accrued as benefits when earned by the employees if attributable to past services and if it is probable the Authority will compensate the employees for such benefits. Amounts accrued are measured using salary rates in effect at September 30.

Pension Plan
The Authority follows the provisions of GASB Statement No. 27. Under this statement, the pension expense is equal to the statutory required contribution to the plan.

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

Investment securities held in sinking funds are 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 from values obtained from independent pricing sources.

The carrying amounts of cash and cash equivalents, money market investments, accounts receivable and other receivables, accounts payable and other accrued liabilities approximate their fair values given the short-term nature of the instruments.

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

2. Cash and Cash Equivalents

As of September 30, 2003 and 2002, cash and cash equivalents consist of deposits in banks and non-negotiable certificates of deposit that are categorized following GASB Statement No. 3. The categories for deposits are the following:

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

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

Category 3 - uncollateralized

The following presents the deposits in commercial banks categorized at September 30 (in thousands):

	Category			Bank Balance	Carrying Amount
	1	2	3		
2003	$ 15,083			$ 15,083	$ 13,468
2002	$18,385			$18,385	$ 17,483

Amounts in excess of the FDIC limitation are guaranteed by securities held by banks as collateral as required by the laws and regulations of the U.S. Virgin Islands governing public fund's deposits and are considered Category 1.

At September 30, the Authority's cash and cash equivalents are classified as restricted and unrestricted as follows (in thousands):

	Unrestricted	Restricted	Total
2003	$ 10,379	$ 3,089	$ 13,468
2002	$ 13,294	$ 4,189	$ 17,483

At September 30, 2003 and 2002, restricted cash and cash equivalents consisted of PFCs deposited in interest bearing bank accounts.

3. Sinking Funds and Short-term Investments

The amounts deposited in the sinking funds are restricted for specific uses in accordance with the corresponding bonds' indentures, mainly construction and maintenance of airports and marine facilities. The bonds' indentures also require the Authority to maintain certain balances to cover the bonds' debt service reserves (See Note 6). The Authority is not permitted to use these funds for any other purpose. The current and noncurrent sinking funds balances at September 30 include the following:

	2003	2002
	(in thousands)	
Current		
Airport Revenue Bonds Refunding - Series 1998A	$ -	$ 108
Marine Revenue Bonds Construction and Refunding - Series 2003A and 2003B	21,647	-
Rohlsen Terminal Airport Revenue Bonds - Series 1998A	163	171
Current sinking funds	21,810	279
Noncurrent		
Airport Revenue Bonds Refunding - Series 1998A	-	6,716
Marine Revenue Bonds Refunding - Series 2003A and 2003B	4,264	-
Rohlsen Terminal Airport Revenue Bonds - Series 1998A	505	668
Noncurrent sinking funds	4,769	7,384
Total sinking funds	$ 26,579	$ 7,663

At September 30, amounts deposited in sinking funds consist of:

	2003	2002
	(in thousands)	
Investment securities:		
Nonparticipating guaranteed investment contract, at cost	$ 306	$ 2,234
Short-term investments-		
U.S. Government and agencies securities, at amortized cost	17,386	2,382
Total investment securities	17,692	4,616
Cash and cash equivalents	8,887	3,047
Total cash, cash equivalents, and investments securities deposited in sinking funds	$ 26,579	$ 7,663

The nonparticipating guaranteed investment contract is held by the Authority to maintain the required deposits for the debt service reserves in the sinking funds of the Rohlsen Terminal Airport Revenue Bonds. The contract yields interest of 4.50%, an interest rate that is set to minimize the risk of arbitrage on the bonds. The expiration date of the contract is September 1, 2005, date of the bonds' final maturity. The contracts are collateralized with U.S. Treasury securities held by and in the name of the trustee of the Authority in accordance with the bonds' indentures.

All the Authority's investments, including those deposited in sinking funds, are categorized to give an indication of the level of credit risk assumed by the Authority.

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

Category 2 - Includes uninsured and unregistered investments for which the securities are held in the Authority's name by the broker's, banker's or dealer's trust department or agent

Category 3 - Includes uninsured and unregistered investment for which the securities are held by brokers or dealers, or by their trust department or agent, but not in the Authority's name

At September 30, 2003, all the Authority's investments are Category 1.

The cash and cash equivalents included in the sinking funds are Category 1 as defined in Note 2.

4. Capital Assets

Capital assets as of September 30 comprise:

	2002	Increases	Decreases	2003
		(in thousands)		
Capital assets not being depreciated				
Land	$ 15,923	$ 2,777	$ -	$ 18,700
Construction in progress	11,864	29,450	$ (16,080)	25,234
Total capital assets not being depreciated	27,787	32,227	(16,080)	43,934
Capital assets being depreciated				
Building and structure	232,914	2,915	-	235,829
Runways, aprons, and pavings	84,487	12,426	-	96,913
Equipment	20,772	739	-	21,511
Land improvements	10,468	-	-	10,468
Total capital assets being depreciated	348,641	16,080	-	364,721
Accumulated depreciation for				
Building and structures	(72,248)	(7,498)	-	(79,746)
Runways, aprons, and pavings	(57,195)	(3,612)	-	(60,807)
Equipment	(10,096)	(1,328)	-	(11,424)
Land improvements	(5,136)	(509)	-	(5,645)
Total accumulated depreciation	(144,675)	(12,947)	-	(157,622)
Total capital assets, net	$ 231,753	$ 35,360	$ (16,080)	$ 251,033

5. Note Payable

On March 15, 2003, the Authority borrowed approximately $2 million to finance insurance premiums applicable for period March 15, 2003 to March 15, 2004. The loan is due on February 21, 2004 bears interest at 4.10% and is payable in eleven (11) monthly installments of approximately $.2 million each including principal and interest. The balance outstanding as of September 30, 2003 was approximately $.9 million.

6. Bonds Payable

At September 30, bonds payable consist of:

	2003	2002
	(in thousands)	
Aviation Division		
1998 Airport Revenue Bonds Refunding, $19,280 Series A; due serially through September 1, 2005, bearing interest ranging from 3.45% to 4.50%	$ -	$ 8,875
1998 Rohlsen Terminal Airport Revenue Bonds, $3,060 Series A; due serially through September 1, 2005, bearing interest ranging from 3.45% to 4.50%	971	1,426
Marine Division		
2003 Marine Revenue Bonds, $18,005 Series A; due serially through March 1, 2023, bearing interest ranging from 5.00% to 5.25%	18,005	-
2003 Marine Revenue Bonds, $17,425 Series B; due serially through March 1, 2015 bearing interest ranging from 3.73% to 5.43%	16,515	-
	35,491	10,301
Premium and debt reacquisition costs	247	(138)
Less - Current portion of long term debt	(1,555)	(3,285)
	$ 34,183	$ 6,878

The aggregate debt service requirements of bonds payable at September 30, 2003 follow:

Year	Principal	Interest	Total
		(in thousands)	
2004	$ 1,555	$ 1,721	$ 3,276
2005	1,616	1,659	3,275
2006	1,170	1,594	2,764
2007	1,210	1,550	2,760
2008	1,255	1,505	2,760
2009 and thereafter	28,685	12,712	41,397
Total	$ 35,491	$ 20,741	$ 56,232

Changes in bonds payable for the year ended September 30, 2003, follow:

	2002	Increase	Decrease	2003
		(in thousands)		
1998 Airport Revenue Bonds Refunding	$ 8,875	$ -	$ (8,875)	$ -
1998 Rolhsen Terminal Airport Revenue Bonds	1,426	-	(455)	971
2003 Series A Marine Revenue Bonds	-	18,005	-	18,005
2003 Series B Marine Revenue Bonds		17,425	(910)	16,515
Premium and debt reacquisition costs	(138)	385	-	247
	$ 10,163	$ 35,815	$ (10,240)	$ 35,738

The Airport Revenue Bonds, the Rohlsen Terminal Bonds and the Marine Revenue Bonds (collectively the Bonds) do not constitute general obligations of the Authority, the Aviation Division, the Marine Division, the U.S. Virgin Islands or the United States.

The Airport Revenue Bonds constitute special obligations payable solely from, and secured by a pledge of, net revenues of the Authority derived from its Airport System, which consists of the airside and landside operations at the Cyril E. King Airport ("CEKA") in St. Thomas and airside operations at HERA. The Rohlsen Terminal Bonds constitute special obligations payable solely from, and secured by a pledge of, net revenues of the Authority derived from the Rohlsen Terminal. In addition, net marine revenues are pledged for payment of the Rohlsen Terminal Bonds if revenues from the Rohlsen Terminal are not enough to meet debt service requirements. The marine revenue bonds constitute special limited obligations payable solely from and secured by a pledge of net revenues of the Authority derived from its Marine System.

On January 16, 2003, the Authority issued the Marine Revenue Bonds Series 2003A (AMT) and 2003B (federally taxable), with principal amounts to approximately $18 million and $17.4 million, respectively. The Authority plans to use the proceeds of the bonds to finance the dredging, rehabilitation and construction of berthing piers for cruise and seagoing vessels at Crown Bay in St. Thomas, and the construction of mixed used commercial facilities.

The revenues of the Airport System are not available for the payment of principal or interest on the Rohlsen Terminal Bonds; likewise, the revenues of the Marine Division and the Rohlsen Terminal are not available to pay the principal or interest of the Airport Revenue Bonds except for any surplus of marine revenues which are available for any lawful purpose designated by the Authority. Neither the credit of the U.S. Virgin Islands nor that of its political subdivisions is pledged or available for the payment of principal or interest on the Bonds.

The Bonds' indentures contain certain account restrictions and funding covenants to cover interest, debt service, maintenance and other costs as specified in the corresponding bond indentures. Management believes that the Authority has established the aforementioned required accounts and has complied with the contribution requirements with respect to the Bonds. In addition, it is management's opinion that the Authority has complied with limitations and restrictions imposed by the Bonds' indentures.

The Bonds' indentures also specify certain debt service coverage requirements determined from Net Available Revenues (as defined) of the Authority's Marine Division, Airport System and the Rohlsen Terminal. The provisions of each of the Bonds' indentures require that rates and fees charged for the use of each facility should be sufficient to generate enough revenues to pay all operation and maintenance expenses, exclusive of depreciation and certain non-cash charges, of the respective facilities plus (a) at least 125% of the principal and interest, and redemption account sinking fund deposit requirements of each of the Bonds becoming due during such year, (b) the amount of the debt service reserve fund deposit requirement for such period, (c) the deposit required to the Renewal and Replacement Fund, and (d) the amount of the capital improvements appropriation for such period.

The Authority entered into user agreements with certain airlines operating within the Airport System as described in Note 7 to the financial statements, which provided the basis for determining landing fee rates and other charges to those airlines for the use of the Airport System facilities for as long as any of the Airport Revenue Bonds were outstanding.

7. User Agreements and Leases

The Authority has entered into long-term user agreements and leases with several air carriers known as the signatory airlines for use of the Airport System facilities. Under the terms of the user agreements and leases which expire on September 30, 2005, the air carriers have agreed to pay airfield landing fees in CEKA and HERA, and terminal, concourse, hangar, cargo, and maintenance facility rentals and certain miscellaneous charges in consideration for use of the CEKA facilities that should be sufficient to comply with the debt service coverage requirement described in Note 6. The user agreements and leases also require the Authority to make certain capital improvements and to provide maintenance of certain airport facilities. There are no such long-term use agreements covering the HERA terminal.

The Authority is required under the agreements with the signatory airlines to estimate its maintenance and operation costs and revenues for the next fiscal year and to furnish such estimate to the airlines. In the event that the actual maintenance and operation costs for the year are greater than the amount estimated for that period, the deficit has to be added to the estimate of such costs to be incurred in the succeeding year, and if the actual maintenance and operation costs for the year are less than the amount estimated, the surplus amount has to be deducted from the estimate to be incurred in the succeeding year.

The user rates are revised annually and are determined in consultation with the Authority's independent rate consultants. The Authority increased rates effective February 1, 2003 by 25%, however, effective October 1, 2003, the rates increase was left without effect prospectively due to the fact that Airport Revenue Bonds were paid off as of September 30, 2003.

8. Contributions to/from the Government of the U.S. Virgin Islands

In June 2002, the Authority contributed $4 million to the Government of the U.S. Virgin Islands. The Authority agreed to make such contribution to receive in return $18.5 million from the Virgin Islands Public Finance Authority, another component unit of the Government of the U.S. Virgin Islands, in future years. The funds to be received will be used in the development of two capital projects of the marine division. The Authority will receive the funds on a reimbursement basis as allowable costs are incurred. In order to be entitled to receive such funds, the projects must meet the requirements of the federal agencies and the Authority is obligated to spend the grant moneys in accordance with the regulatory restrictions. During 2003, the Authority received approximately $4.3 million from the Virgin Island Public Finance Authority to develop the capital projects. These amounts were recorded as a state government grant in the Statement of Revenues, Expenses and Changes in Net Assets.

9. Related Party Transactions

During the fiscal years ended September 30, 2003 and 2002, another enterprise fund of the Government of the U.S. Virgin Islands charged the Authority approximately $2.9 million and $2.7 million, respectively, for utility services rendered. Charges for such services are recurring and amounts are included in the Authority's operating expenses.

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, 1997, 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, 2003, 2002, and 2001 were approximately $1.6 million, $1.5 million, and $1.4 million, which represented the Authority's required contribution for those years.

11. Risk Management

The Authority is exposed to various risks of losses, including torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority obtains coverage, among others, for up to a maximum of $1 million for each general and liability claim, and $45 million for each property liability claim. The property liability policy imposes several deductibles not exceeding $250,000 under any event. The Authority is also covered by a terrorism risk liability policy with a coverage of $45 million.

Claims expenditures and liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority did not suffer any significant losses during fiscal years 2003 and 2002.

12. Contingencies

In connection with federal and state governments grant programs, the Authority is obligated to administer and spend the grant moneys in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of non-compliance, the agencies involved may require the Authority to refund program moneys.

The Federal Aviation Administration (FAA) conducted an onsite wildlife evaluation of the landfill, airport and surrounding area of the Anguilla Landfill at St. Croix. The landfill, which is adjacent to St. Croix airport (Henry E. Rohlsen), caused environmental and navigational problems to the airport. The landfill attracts flocks of birds and there have been plane crashes elsewhere when birds have flown into jet engines. The FAA is threatening to force the US Virgin Islands Port Authority (VIPA), to repay $9.3 million in grants and to refuse further grants for the airport unless the Authority and the USVI Government show rapid progress toward closing the landfill.

The landfill is under the jurisdiction of another agency of the USVI Government. Thus, the USVI Government and the Authority proposed a remediation plan to operate the landfill and close it within the next four years. FAA accepted the proposed plan, if such measures are implemented. The Authority's management believes that the plan will be implemented, and that a schedule for implementation of requirements was issued to FAA for their acceptance at the end of calendar year 2003. Under the proposed remediation plan, the Authority is responsible for the maintenance of the surrounding areas to reduce the risk that flocks of birds cause a plane crash and repossess adjacent miscellaneous properties.

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.

13. Lease Agreements

The Authority leases several properties within its Aviation and Marine Divisions to outside users under the terms of numerous lease agreements. Leased facilities within the Aviation Division include warehousing areas at the airports, counter space within the terminals, and retail space for terminal concessionaires. The Marine Division leases warehouse and office space within the Crown Bay pier area to outside users as well.

The lease agreements at September 30, 2003, include contracts with non-cancelable terms for both fixed and variable rental charges. The agreements expire at various dates through 2008. During fiscal years 2003 and 2002, the Authority generated revenues of approximately $7.7 million and $7.1 million, respectively, through the leasing arrangements. Future estimated minimum fixed rentals under non-cancelable lease agreements for the next five years follow:

Year Ending September 30,	Amount (in thousands)
2004	$ 6,800
2005	7,500
2006	7,500
2007	7,500
2008	7,500
	$ 36,800

14. Credit Concentration

The Authority's revenues are dependent on a small group of air-carriers and shipping lines. Its revenues are particularly affected by demand fluctuations affecting the tourism industry, in particular tourism from the east coast of the United States.

In fiscal years 2003 and 2002, two related airlines provided more than 10% of the Aviation Division's total operating revenues as follow:

	2003	**2002**
American Airlines	21%	17%
Executive Airlines (American Eagle)	16%	18%

In fiscal year 2003, Royal Caribbean and Carnival Cruise Line provided 12% (2002 – 12%) and 13% (2002 - 11%), respectively, of the Marine Division's total operating revenues.

15. Subsequent Event

On October 20, 2003, the Authority issued the Marine Revenue Bonds Series 2003C (Non-AMT), with an authorized principal amount to approximately $10.8 million. The Authority plans to use the proceeds of the bonds to finance the completion of several project of rehabilitation and construction of berthing piers for cruise and seagoing vessels at Crown Bay in St. Thomas, and the construction at Red Hook Enighed Pond, Galows Bay Dock, and dredging of the Charlotte Amalie Harbor.

ADDITIONAL INFORMATION
EXHIBIT I

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
Schedules of Revenues and Expenses – Aviation Division
Years Ended September 30, 2003 and 2002

(in thousands of dollars)

	St. Thomas Airport	Special * Facilities	St. Croix Airport	2003	2002
Operating revenues:					
Users' fees and dues	$ 10,430	$ -	$ 3,234	$ 13,664	$ 11,744
Rentals	3,913	388	751	5,052	4,627
Others	975	180	274	1,429	1,736
Total operating revenues	15,318	568	4,259	20,145	18,107
Operating expenses:					
Payroll, payroll taxes and fringe benefits	3,231	-	2,538	5,769	6,143
Repairs and maintenance	1,205	210	812	2,227	2,724
Materials, supplies and other services	654	14	434	1,102	1,488
Insurance	1,396	2	688	2,086	1,862
Depreciation	5,136	1	3,633	8,770	8,102
Other operating expenses	1,394	15	782	2,191	2,158
General and administrative allocation (Exhibit III)	3,521	98	2,222	5,841	5,838
Total operating expenses	16,537	340	11,109	27,986	28,315
Operating (loss) income	(1,219)	228	(6,850)	(7,841)	(10,208)
Non operating revenues (expenses):					
Passenger facilities charges	323	-	538	861	1,780
Other income, mostly interest	566	22	101	689	514
Interest expense	(691)	-	(69)	(760)	(598)
Total non operating revenues, net	198	22	570	790	1,696
(Loss) income before capital contributions	(1,021)	250	(6,280)	(7,051)	(8,512)
Federal and state government grants	3,925	-	6,831	10,756	19,844
	$ 2,904	$ 250	$ 551	$ 3,705	$ 11,332

* Represents income from the Bournefield Housing Project and other non-aeronautical activities

This schedule should be read in conjunction with the attached notes on Exhibit V as well as the Authority's basic financial statements and related footnotes.

ADDITIONAL INFORMATION
EXHIBIT II

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
Schedules of Revenues and Expenses - Marine Division
Years Ended September 30, 2003 and 2002

(in thousands of dollars)

	St. Thomas	St. Croix	2003	2002
Operating revenues:				
Users' fees and dues	$ 9,356	$ 761	$ 10,117	$ 10,921
Wharfage dues	1,574	779	2,353	2,087
Rentals	2,172	480	2,652	2,446
Others	239	59	298	390
Total operating revenues	13,341	2,079	15,420	15,844
Operating expenses:				
Payroll, payroll taxes and fringe benefits	2,359	1,486	3,845	3,989
Repairs and maintenance	340	207	547	1,067
Materials, supplies and other services	538	336	874	1,044
Insurance	481	500	981	1,017
Depreciation	1,989	1,871	3,860	3,415
Other operating expenses	403	269	672	659
General and administrative				-
allocation (Exhibit III)	1,828	1,154	2,982	3,124
Total operating expenses	7,938	5,823	13,761	14,315
Operating income (loss)	5,403	(3,744)	1,659	1,529
Non operating revenues (expenses):				
Other income, mostly interest	685	20	705	548
Interest expense	(1,153)	-	(1,153)	(5)
Contribution to the Government of				
the U.S. Virgin Islands	-	-	-	(4,000)
Total non operating revenues (expenses), net	(468)	20	(448)	(3,457)
Income (loss) before capital contributions	4,935	(3,724)	1,211	(1,928)
Federal and state government grants	4,407	-	4,407	-
	$ 9,342	$ (3,724)	$ 5,618	$ (1,928)

This schedule should be read in conjunction with the attached notes on Exhibit V as well as the Authority's basic financial statements and related footnotes.

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
General and Administrative Expenses
Years Ended September 30, 2003 and 2002

(in thousands of dollars)

	2003	2002
Payroll, payroll taxes and fringe benefits	$ 6,199	$ 6,388
Repairs and maintenance	386	428
Materials, supplies and other services	1,560	1,354
Insurance	130	132
Depreciation	317	349
Other operating expenses	231	311
	$ 8,823	$ 8,962
Allocated as follows		
Aviation	$ 5,841	$ 5,838
Marine	2,982	3,124
	$ 8,823	$ 8,962

This schedule should be read in conjunction with the attached notes on Exhibit V as well as the Authority's basic financial statements and related footnotes.

ADDITIONAL INFORMATION
EXHIBIT IV

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
Schedule of Net Available Revenues (As Defined)
HERA Terminal and Marine Division
Year Ended September 30, 2003

(in thousands of dollars)

	HERA Terminal	Marine Division
Revenues:		
Operating revenues		
Users' fees and dues	$ 2,170	$ 12,470
Rentals	674	2,652
Others	470	298
Other income, mostly interest	91	705
Total revenues	3,405	16,125
Expenses		
Operating expenses		
Payroll, payroll taxes and fringe benefits	1,280	3,845
Repairs and maintenance	508	547
Materials, supplies and other services	245	874
Insurance	545	981
Other operating expenses	837	672
General and administrative allocation	1,348	2,876
Total expenses	4,763	9,795
	$ (1,358)	$ 6,330

This schedule should be read in conjunction with the attached notes on Exhibit V as well as the Authority's basic financial statements and related footnotes.

Virgin Islands Port Authority
(a component unit of the Government of the U.S. Virgin Islands)
Notes to Additional Information (Exhibits I through IV)
September 30, 2003 and 2002

1. **Description of Schedules**

The Schedules of Revenues and Expenses in Exhibit I and II present the revenues and expenses of the Aviation Division and the Marine Division, respectively.

The Schedules of Net Available Revenues, as defined in the Bonds' Indentures, in Exhibit IV excludes all depreciation and certain non-cash charges. This schedule also excludes PFC revenues and government grants, which are not available for payment of debt because they are restricted for the construction of certain capital projects approved by the federal and local governments.

2. **General and Administrative Expenses (See Exhibit III)**

For purposes of this presentation and consistent with the Authority's financial practices, an allocation of general and administrative expenses is made to each of the divisions. Such expenses include depreciation and maintenance related to administrative divisions. Allocation is calculated on the basis of operating expenses, excluding depreciation.

3. **Allocation of Certain Operating Expenses**

Certain expenses (salaries, repairs and maintenance expenses) of the Aviation Division are specifically allocated to the HERA Terminal. Other operating expenses are allocated on a pro-rata basis.