Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Management's Discussion and Analysis, Financial Statements (with Independent Auditor's Report Thereon) and Other Financial Information (Unaudited)
Years Ended September 30, 2015 and 2014

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Independent Auditor's Report

To the Governing Board
Virgin Islands Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Virgin Islands Port Authority (the Authority), a component unit of the Government of the U.S. Virgin Islands as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virgin Islands Port Authority, as of September 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, these financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of the Government of the U.S. Virgin Islands, as of September 30, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Also as discussed in Note 1, in 2015, the Authority adopted Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the Authority's share of the net pension liability, and the schedule of the Authority's contributions on pages 6 through 14 and 40 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 other financial information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BDO USA, LLP

June 24, 2016

Management's Discussion and Analysis

The purpose of the following management's discussion and analysis of the financial performance and activity of the Virgin Islands Port Authority (the Authority or VIPA) is to help readers understand the basic financial statements of the Authority for the years ended September 30, 2015 and 2014, with selected comparative information for the year ended September 30, 2013. This discussion has been prepared by management and should be read in conjunction with the basic 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 the air and marine terminals of the U.S. Virgin Islands through 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 Aviation Division's revenues consist mainly of landing and passenger fees and rental income. The Aviation 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 Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement 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 Governmental Accounting Standards Board (GASB).

Financial Highlights

Operating Revenues

The total operating revenues for the Virgin Islands Port Authority for fiscal years 2015 and 2014 are $53.1 million and $51.4 million, respectively. The fluctuation in operating revenues when compared to fiscal year 2014 is an increase of approximately $1.7 million, or 3.3%. The Aviation Division recorded an increase of approximately 5.5% in revenues in 2015 when compared to 2014. Additionally, 2015 marine revenues increased by approximately 1.6% when compared to 2014.

The 2015 increase in revenues under the Aviation Division of 5.5% resulted from an overall increase of 8.5% in passenger activity when compared to 2014; which comprised of an increase of 55,759 passengers at the Cyril E. King Airport Terminal in St. Thomas and an increase of 21,193 passengers at the Henry E. Rohlsen Airport Terminal in St. Croix. Cyril E. King Airport has remained steady with enplanements matching fiscal year 2014 of approximately 0.7 million and Henry E. Rohlsen Airport has seen a slight increase in enplanements since the discontinuation of a major airline in March 2013, and effects of the 2012 closing of the Hovensa refinery in St. Croix.

As a result of increased passenger traffic, most concessions related to passenger activity were positively affected. The categories of rentals and others also showed increases of 6.4% and 8.4% respectively.

In the Marine Division, overall revenues increased by 1.6% largely due to an increase in rentals of 13.6%, attributed to new tenants at our Austin Babe Monsanto Marine Terminal Center. The category of wharfage dues also showed a slight increase attributed to marine terminal tax revenue. Conversely the categories of users' fees and dues and others showed decreases of 2%, and 1.7%, respectively.

The following table details the components of and changes in operating revenues:

(In thousands of dollars)	**2015**	**2014**	**2013**	**Change 2015**	**Change 2014**
Aviation operating revenues:					
Users' fees and dues	**$ 13,465**	$ 12,913	$ 12,292	$ 552	$ 621
Rentals	**6,050**	5,689	5,717	361	(28)
Others	**4,178**	3,854	3,252	324	602
Total Aviation operating revenues	**23,693**	22,456	21,261	1,237	1,195
Marine operating revenues:					
Users' fees and dues	**14,456**	14,745	14,123	(289)	622
Wharfage dues	**7,694**	7,651	6,194	43	1,457
Rentals	**6,122**	5,389	5,047	733	342
Others	**1,121**	1,140	1,046	(19)	94
Total Marine operating revenues	**29,393**	28,925	26,410	468	2,515
Total operating revenues	**$ 53,086**	$ 51,381	$ 47,671	$ 1,705	$ 3,710

Wharfage and Tonnage

The Virgin Islands Port Authority assesses fees through its tariff to users for use of its wharfs and for tonnage based on cargo capacity. The Authority charges such fees to enable it to maintain the various marine facilities for expenses such as dredging, repairs and maintenance, and replacement of facilities as needed.

The U. S. Virgin Islands (USVI) is defined as a Territory of the United States and as such is authorized by Congress to set its own custom duties. The revenue generated from custom duties is intended to assist the Government of the U.S. Virgin Islands' operations. Through a Memorandum of Agreement (MOA) signed in 1994 by the Government of the U.S. Virgin Islands (GVI) and Customs (now Custom Border and Protection and referred to as CBP), the latter was authorized to collect the USVI custom duties and the wharfage and tonnage port user fees of the Virgin Islands Port Authority. The MOA required CBP to pay the revenue to the USVI treasury, less CBP's cost of collecting both the custom duties and wharfage and tonnage user fees of VIPA, at which point GVI charges a 5% administrative fee for processing a check to VIPA.

Over time, CBP's cost for collecting has exceeded the amount of both the custom duties and port user fees collected. This has directly impacted the amounts available to remit to GVI and to VIPA. At the close of fiscal year 2009, the Authority wrote off $6.2 million due from CBP and at the close of fiscal year 2012, an additional amount of $3.5 million was written off.

Moving forward, GVI has removed VIPA from the MOA. Effective March 1, 2011, VIPA commenced collecting an equivalent tariff for the former wharfage and tonnage under a new categorization of harbor use fee and facility use fee. VIPA will continue to pursue the outstanding receivable from CBP and will recognize the revenue when and if received.

Operating Expenses

Fiscal year 2015 operating expenses for the Virgin Islands Port Authority decreased approximately 6.4% in comparison to 1.8% increase in fiscal year 2014. Payroll, taxes, and fringe benefits increased by 0.9% mostly due to pension expense adjustments from the implementation of new accounting standards. The Authority has been able to contain payroll costs due to a negotiated cost sharing arrangement consisting of 85% employer and 15% employee share, which commenced in October of fiscal year 2015. Repairs and maintenance, materials and supplies, insurance, depreciation, and other operating expenses decreased by 11%, 10.5%, 19.8%, 10.7 %, and 4.4%, respectively.

Fiscal year 2014 operating expenses increased approximately 1.8% in comparison to 10.5% increase in fiscal year 2013. Payroll, taxes, and fringe benefits increased by 11.7%. Fiscal year 2014 payroll costs included accruals for increases awarded through contractual agreements to the aviation union dating back to fiscal year 2009 through fiscal year 2014. Repairs and maintenance showed an 18% increase. Insurance, depreciation, and other operating expenses decreased by 1.4%, 5.9%, and 6.6%, respectively.

The following table details the components of and changes in operating expenses:

(In thousands of dollars)	2015	2014	2013	Change 2015	Change 2014
Payroll, payroll taxes, and fringe benefits	**$ 22,714**	$ 22,515	$ 20,162	$ 199	$ 2,353
Repairs and maintenance	**3,360**	3,774	3,199	(414)	575
Materials, supplies, and other services	**6,555**	7,323	7,264	(768)	59
Insurance	**3,068**	3,826	3,879	(758)	(53)
Depreciation	**17,179**	19,239	20,451	(2,060)	(1,212)
Other operating expenses	**8,063**	8,430	9,026	(367)	(596)
Total operating expenses	**$ 60,939**	$ 65,107	$ 63,981	$ (4,168)	$ 1,126

Non-Operating Revenues and Expenses

The Authority has permission from the Federal Aviation Administration (FAA) to collect passenger facility charges (PFC) of $4.50 for each passenger departing from CEKA and $3.00 for each passenger departing from HERA. These funds are restricted for certain capital projects as established by the Aviation Safety and Capacity Expansion Act of 1990. The Authority collected approximately $3.2 million of PFC revenues in both fiscal years 2015 and 2014.

Effective August 1, 2013, the Authority authorized a Customer Facility Charge (CFC) of $2.00 per transaction day per contract to be imposed for the rental of a vehicle from an on-airport rental car company located at the Cyril E. King Airport. The Authority collected approximately $0.5 million and $0.4 million of CFC revenues for fiscal years 2015 and 2014, respectively.

Capital Contributions

Capital contributions are received from the U.S. Government, mainly the FAA, Transportation Security Administration (TSA), Federal Emergency Management Agency (FEMA), U.S. Federal Highway Administration (FHWA), Economic Development Administration (EDA), and the Government of the U.S. Virgin Islands to fund capital projects.

In fiscal year 2015, contributions amounted to $6.6 million. Federal contributions from FAA were $3.6 million to enhance security, rehabilitate and evaluate the Cyril E. King Airport, acquire an Aircraft, Rescue, and Firefighting (ARFF) vehicle, and $2 million to rehabilitate and inspect the Henry E. Rohlsen runway, install a perimeter fence, and construct and design an ARFF station. Other Federal contributions came from TSA of $0.5 million for the security and canine reimbursement program and $0.5 million for reimbursement for an office building.

In fiscal year 2014, contributions amounted to $12.1 million. Federal contributions from FAA were $7.8 million to enhance security, rehabilitate and evaluate the Cyril E. King Airport and $3.7 million to rehabilitate and inspect the Henry E. Rohlsen Runway. Other Federal contributions came from the TSA of $0.5 million for the security and canine reimbursement program and $0.1 million from the Small Community Air Service Development Program (SCASP) Grant for air service development.

Change in Net Position

Total change in net position increased by $0.4 million in 2015 and increased by $1.3 million in 2014. This change resulted from total operating expenditures of $60.9 million and $65.1 million, offset by operating revenues of $53.1 million and $51.4 million, net non-operating revenues of $1.7 million and $3 million, and capital contributions of $6.6 million and $12.1 million in 2015 and 2014, respectively.

Statements of Net Position

The Statement of Net Position presents the financial position of the Authority at the end of the fiscal year. A summarized comparison of the various components of financial position at September 30, 2015, 2014, and 2013 is as follows:

(In thousands of dollars)	**2015**	**2014**	**2013**
Assets			
Current assets	**$ 58,961**	$ 37,973	$ 39,607
Noncurrent assets:			
Capital assets, net	**240,108**	239,866	232,417
Other noncurrent assets	**3,828**	4,320	4,375
Total assets	**302,897**	282,159	276,399
Deferred outflows of resources	**10,327**	-	-
Liabilities			
Current liabilities	**15,277**	19,758	13,926
Noncurrent liabilities	**143,783**	25,798	27,165
Total liabilities	**159,060**	45,556	41,091
Deferred inflows of resources	**513**	-	-
Net position			
Net investment in capital assets	**211,367**	210,394	203,161
Restricted	**36,873**	10,786	13,016
Unrestricted (deficit)	**(94,589)**	15,423	19,131
Total net position	**$ 153,651**	$ 236,603	$ 235,308

During fiscal year 2015, the net increase in capital assets amounting to approximately $.2 million was the net effect of additions and retirement of capital assets amounting to $17.7 million and $.3 million, respectively, net of depreciation expense of $17.2 million.

During fiscal year 2014, the net increase in capital assets amounting to approximately $7.4 million was the net effect of additions and retirement of capital assets amounting to $28 million and $1.4 million, respectively, net of depreciation expense of $19.2 million.

The most significant additions were related to the following capital projects:

(In thousands of dollars)	**2015**	**2014**	**2013**
Dredging – Crown Bay Marina	**$ 4.8 million**	$ 0.5 million	-
Baggage Claim Renovations - CEKA	**$ 1.6 million**	$ 3.2 million	-
Aircraft Rescue & Fire Fighting (ARFF) Vehicle	**$ 0.9 million**	-	-
Rehabilitation - General Aviation - CEKA	**$ 1.6 million**	$ 4.0 million	-
Apron Rehabilitation - HERA	**$ 1.4 million**	$ 4.3 million	-
TSA Office Renovation – HERA	**-**	-	$ 0.5 million
Runway Roadway Lighting - CEKA	**-**	$ 4.4 million	$ 4.9 million
Security Fence Rehabilitation - CEKA	**-**	$ 0.6 million	-
Security Upgrade – TWIC	**-**	-	$ 1.7 million
Terminal Building Re-Roofing – CEKA	**-**	$ 1.9 million	$ 1.6 million

Capital Financing and Debt Management

The Authority has three bond issues outstanding as of September 30, 2015. They are the 2014 Marine Revenue Series A, B & C Bonds that were issued in October 2014. The Marine Revenue Bonds were issued in a three part series of 2014A (AMT), 2014B (Non-AMT), and 2014C (Federally taxable), in principal amounts of $28.8 million, $14.9 million, and $4.9 million, respectively. The Marine Revenue Bonds were issued for (i) refunding $24.5 million in 2003 Series A Marine Revenue bonds and pay off the 2003 Series bonds; (ii) financing of various capital projects; (iii) fund a deposit to the debt service fund; (iv) fund a deposit to the operation, maintenance, renewal and replacement reserve account; and (v) pay the cost of issuance of the 2014 Bonds.

A summary of the 2014 Marine Bonds' terms follows:

	Interest Rate
$28,765,000 Series A, due serially from 2015 through 2033	4.00% to 5.00%
$14,900,000 Series B, due serially from 2015 through 2044	3.00% to 5.00%
$4,920,000 Series C, due serially from 2015 through 2025	2.00% to 5.00%

The aggregate balance as of September 30, 2015 of the 2014 Marine Revenue Bonds is $46.8 million.

As of September 30, 2014, the Authority had three bond issues outstanding amounting to $26.1 million. They were the 2003 Marine Revenue Series A, B & C Bonds. The 2003 Marine Revenue Bonds A & B were used to finance the dredging, rehabilitation, and construction of the Crown Bay Pier in St. Thomas and the construction of a mixed used commercial complex at Crown Bay. The Marine Revenue Bonds were issued in a two part series of 2003A (AMT) and 2003B (Federally taxable), in principal amounts of $18 million and $17.4 million. The aggregate balance as of September 30, 2014, of the Marine Revenue Series A & B Bonds is $19.8 million.

In October of 2003, the Authority entered into an agreement with Banco Popular de Puerto Rico to finance the Authority's portion of the construction of the Red Hook Terminal, renovation of the Gallows Bay Dock, St. Croix, and the dredging of the Crown Bay and Charlotte Amalie Harbor. This bond issuance is labeled as Marine Revenue Series C Bonds (Non-AMT). The financing for these projects was completed on September 30, 2005, in an amount not to exceed $10.8 million. At the close of fiscal year 2014, the amount outstanding of the Marine Revenue Series C Bonds was $6.3 million.

A portion of the proceeds from the 2014 Marine Revenue Series A, B & C Bonds was used to refund the outstanding 2003 Series A & C Bonds amounting to $24.5 million, which include accrued interest as of the redemption date for October 27, 2014. The proceeds from the issuance of the 2014 Series used in the refunding were deposited in an escrow account, held by the Trustee on behalf of the holders of the refunded bonds, and applied to such redemption contemporaneously with the issuance of the 2014 Series. As a result, the 2003 Marine Revenue Series A & C Bonds were paid off and were removed from the Authority's books. The 2003 Series B Marine Revenue Bonds were paid off using the Marine Division's surplus funds.

As discussed in Note 6 to the financial statements, the new 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 2015 and 2014, the Authority complied with the debt service coverage. The following table summarizes the results of such calculation for 2015:

Debt service coverage ratio-required	125%
Fiscal year 2015 debt service coverage ratio	193%
Excess of debt service coverage over bond indentures requirement	68%

Contingencies

St. Croix Municipal Landfill at Estate Anguilla

The Government of the U.S. Virgin Islands has addressed the previous issues related to the potential flight hazards created by birds attracted to the Anguilla Landfill near the Henry E. Rohlsen Airport, in accordance with the approved Compliance Plan between the Virgin Islands Waste Management Authority, VIPA, and the FAA. With the landfill now only accepting baled debris, the FAA was satisfied with the progress made towards closing the facility.

The Authority is maintaining the airfields at Henry E. Rohlsen and Cyril E. King Airport mostly with Federal financial assistance from FAA's Airport Improvement (AIP) Grant Program and from the discretionary funds. The AIP funds are allocated by formula or other entitlement processes. Discretionary funds are administered by the Secretary of Transportation. Since 1982, the Authority has received approximately $203 million in entitlement and discretionary funds combined. A total of $66 million in Entitlement funds and $55 million in Discretionary funds for Cyril E. King Airport, and $59 million in Entitlement funds and $23 million in Discretionary funds for Henry E. Rohlsen Airport have been received.

Economic Factors 2015

In fiscal year 2015, the Virgin Islands Port Authority saw a moderate growth in its overall financial outlook over the previous year. In addition to the competition for tourist dollars, the most significant issue facing the USVI remains the closure of HOVENSA, Inc. The HOVENSA, Inc. impact includes direct and indirect job losses.

The USVI faces the continued growth of new resorts and new cruise port facilities throughout the Caribbean. That is, the major growth of tourist visits is occurring in locations such as the Dominican Republic and the Bahamas. This leaves locations such as Bermuda, Puerto Rico, and the USVI with steady (but not increasing) traffic. Mexico is not in the Caribbean, but its resorts such as Cancun and Cozumel, continue to attract millions of tourists annually. However, with a strengthening U.S. economy and one of the most desirable vacation destinations in the Caribbean, the outlook for the tourism growth in the USVI remains positive. This is caused by the relatively strong and growing economy in the United States. Similar numbers of cruise passengers versus recent years are anticipated for near-team Port Authority budget planning. Recent years of relatively stable cruise activity in the Virgin Islands (at 1.9 million annual passengers) suggest the outlook is stable. Although, the number of USVI hotel rooms has remained stable over time and no significant increase in near-term tourist visits (either air or cruise) is foreseen, the USVI remains a tranquil oasis under the U.S. flag for the hundreds of thousands of cold weather climate persons to escape to the Caribbean.

The overall United States air passenger growth picture is also bright with the Caribbean remaining a prime expansion area for carriers such as JetBlue, Southwest, and Spirit. The strongest growth of U.S. carrier service over the next few years is projected to foreign points in lieu of domestic locations. This involves increased numbers of foreign tourists and the increased propensity of Americans to travel abroad.

The Authority's financial health and outlook are largely dependent on the Territory's air and cruise tourism industry, which, in turn, are significantly correlated to the health and outlook of the U.S. economy – particularly the availability of discretionary income. The long-term forecast is very positive for growth of USVI air and cruise passengers, resulting in the use of the Authority's facilities. This outlook is based upon a strong U.S. economy and intense competition (worldwide, in the U.S., and locally) to serve tourists. The present realities and outlook for the economic and tourism industry environment, in which the Authority must navigate, will require a continued focus on cost containment and identifying new revenue sources as an integral component of the Authority's sustainability strategy. With a strengthening U.S. economy and the USVI being one of the most desirable vacation destinations in the Caribbean, the general outlook for the Territory's tourism growth remains optimistic.

Contacting the Authority's Financial Management

This financial report is designed to provide the Authority's customers and creditors and other interested persons with a general overview of its finances and to demonstrate the Authority's accountability for the funds it receives. If you have questions about this report, or need additional financial information, contact the Chief Financial Officer at Administrative Building, Cyril E. King Airport, St. Thomas, V.I. 00803

Financial Statements

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Statements of Net Position
(In thousands of dollars)

September 30,	**2015**	2014
Assets		
Current assets:		
Cash and cash equivalents (restricted - $7,756 in 2015 and $6,065 in 2014)	**$ 14,599**	$ 17,437
Short-term investments	**10,661**	9,056
Sinking funds (restricted)	**25,288**	877
Accounts receivable (net of allowance for doubtful accounts of $1,129 in 2015 and $982 in 2014)	**3,101**	3,497
Receivables from U.S. Government agencies (net of allowance for doubtful accounts of $100 in 2015 and $100 in 2014)	**3,183**	2,540
Prepaid insurance	**1,141**	2,295
Other current assets	**988**	2,271
Total current assets	**58,961**	37,973
Noncurrent assets:		
Capital assets, net	**240,108**	239,866
Sinking funds (restricted)	**3,228**	3,845
Long-term investment	**600**	-
Prepaid bonds insurance	**-**	475
Total noncurrent assets	**243,936**	244,186
Total assets	**$ 302,897**	$ 282,159
Deferred outflows of resources		
Deferred charge on debt refunding	**$ 369**	$ -
Pension related outflows	**9,958**	-
Total deferred outflows of resources	**$ 10,327**	$ -
Liabilities		
Current liabilites:		
Accounts payable related to capital projects, including retainage on contracts	**$ 968**	$ 1,650
Other accounts payable and accrued liabilities	**9,622**	13,909
Capital lease payable	**825**	900
Compensated absences payable	**947**	913
Note payable	**632**	-
Bonds payable	**2,283**	2,386
Total current liabilities	**15,277**	19,758
Noncurrent liabilities:		
Capital lease payable	**-**	825
Compensated absences payable	**1,408**	1,262
Bonds payable	**49,076**	23,711
Net pension liability	**93,299**	-
Total noncurrent liabilities	**143,783**	25,798
Total liabilites	**$ 159,060**	$ 45,556
Deferred inflows of resources		
Pension related inflows	**$ 513**	$ -
Net position:		
Net investment in capital assets	**$ 211,367**	$ 210,394
Restricted	**36,873**	10,786
Unrestricted (deficit)	**(94,589)**	15,423
Net position	**$ 153,651**	$ 236,603

See accompanying notes to the 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 Position
(In thousands of dollars)

Years Ended September 30,	**2015**	2014
Operating revenues		
Aviation	**$ 23,693**	$ 22,456
Marine	**29,393**	28,925
Total operating revenues	**53,086**	51,381
Operating expenses		
Payroll, payroll taxes, and fringe benefits	**22,714**	22,515
Materials, supplies, and other services	**6,555**	7,323
Insurance	**3,068**	3,826
Depreciation	**17,179**	19,239
Repairs and maintenance	**3,360**	3,774
Other operating expenses	**8,063**	8,430
Total operating expenses	**60,939**	65,107
Operating loss	**(7,853)**	(13,726)
Non-operating revenues (expenses)		
Passenger facility charges	**3,206**	3,242
Insurance recovery	**66**	1,135
Customer facility charges	**487**	449
Interest income	**196**	68
Other non-operating revenues	**265**	38
Interest expense	**(1,686)**	(1,426)
Financing expenses	**(820)**	–
Other non-operating expenses	**(30)**	(588)
Total non-operating revenues, net	**1,684**	2,918
Change in net position, before capital contributions	**(6,169)**	(10,808)
Federal and state government capital contributions	**6,554**	12,103
Change in net position	**385**	1,295
Net position, beginning of year, as previously reported	**236,603**	235,308
Change in accounting principle (see Note 1)	**(83,337)**	–
Net position, at beginning of year, as restated	**153,266**	235,308
Net position, at end of year	**$ 153,651**	$ 236,603

See accompanying notes to the financial statements.

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Statements of Cash Flows
(In thousands of dollars)

Years Ended September 30,	**2015**	2014
Cash flows from operating activities		
Cash received from customers and others	**$ 53,270**	$ 52,225
Cash paid to suppliers and employees, net of capitalized expenses	**(46,426)**	(42,399)
Net cash provided by operating activities	**6,844**	9,826
Cash flows from investing activities		
Purchase of investments	**(1,615)**	(6,883)
Proceeds from sale of investments	**982**	–
Interest received from investments	**196**	68
Net cash used in investing activities	**(437)**	(6,815)
Cash flows from capital and related financing activities		
Acquisition of capital assets	**(17,743)**	(25,022)
Proceeds from bond issuance	**54,275**	–
Proceeds from note payable	**1,965**	–
Principal payments on bonds payable	**(27,863)**	(2,252)
Principal payments on note payable	**(1,333)**	–
Principal payments on capital lease payable	**(900)**	(575)
Interest paid	**(2,327)**	(1,436)
Financing expenses paid	**(820)**	–
Cash received from U.S. Government agencies and local government	**5,911**	11,651
Passenger facility charges	**3,206**	3,242
Proceeds from insurance recovery	**308**	1,135
Customer facility charges	**487**	449
Net cash provided by (used in) capital and related financing activities	**15,166**	(12,808)
Net change in cash and cash equivalents	**21,573**	(9,797)
Cash and cash equivalents, at beginning of year	**18,314**	28,111
Cash and cash equivalents, at end of year	**$ 39,887**	$ 18,314
Cash and cash equivalents		
Unrestricted and restricted cash and cash equivalents	**$ 14,599**	$ 17,437
Cash and cash equivalents restricted in sinking funds	**25,288**	877
	$ 39,887	$ 18,314

See accompanying notes to the financial statements.

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Statements of Cash Flows (continued)

(In thousands of dollars)

Years Ended September 30,		**2015**		2014
Reconciliation of operating loss to net cash provided by operating activities				
Operating loss	**$**	**(7,853)**	$	(13,726)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation		**17,179**		19,239
Deferred charges write-off		**77**		950
(Reversal of) provision for doubtful accounts		**212**		(414)
Prepaid supplies write-off		**23**		25
Prepaid bonds insurance amortization		**-**		57
Deferred charge on debt refunding amortization		**47**		–
Premium amortization		**-**		(14)
Increase in pension expense		**93,299**		–
Change in accounting principle		**(83,337)**		–
Deferred outflows of resources		**(10,327)**		–
Deferred inflows of resources		**513**		–
Change in assets and liabilities:				
Accounts receivable		**184**		844
Prepaid insurance		**1,154**		246
Other current assets		**543**		(1,640)
Accounts payable and other accrued liabilities		**(5,050)**		3,986
Compensated absences payable		**180**		273
Total adjustments		**14,697**		23,552
Net cash provided by operating activities	**$**	**6,844**	$	9,826
Supplemental schedule of noncash investing, capital and related financing activities				
Poperty acquired through capital lease	**$**	**-**	$	2,300

See accompanying notes to the financial statements.

1. Reporting Entity and Summary of 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 the 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 (the Government or GVI) and, therefore, the financial statements of the Authority are not intended to present fairly the financial position and results of operations of the Government. 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.

Basis of Accounting

The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB) and has adopted all applicable GASB statements through No. 71. The operations of the Authority are presented as an enterprise fund and as such, the financial statements are reported using the economic measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basic Financial Statements

Standards for external financial reporting for state and local governments require that resources be classified for accounting and reporting purposes into net position categories and to report the changes in net position. Net position represents the residual interest in the Authority's assets and deferred outflows after liabilities and deferred inflows are deducted and consist of the following categories:

- *Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt and accounts payable 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 position component as the unspent proceeds.

- *Restricted:* These result when constraints, on the use of net position, are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted:* Net position that is not subject to externally imposed stipulations.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for fees, dues, and rent on each air and marine terminal.

Operating expenses for the Authority include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and 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 position. For purposes of the statements of cash flows, cash and cash equivalents also include the current portion of restricted balances deposited in the sinking funds.

Restricted cash and cash equivalents consist of Passenger Facility Charges and Customer Facility Charges deposited in interest bearing accounts. Unrestricted cash and cash equivalents may be used for operational purposes.

Investments

Short-term investments, which consist of non-negotiable certificates of deposits and other highly liquid investments such as U.S. Government and agency securities with a maturity of greater than three months but less than one year when purchased, are carried at amortized cost, which approximates fair value due to their short-term maturities. All other highly liquid instruments, which are to be used for the long-term purposes of the Authority, are classified as investments.

Sinking Funds

The Authority maintains amounts deposited in sinking funds that are restricted for specific uses in accordance with the corresponding bond indentures (see Note 6), mainly for construction and maintenance of airports and marine facilities. The bond indentures also require the Authority to maintain certain balances to cover the bonds' debt service reserves. The Authority is not permitted to use these funds for any other purpose.

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.

Capital Assets

Land transferred from the Federal 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. 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 and harbor improvements	20

When assets are retired, the cost and related accumulated depreciation of the asset 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. During fiscal year 2015 and 2014, the Authority incurred a non-operating expense of $3 thousand and $0.4 million, respectively, due to retirement of assets.

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 2015 and 2014, no interest expense was capitalized.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources consist of (a) unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period and (b) deferred charges on debt refunding (also see bond issuance and refunding policy note).

Compensated Absences

Unpaid vacation leave compensation, as well as the Authority's share of related social security taxes, is accrued as benefits are 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.

Bond Issuance and Refunding

Bond and notes premiums and discounts are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount.

Further, in accordance with GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reporting by Proprietary Activities,* when issuing new debt for refunding purposes, the difference between the reacquisition price of the new debt and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow or resources and amortized using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, as well as additions to and deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported in the financial statements of the Government of the Virgin Islands Employees' Retirement System (GERS). Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Also see Note 10.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of the unamortized portion of the net differences between projected and actual earnings on pension plan investments, changes in assumptions, and other differences between expected and actual experience.

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 Facility Charges

The airlines that use the Authority's airport facilities collect a Passenger Facility Charge (PFC) of up to $4.50 per passenger from travelers leaving the U.S. Virgin Islands from the Cyril E. King Airport (CEKA) and $3.00 from travelers leaving the U.S. Virgin Islands from the Henry E. Rohlsen Airport (HERA). 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 the airlines. Due to their restricted use, PFCs are categorized as non-operating revenues and are recorded as restricted net position until the funds are expended. Once funds generated by PFCs are used in the construction of the FAA approved projects, such amounts are reflected in net investment in capital assets.

Customer Facility Charges

Effective August 1, 2013, the Authority authorized a Customer Facility Charge (CFC) of $2.00 per transaction day per contract to be imposed for the rental of a vehicle from an on-airport rental car company located at Cyril E. King Airport. Funds received from CFCs shall be used for paying the Authority's capital costs for construction and improvement of rental car facilities at the airport, including costs that support environmental sustainability or funding the Authority's costs for such other rental car related purposes as the Authority determines, in joint consultation, with the airport rental car companies.

Grants and Contributions from 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 capital contributions. If resources are received in advance of satisfying certain eligibility requirements, the recognition of revenues is deferred.

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.

New Accounting Pronouncements

In 2015, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions.

For defined benefit pensions provided by employers, these statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. While restatement of all prior periods was not practical because information regarding the historical proportionate share of actuarial information to the Authority was not available, the impact of implementing the statements is shown as a change in the beginning net position in fiscal year 2015.

The adjustment, in thousands of dollars, decreasing beginning net position by ($83,337) is comprised of the net pension liability at October 1, 2014, of ($85,402) less deferred outflows or resources of $2,065 for contributions made subsequent to the measurement date of September 30, 2013 through September 30, 2014.

2. Deposits

Deposits, segregated by category, are as follows at September 30, 2015:

(In thousands of dollars)	**Cash Deposits**	**Certificates of Deposits**	**Total**
Cash and cash equivalents	**$ 14,599**	**$ -**	**$ 14,599**
Investments	**-**	**11,261**	**11,261**
Sinking funds (restricted)	**28,516**	**-**	**28,516**
	$ 43,115	**$ 11,261**	**$ 54,376**

Deposits, segregated by category, are as follows at September 30, 2014:

(In thousands of dollars)	**Cash Deposits**	**Certificates of Deposits**	**Total**
Cash and cash equivalents	$ 16,933	$ 504	$ 17,437
Investments	-	9,056	9,056
Sinking funds (restricted)	4,722	-	4,722
	$ 21,655	$ 9,560	$ 31,215

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority does not have a custodial risk policy. The Authority maintains its deposits at several financial institutions, which, at times may exceed federally insured limits. Generally, the Federal Deposit Insurance Corporation (FDIC) insures depositor funds up to $250,000. At September 30, 2015 and 2014, the Authority held $54.4 million and $32.5 million, respectively, in uninsured deposits. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its deposits.

As of September 30, 2015, approximately $28.8 million or 52.2% of the Authority's deposits were held at US Bank. As of September 30, 2014, approximately $14.2 million or 45.6% of the Authority's deposits were held at First Bank.

3. Sinking Funds

Deposits in the reserve accounts at September 30, 2015, were as follows:

(In thousands of dollars)	**2014 Marine Revenue Series A,B &C Bonds**
Construction	**$ 25,279**
Debt service reserve	**3,228**
Cost of issuance	**5**
Interest	**4**
	$ 28,516

Deposits in the reserve accounts at September 30, 2014, were as follows:

(In thousands of dollars)	**2003 Marine Revenue Series A & B Bonds**	**2003 Marine Revenue Series C Bonds**	**Total**
Debt service reserve	$ 3,845	$ 864	$ 4,709
Construction	9	3	12
Operating maintenance renewal, and replacement funds	-	1	1
	$ 3,854	$ 868	$ 4,722

4. Capital Assets

Capital assets as of September 30, 2015, are comprised as follows:

(In thousands of dollars)	Beginning Balance	Increase	Decrease	Transfers	Ending Balance
Non-depreciable assets:					
Land	$ 23,697	$ -	$ -	$ -	$ 23,697
Construction in progress	26,432	16,132	-	(9,674)	32,890
Total non-depreciable assets	50,129	16,132	-	(9,674)	56,587
Depreciable assets:					
Buildings and structures	321,003	104	-	853	321,960
Runaways, aprons, and pavings	150,369	-	-	4,771	155,140
Equipment	35,305	1,342	(2,556)	1,095	35,186
Land and harbor improvements	27,799	165	-	2,878	30,842
Total depreciable assets	534,476	1,611	(2,556)	9,597	543,128
Accumulated depreciation for:					
Buildings and structures	(182,111)	(8,204)	-	-	(190,315)
Runaways, aprons, and pavings	(121,039)	(5,026)	-	-	(126,065)
Equipment	(17,619)	(2,926)	2,311	-	(18,234)
Land and harbor improvements	(23,970)	(1,023)	-	-	(24,993)
Total accumulated depreciation	(344,739)	(17,179)	2,311	-	(359,607)
Total capital assets, net	$ 239,866	$ 564	$ (245)	$ (77)	$ 240,108

The Authority has active construction projects as of September 30, 2015. The projects include improvements to runways and aprons, buildings, structures, roads and equipment. At fiscal year end, the Authority had an estimated $6.8 million in contractual commitments for these construction projects.

Capital assets as of September 30, 2014, are comprised as follows:

(In thousands of dollars)	**Beginning Balance**	**Increase**	**Decrease**	**Transfers**	**Ending Balance**
Non-depreciable assets:					
Land	$ 20,696	$ 3,001	$ -	$ -	$ 23,697
Construction in progress	10,844	22,284	-	(6,696)	26,432
Total non-depreciable assets	31,540	25,285	-	(6,696)	50,129
Depreciable assets:					
Buildings and structures	316,087	112	(134)	4,938	321,003
Runaways, aprons, and pavings	149,647	-	(96)	818	150,369
Equipment	38,576	2,661	(5,922)	(10)	35,305
Land and harbor improvements	27,769	30	-	-	27,799
Total depreciable assets	532,079	2,803	(6,152)	5,746	534,476
Accumulated depreciation for:					
Buildings and structures	(172,813)	(9,429)	131	-	(182,111)
Runaways, aprons, and pavings	(115,591)	(5,544)	96	-	(121,039)
Equipment	(20,360)	(2,734)	5,475	-	(17,619)
Land and harbor improvements	(22,438)	(1,532)	-	-	(23,970)
Total accumulated depreciation	(331,202)	(19,239)	5,702	-	(344,739)
Total capital assets, net	$ 232,417	$ 8,849	$ (450)	$ (950)	$ 239,866

5. Note Payable

The Authority obtained a short-term note in April 2015 for $1.9 million with interest at a 1.976% annual rate. This note has a 10-month maturity and is due in February 2016. This note was used to finance the Authority’s insurance premiums. The outstanding balance of $0.6 million as of September 30, 2015, was paid off in January 2016.

6. Long-term Liabilities

Revenue Bonds

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

On October 20, 2003, the Authority issued Marine Revenue Bonds Series 2003C (Non-AMT), with an authorized principal amount not to exceed approximately $10.8 million. The Authority used the proceeds of the bonds to finance the completion of several projects to include 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, Gallows Bay Dock, and dredging of the Charlotte Amalie Harbor.

In October 2014, the Authority issued three series of 2014 Series Marine Revenue Bonds A, B & C amounting to $48.6 million, with an average interest rate of 4.70%. A portion of the proceeds was used to refund the outstanding bond series 2003 A and C amounting to $24.5 million, which include accrued interest as of the redemption date for October 27, 2014. The proceeds from the issuance of the 2014 Series used in the refunding were deposited in an escrow account, held by the Trustee on behalf of the holders of the refunded bonds, and applied to such redemption contemporaneously with the issuance of the Series 2014 Bonds. As a result, the 2003 A & C Bonds were paid off and were removed from the Authority's books. The 2003 Series B Marine Revenue Bonds were paid off using the Marine Division's surplus funds.

As a result of the refunding, the Authority reduced its total debt service requirement by $1.7 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2.4 million. In addition, the Authority recognized a deferred charge on debt refunding amounting to $.4 million.

The proceeds of the 2014 Bonds, together with certain other available funds of the Authority, will be used for: (i) refunding $24.5 million in 2003 Series A Marine Revenue bonds and pay off the 2003 Series bonds; (ii) for the financing of various capital projects; (iii) to fund a deposit to the debt service fund; (iv) to fund a deposit to the operation, maintenance, renewal and replacement reserve account; and (v) to pay the cost of issuance of the 2014 Bonds.

At September 30, 2015 and 2014, bonds payable consist of:

(In thousands of dollars)	**2015**	**2014**
Marine Division:		
2014 Marine Revenue Bonds, $28,765 Series A; due serially from September 1, 2015 through September, 1, 2033, bearing interest ranging from 4.00% to 5.00%.	**$ 28,465**	$ -
2014 Marine Revenue Bonds, $14,900 Series B; due serially from September 1, 2015 through September, 1, 2044, bearing interest ranging from 3.00% to 5.00%.	**14,375**	-
2014 Marine Revenue Bonds, $4,920 Series C; due serially from September 1, 2015 through September, 1, 2025, bearing interest ranging from 2.00% to 5.00%.	**3,920**	-
2003 Marine Revenue Bonds, $18,005 Series A; due serially from September 1, 2015 through September 1, 2023, bearing interest ranging from 5.00% to 5.25%	**-**	18,005
2003 Marine Revenue Bonds, $17,425 Series B; due serially through September 1, 2015, bearing interest ranging from 3.73% to 5.43%	**-**	1,755
2003 Marine Revenue Draw Bonds, up to $10,750 Series C; due serially through September 1, 2023, bearing interest of 4.40%	**-**	6,278
	46,760	26,038
Debt premium	**4,599**	59
Less current portion of long-term debt	**(2,283)**	(2,386)
	$ 49,076	$ 23,711

The aggregate debt service requirements of bonds payable, in thousands of dollars, at September 30, 2015, follow:

Years	**Principal**	**Interest**	**Total**
2016	$ 2,220	$ 2,333	$ 4,553
2017	2,330	2,227	4,557
2018	2,445	2,110	4,555
2019	2,565	1,988	4,553
2020 through 2044	37,200	17,798	54,998
Total	$ 46,760	$ 26,456	$ 73,216

The Marine Revenue Bonds do not constitute general obligations of the Government of the U.S. Virgin Islands or the United States of America. Neither the credit of the Government 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 Marine Revenue Bonds represent a special limited obligation of the Authority and are payable and secured solely by a pledge of the Authority's net marine revenues, the Authority's right to receive net marine revenues and additional funds and accounts, as defined in the bonds' indentures.

The bonds' indentures contain certain account restrictions and funding covenants to cover interest, debt service, maintenance and other costs specified in the corresponding 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 indentures.

The bonds' indentures also specify certain debt service coverage requirements determined from Net Available Revenues (as defined) of the Authority's Marine Division. The provisions of each of the bonds' indentures require that rates and fees charged for the use of each facility 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.

Capital Lease

In August 2014, the Authority entered into a lease-option agreement with a third party to purchase land for a total cost of $2.3 million. The Authority paid $.9 million and $.6 million in fiscal year 2015 and 2014, respectively, with the balance payable in installments over 24 months.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2015, follows:

(In thousands of dollars)	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2014 Marine Revenue Bonds Series A	**$ -**	**$ 28,765**	**$ (300)**	**$ 28,465**	**$ 1,725**
2014 Marine Revenue Bonds Series B	**-**	**14,900**	**(525)**	**14,375**	**495**
2014 Marine Revenue Bonds Series C	**-**	**4,920**	**(1,000)**	**3,920**	**-**
2003 Marine Revenue Bonds Series A	**18,005**	**-**	**(18,005)**	**-**	**-**
2003 Marine Revenue Bonds Series B	**1,755**	**-**	**(1,755)**	**-**	**-**
2003 Marine Revenue Bonds Series C	**6,278**	**-**	**(6,278)**	**-**	**-**
Debt premium	**59**	**5,321**	**(781)**	**4,599**	**63**
Capital lease payable	**1,725**	**-**	**(900)**	**825**	**825**
Compensated absences payable	**2,175**	**1,266**	**(1,086)**	**2,355**	**947**
Total	**$ 29,997**	**$ 55,172**	**$ (30,630)**	**$ 54,539**	**$ 4,055**

Long-term liability activity for the year ended September 30, 2014, follows:

(In thousands of dollars)	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2003 Marine Revenue Bonds Series A	$ 18,005	$ -	$ -	$ 18,005	$ 20
2003 Marine Revenue Bonds Series B	3,435	-	(1,680)	1,755	1,755
2003 Marine Revenue Bonds Series C	6,850	-	(572)	6,278	599
Debt premium	73	-	(14)	59	12
Capital lease payable	-	2,300	(575)	1,725	900
Compensated absences payable	1,902	1,386	(1,113)	2,175	913
Total	$ 30,265	$ 3,686	$ (3,954)	$ 29,997	$ 4,199

7. User Agreements

User rates for the Aviation Division are reviewed semi-annually in consultation with the Authority's independent rate consultants. Effective October 1, 2005, the Authority adjusted its aviation rate after the HERA bonds were paid off and ceased the signatory and non-signatory differentiation in rates and instituted one user fee for all carriers at $2.50 per 1,000 pounds.

User rates for the Marine Division are set by tariff, except for Holland and Princess Cruise lines which operate under separate Cruise Ship Berth and Terminal User Agreements. Effective April 23, 2014, the Authority amended its Marine tariff to institute an increase in ship dues and wharfage from $.85 to $2 and $1 to $3, respectively.

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 Federal agencies and the Authority is obligated to spend the grant monies in accordance with the regulatory restrictions.

In 2013, the Authority received approximately $.1 million from the Virgin Islands Public Finance Authority to develop the capital projects. These amounts were recorded as state government capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. There were no such amounts received in 2015 or 2014.

9. Related Party Transactions

During the fiscal years ended September 30, 2015 and 2014, another enterprise fund of the Government of the U.S. Virgin Islands charged the Authority approximately $7.1 million and $8.3 million, respectively, for utility services rendered. Charges for such services are recurring and are included in the Authority's operating expenses.

The Authority also entered into a land purchase agreement with another Government entity and paid $.35 million of the $.7 million purchase price. The remaining unpaid amount is reflected in payables as of year-end.

During fiscal year 2014, the Authority paid to the Department of Planning and Natural Resources (DPNR), an agency of the Government, certain fees for submerged land rentals of approximately $.3 million. Additionally, DPNR paid the Authority $.5 million for both 2015 and 2014, related to office rental fees.

Further, the Authority has also leased several properties to various additional agencies of the Government and received $.6 million and $.6 million in revenue from these units in fiscal years 2015 and 2014, respectively.

10. Net Pension Liability

Effective July 1, 2014, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources.

Plan Description and Benefits

Full time employees of the Authority are members of GERS, a single-employer, defined benefit pension plan (the plan) established as of October 1, 1959 Title 3, Chapter 27 of the Virgin Islands Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members. The plan covers all employees of the Government, including the Authority, except employees compensated on a contract fee basis, casual, per diem or provisional and part time employees who work less than 20 hours per week. Persons over the age of 55 may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after 10 years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

Tier I: Employees hired prior to September 30, 2005
Tier II: Employees hired on or after October 1, 2005

Regular employees who have completed 30 years of credited service or have attained age 60 with at least 10 years of credited service are eligible for a full service retirement annuity. Members who are considered "safety employees" as defined in the Code are eligible for full retirement benefits when they have earned at least 20 years of service or have reached the age of 55 with at least 10 years of credited service. Regular and safety employees who have attained age 50 with at least 10 years of credited service may elect to retire early with a reduced benefit.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for Tier I members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service. Average compensation for Tier II members is determined by averaging the most recent five years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation is $65,000, except for senators and judges, whose annual salary is used.

Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required employer contribution for Tier I and Tier II members through December 31, 2014, was 17.5% of the member's annual salary. Effective January 1, 2015, the Government's required contribution was increased to 20.5% of the Tier I and Tier II member's annual salary.

Effective January 1, 2015, Tier I member contributions increased by 1% to 9% of annual salary for regular employees. Member contributions will increase an additional 1% on January 1, 2016, and January 1, 2017.

Effective February 5, 2015, Tier II member contributions increased by 1% to 9.5% of annual salary for regular employees, and will increase an additional 1% on January 1, 2016, and January 1, 2017.

Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Effective July 1, 2009, GERS' Board of Trustees approved an effective annual interest rate on refunded contributions of 2% per annum.

Both the plan and the Authority have a September fiscal year end. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date:	October 1, 2014
Measurement Date:	September 30, 2014
Measurement Period:	October 1, 2013 – September 30, 2014

The Authority is considered an employer of the Plan with a proportionate share of 3.02% as of September 30, 2014. The Authority's percentage was determined based on its respective contributions as a percentage of the total contributions to the plan. The Authority's proportionate share of employer contributions recognized by GERS was $2.06 million for the plan's fiscal year ended September 30, 2014.

Pension Liabilities and Expense and Deferred Outflows/Inflows of Resources

As of September 30, 2015, the actuarial calculated net pension liability for the Authority's proportionate share of the net pension liability of the Plan was $93.3 million. The net pension liability of the Plan is measured as of September 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2014. Actuarially determined proportionate share information from GERS was estimated by management based on a projection of the Authority's share of contributions to the Plan relative to all contributions to the Plan.

For the year ended September 30, 2015, the Authority recognized $0.5 million of pension expense, inclusive of amortization of deferred outflows of pension related items.

Given the limited historical information provided to the Authority by GERS, it was not practical for the Authority to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. As such, and consistent with GASB Statement No. 71, the Authority recognized a beginning deferred outflows of resources only for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the plan's fiscal year. No beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions have been recognized.

Following is a schedule of deferred outflows of resources and deferred inflows of resources allocated to the Authority in the computation of the net pension liability:

(In thousands of dollars)	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 5,841	$ -
Net difference between projected and actual earnings on pension plan investments	668	-
Difference between expected and actual experience	869	-
Changes in proportionate share	-	513
Contributions made subsequent to measurement date	2,580	-
	$ 9,958	$ 513

Amounts reported as deferred outflows and inflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30:	*(in thousands of dollars)*
2016	$ 1,716
2017	1,716
2018	1,716
2019	1,716

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2014 is provided below, including any assumptions that differ from those used in the October 1, 2014 actuarial valuation. Refer to the October 1, 2014 actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

Inflation Rate:	2.85%
Salary Increases:	4.00% including inflation
Actuarial Cost Method:	Entry Age Normal
Expected Rate of Return:	7.5%
Municipal Bond Yield:	4.11%
Discount Rate:	4.42%
Mortality Table:	RP-2000 set forward 2 years

Investment Rate of Return

The long-term expected rate of return of 7.5% on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2014, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45%	6.99%
International equity	10%	7.49%
Fixed income	40%	2.59%
Alternative	5%	4.29%

Discount Rate

The discount rate used to measure the total pension liability was 4.42% as of September 30, 2014 and 4.87% as of September 30, 2013. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.5% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a 20-year AA Municipal Bond Index was applied, which was 4.11% and 4.53% at September 30, 2014 and 2013, respectively.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability for the plan, calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

1% Decrease - Share of NPL @ 3.42%	Share of NPL @4.42%	1% Increase - Share of NPL @ 5.42%
$ 108,331,100	$ 93,299,583	$ 80,590,222

Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS financial report.

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, among other coverages, over $100 million in liability coverage for airport operators and owners and over $50 million for auto and general liability claims at the marinas and other Authority properties off the airport premises. The Authority also carries a blanket special perils, replacement cost, property insurance policy with a loss limit of $60 million, with a sublimit of $40 million for flood and earthquake. The property policy is subject to a deductible of $100,000 for all perils except, 5% of the total insured value for named windstorm and 2% of the insured value for earthquake (capped at various levels). Other sub-limits and deductibles that are part of the Property program vary. The Authority is also covered by separate policies for acts of terrorism.

Claims expenditures and liabilities are recorded when it is probable that a loss has occurred in excess of insured amounts and the amount of that loss can be reasonably estimated. The Authority suffered a loss of $2.1 million due to a fire at one of its properties in fiscal year 2013, for which the insurance proceeds were received by fiscal year 2014, in accordance with the final settlement. There were no such transactions in 2015.

12. Contingencies

Litigation

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.

Grant Funds

In connection with Federal and state governments grant programs, the Authority is obligated to administer and spend the grant monies 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 monies. Management believes these non-compliance instances, if any, should not materially affect the Authority's financial position.

St. Croix Municipal Landfill at Estate Anguilla

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, that is adjacent to the 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 was threatening to force the Authority, to repay $9.3 million in grants previously awarded and to refuse further grants for the airport unless the Authority and the Government showed rapid progress toward closing the landfill. The matter was mitigated in fiscal year 2013 and the Authority is eligible for all grants.

The landfill is under the jurisdiction of another agency of the Government, the Virgin Islands Waste Management Authority (VIWMA). Thus, the Government and the Authority proposed a Compliance Plan which has been accepted by the FAA. Under the Compliance Plan, both VIWMA and the Authority are jointly responsible for maintenance of the surrounding areas to reduce the risk that flocks of birds could cause a plane crash and repossess adjacent miscellaneous properties.

13. Operating 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 warehouse areas at the airports, counter space within the terminals, and retail space for terminal concessionaires. The Marine Division leases warehouse and commercial and office space within the Crown Bay pier area to outside users as well.

The lease agreements at September 30, 2015 and 2014, include contracts with non-cancelable terms for both fixed and variable rental charges. The agreements expire at various dates through 2020. During fiscal year 2015 and 2014, the Authority generated revenues of $12.2 million and $11.1 million, respectively, through the leasing arrangements.

Future estimated minimum fixed rentals under non-cancelable lease agreements and month-to-month agreements, in thousands of dollars, follow:

Year Ending September 30,	
2016	$ 11,803
2017	11,783
2018	11,863
2019	11,690
2020	11,941
	$ 59,080

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 2015 and 2014, the following customers provided more than 10% of the respective Division’s total operating revenues:

	Division	**2015**	**2014**
American Airlines	Aviation	**17.6%**	14.3%
Delta Airlines	Aviation	**10.3%**	-
Carnival Cruise Line	Marine	**-**	13.3%
Royal Caribbean Cruise Line	Marine	**-**	18.2%

15. Subsequent Events

Cruise Ship Agreements

The Authority signed a new berthing agreement with one of the major cruise ship carriers coming to the Territory with a tariff increase effective October 1, 2016, for both St. John and St. Croix.

Additionally, the Authority and the West Indian Company (WICO) signed a single tariff agreement of $13.40 per passenger effective October 1, 2016, for all cruise ship passengers coming to the ports of St. Thomas and St. John.

Management's Evaluation

Management has evaluated any events or transactions occurring after September 30, 2015, the statement of net position date, through June 24, 2016, the date the financial statements were available to be issued, and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Authority's financial statements for the year ended September 30, 2015.

Required
Supplemental Information

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of the Authority's Share of the Net Pension Liability
Last Ten Fiscal Years

September 30,	2015
Authority's proportion of the net pension liability	3.0233%
Authority's proportionate share of the net pension liability	$ 93,299,583
Authority's covered-employee payroll	$ 11,611,243
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	803%
Plan fiduciary net position as a percentage of the total pension liability	27.26%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous year).

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of the Authority's Contributions
Last Ten Fiscal Years

September 30,	2015
Actuarially required contributions	$ 6,049,315
Contributions in relation to the actuarially required contributions	2,580,037
Contribution deficiency (excess)	$ 3,469,278
Covered-employee payroll	$ 12,766,325
Contributions as a percentage of covered-employee payroll	20.2

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the latest fiscal year.

Other Financial Information
(Unaudited)

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of Revenues and Expenses – Aviation Division (Unaudited)
Years Ended September 30, 2015 and 2014
(In thousands of dollars)

	St. Thomas Airport	Special Facilities	St. Croix Airport	2015 Total	2014 Total
Operating revenues					
Users' fees and dues	$ 10,695	$ -	$ 2,770	$ 13,465	$ 12,913
Rentals	4,013	866	1,171	6,050	5,689
Others	3,154	163	861	4,178	3,854
Total operating revenues	17,862	1,029	4,802	23,693	22,456
Operating expenses					
Payroll, payroll taxes, and fringe benefits	2,933	-	2,513	5,446	5,894
Repairs and maintenance	1,100	81	664	1,845	2,233
Materials, supplies, and other services	844	49	565	1,458	2,382
Insurance	878	43	416	1,337	1,711
Depreciation	6,867	65	3,602	10,534	11,074
Other operating expenses	3,684	(17)	1,497	5,164	5,061
General and administrative allocation	5,567	75	3,160	8,802	9,286
Total operating expenses	21,873	296	12,417	34,586	37,641
Operating (loss) income	(4,011)	733	(7,615)	(10,893)	(15,185)
Non-operating revenues (expenses):					
Passenger facility charges	2,794	-	412	3,206	3,242
Customer facility charges	487	-	-	487	449
Interest income	(6)	1	-	(5)	25
Insurance recovery	-	-	-	-	-
Investment gain/loss	265	-	-	265	(109)
Other non-operating expenses	(44)	-	(3)	(47)	(37)
Total non-operating revenues, net	3,496	1	409	3,906	3,570
Change in net position, before capital contributions	(515)	734	(7,206)	(6,987)	(11,615)
Federal and state government capital contributions	3,609	-	2,945	6,554	12,103
Change in net position	$ 3,094	$ 734	$ (4,261)	$ (433)	$ 488

See accompanying notes to other financial information.

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of Revenues and Expenses – Marine Division (Unaudited)
Years Ended September 30, 2015 and 2014
(In thousands of dollars)

	St. Thomas	St. Croix	2015 Total	2014 Total
Operating revenues				
Users' fees and dues	**$ 13,602**	**$ 854**	**$ 14,456**	$ 14,745
Wharfage dues	**6,848**	**846**	**7,694**	7,651
Rentals	**5,551**	**571**	**6,122**	5,389
Others	**1,064**	**57**	**1,121**	1,140
Total operating revenues	**27,065**	**2,328**	**29,393**	28,925
Operating expenses				
Payroll, payroll taxes, and fringe benefits	**5,038**	**1,594**	**6,632**	5,974
Repairs and maintenance	**620**	**96**	**716**	684
Materials, supplies, and other services	**2,254**	**628**	**2,882**	2,546
Insurance	**965**	**391**	**1,356**	1,838
Depreciation	**4,944**	**1,134**	**6,078**	7,690
Other operating expenses	**2,026**	**(28)**	**1,998**	2,301
General and administrative allocation	**5,410**	**1,302**	**6,712**	6,889
Total operating expenses	**21,257**	**5,117**	**26,374**	27,922
Operating income (loss)	**5,808**	**(2,789)**	**3,019**	1,003
Non-operating revenues (expenses):				
Insurance recovery	**-**	**55**	**55**	1,135
Interest income	**201**	**-**	**201**	43
Financing expenses	**(647)**	**(161)**	**(808)**	-
Interest expense	**(1,141)**	**(481)**	**(1,622)**	(1,374)
Other non-operating expenses	**(18)**	**(9)**	**(27)**	-
Total non-operating (expenses), net	**(1,605)**	**(596)**	**(2,201)**	(196)
Change in net position	**$ 4,203**	**$ (3,385)**	**$ 818**	$ 807

See accompanying notes to other financial information.

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of General and Administrative Expenses (Unaudited)
Years Ended September 30, 2015 and 2014
(In thousands of dollars)

	2015	2014
Payroll, payroll taxes, and fringe benefits	**$ 10,636**	$ 10,647
Repairs and maintenance	**799**	857
Material, supplies, and other services	**2,215**	2,395
Insurance	**375**	277
Depreciation	**567**	475
Other operating expenses	**901**	1,068
Non-operating expense	**21**	456
	$ 15,514	$ 16,175
Allocated as follows:		
Aviation	**$ 8,802**	$ 9,286
Marine	**6,712**	6,889
	$ 15,514	$ 16,175

See accompanying notes to other financial information.

Virgin Islands Port Authority
(A Component Unit of the Government of the U.S. Virgin Islands)

Schedule of Net Available Revenues for the Marine Division (Unaudited)
Years Ended September 30, 2015 and 2014
(In thousands of dollars)

	2015	2014
Revenues		
Operating revenues:		
Users' fees and dues	**$ 22,150**	$ 22,396
Rentals	**6,122**	5,389
Others	**1,121**	1,140
Interest income and insurance recovery	**229**	1,178
Total revenues	**29,622**	30,103
Expenses		
Operating expenses:		
Payroll, payroll taxes, and fringe benefits	**6,632**	5,974
Repairs and maintenance	**716**	684
Materials, supplies, and other services	**2,882**	2,546
Insurance	**1,356**	1,838
Other operating expenses	**1,998**	2,301
General and administrative allocation	**6,712**	6,889
Total expenses	**20,296**	20,232
Net available revenues	**$ 9,326**	$ 9,871

See accompanying notes to other financial information.

Notes to Other Financial Information (Unaudited)
Years Ended September 30, 2015 and 2014
(In thousands of dollars)

1. Description of Schedules

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

The Schedule of Net Available Revenues for the Marine Division, as defined in the bonds' indentures, excludes all depreciation and certain non-cash charges. This schedule also excludes Passenger Facility Charges revenue and government grants, which are not available for payment of debt service because they are restricted for the construction of certain capital projects approved by the Federal and local governments.

2. General and Administrative Expenses

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 operating expenses such as depreciation, maintenance and others, net of non-operating revenues or expenses, related to administrative divisions. These allocations are calculated on the basis of total operating expenses between the Marine and Aviation divisions.