VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2013 AND 2012

Together With Independent Auditor's Report

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Certified Public Accountants and Management Consultants

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Virgin Islands Economic Development Authority
St. Thomas, U.S. Virgin Islands

Report on the Financial Statements

We have audited the accompanying statements of net position of the Virgin Islands Economic Development Authority (the Authority) a component unit of the Government of the U.S. Virgin Islands, as of and for the years ended September 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility

The Authority's 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 depends 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 controls 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 of 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.

BERTSMITH & Co.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Virgin Islands Economic Development Authority
St. Thomas, U.S. Virgin Islands

Report on the Financial Statements

We have audited the accompanying statements of net position of the Virgin Islands Economic Development Authority (the Authority) a component unit of the Government of the U.S. Virgin Islands, as of and for the years ended September 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

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Our responsibility is to express opinions on these financial statements based on our audit. 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.

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

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Authority as of September 30, 2013 and 2012, and the respective changes in net Position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis and the required supplementary 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 audits 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 Authority's basic financial statements. The other supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2014, 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, grants 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 the 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.

Bert Smith & Co

Washington D.C.
June 2, 2014

I. INTRODUCTION

The Virgin Islands Economic Development Authority (the Authority) was created on December 21, 2000 to assume, integrate and unify the functions of the Government Development Bank, the Economic Development Commission, the Industrial Park Development Corporation, the Small Business Development Agency, and more recently, the Enterprise Zone Commission, the Tax Increment Financing and Economic Development Management (hereinafter referred to as GDB, EDC, IPDC, SBDA, EZC, TIF, and EDM respectively) under one executive board in order to achieve maximum efficiency, streamline operations, and develop comprehensive programs to promote and enhance the economic development of the Territory.

The Authority accomplishes its mission by: (1) attracting or luring investors from the mainland to establish or relocate their businesses to the Virgin Islands, and (2) providing financial assistance through its lending arms (GDB and SBDA) to emerging and established businesses in the territory.

The Authority is funded primarily by allotments from the Office of Management and Budget via the Department of Finance based on an approved budget authorized by the Legislature of the Virgin Islands.

As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended September 30, 2013 and September 30, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP"), and the Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report and statements consist of four parts: Management's discussion and analysis, the financial statements, notes to the financial statements, and supplementary schedules. The Authority is a component unit of the Government of the U.S. Virgin Islands, and follows enterprise fund reporting. The financial statements, therefore, are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting.

- ***The Statement of Net Position:*** This statement includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The assets and liabilities are presented in order of liquidity. The resulting net position presented in these statements are displayed as restricted or unrestricted.

- ***Statement of Revenue, Expenses and Changes in Net Position:*** All of the current year's revenue and expenses are accounted for in the Statement of Revenue, Expenses and Changes in Net Position. This statement measures the activities of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through appropriations and the services it provided.

- ***Statement of Cash Flows:*** The primary purpose of this statement is to provide information about the Authority's net cash used in operating activities, capital and related financing activities, and provide information regarding the sources and uses of cash and the changes in the cash balance during the reporting period. The notes to the financial statements provide additional information essential to the full understanding of the Authority's financial statements.

- ***Notes to the Financial Statements:*** The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements.

- ***Supplementary Schedules:*** The Authority's fund financial statements are presented as supplementary schedules. These schedules separate the financial statements and operations for each of the major funds.

III. FINANCIAL HIGHLIGHTS

2013

- The Authority's net position were $14,883,743 in fiscal year 2013, which represents a decrease of $1,892,382 or 11% compared to fiscal year 2012.

- Total assets exceeded total liabilities by $14,883,743 in fiscal year 2013 compared to fiscal year 2012.

- Operating revenues were $6,821,965 in fiscal year 2013, which reflects an increase of $653,003 or 11% compared to fiscal year 2012.

- Operating expenses were $8,050,838 in fiscal year 2013, an increase of $2,004,830 or 25% compared to fiscal year 2012.

- Appropriations totaling $4,481,814 received from the Government of the Virgin Islands in fiscal year 2013 were $204,321 or 4% lower than in fiscal year 2012.

IV. CONDENSED FINANCIAL INFORMATION

Condensed Statements of Net Position as of September 30, 2013 and 2012

	2013	2012	Variances
Current Assets	$ 5,081,511	$ 5,527,254	$ (445,743)
Noncurrent Assets	14,084,520	15,355,225	(1,270,705)
Capital Assets, net	2,626,063	2,422,132	203,931
Total Assets	21,792,094	23,304,611	(1,512,517)
Current Liabilities	5,416,235	4,887,887	528,348
Noncurrent Liabilities	1,492,116	1,640,600	(148,484)
Total Liabilities	6,908,351	6,528,487	379,864
Net Position			
Invested in Capital Assets, net of related debt	2,626,063	2,422,132	203,931
Restricted	13,647,640	14,524,049	(876,409)
Unrestricted	(1,389,960)	(170,057)	(1,219,903)
Total Net Position	$14,883,743	$16,776,124	$(1,892,381)

Current Assets

- Current assets decreased by $445,743 or 8% in fiscal year 2013 compared to fiscal year 2012. This includes a reduction in cash and cash equivalents of $1,178,887 or 31% that was used for leasehold improvements and the purchase of furniture and fixtures at the new office on St. Thomas. Investments increased by $417,003 or 118% compared to fiscal year 2012. This increase in investments is attributed to the State Small Business Credit Initiative (SSBCI) grant funds used as collateral in support of loans financed through the local banks. Accounts receivables, net increased by $310,212 or 25% compared to fiscal year 2012 and, of this amount, $158,160 or 51% is owed to the Authority in reimbursable expenses from the State Trade Export (STEP) and Incubator Federal programs. Additionally, the outstanding receivables from the Economic Development Commission (EDC) beneficiaries increased by $194,233 or 162% due to a substantial fine assessed on one beneficiary. The increase in prepaid and other assets of $5,929 or 8% was as a result of an advance payment made on the financial institutional bond insurance premium.

Noncurrent Assets

- Noncurrent assets decreased by $1,270,705 or 8% which was due largely to the net write-off of $1,246,504 between loan receivables and allowance for uncollectible that was written off in the lending unit. Restricted cash and cash equivalents increased by $105,835 or 1% from the cumulative effect of changes in restricted cash and cash equivalent. There was an increase in restricted investments of $33,738 or 1%, of which $21,884 is sequestered in compliance with Federal restriction. The additional amount in restricted funds of $11,854 constitutes interest income received on funds invested on restricted assets.

Capital Assets

- There was a net increase of $203,931 or 8% due to the capitalization of the leasehold improvements and purchase of furniture and fixtures for the new office and storage facility on St. Thomas and depreciation taken on the authority's capital assets.

Current Liabilities

- The Authority's current liabilities increased in fiscal year 2013 by $528,348 or 11% compared to fiscal year 2012 and were due largely to the net effect of the following:

    - An increase in accounts payable of $379,394 or 145%, that represents vendor payments and payroll liabilities that were not paid by the end of the fiscal year.
    - An increase in accrued expenses of $174,774 or 112%, that consists of various obligations including contractual agreements and earned employee compensation absences.
    - A decrease in deferred revenues of $57,951 or 1% as funds was transferred from the SSBCI account to provide collateral support to local banks.

Noncurrent Liabilities

- Noncurrent liabilities decreased by $148,484 or 9% this fiscal year compared to the same period last year. This decrease was due to the cumulative effect of:

    - A reduction in compensated absences of $141,737 or 66% as management strictly enforced the Authority's compensated absence policy.
    - A reduction of $24,812 or 6% in long term debt that represents this year's payment of principal on a revolving loan.
    - An increase of $9,937 or 1% in deferred revenue representing advance rent payment from a tenant in the Industrial Park.
    - An increase in security deposits of $8,128 or 26% for a new tenant at the Industrial Park.

Net Position

- Net position represents residual interest in the Authority's assets after all liabilities are deducted for reporting purposes and are divided into three major components:

    - Invested in Capital Assets
    - Restricted Net Position
    - Unrestricted Net Position

  The Authority's total net position at September 30, 2013 were reduced to $14,883,743, which is a decrease of 11% compared to fiscal year 2012 as total expenses exceeded total revenues by $1,892,381 or 28%.

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended September 30, 2013 and 2012

	2013	2012	Variances
Operating Revenues	$ 6,821,965	$ 6,168,962	$ 653,003
Operating Expenses	(8,775,997)	(6,582,952)	(2,193,045)
Operating Income	(1,954,032)	(413,990)	(1,540,042)
Net Nonoperating Revenues	61,651	33,250	28,401
Change in Net Position	(1,892,381)	(380,740)	(1,511,641)
Net Position, Beginning of the Year	16,776,124	17,156,864	(380,740)
Net Position, End of the Year	$ 14,883,743	$ 16,776,124	$ (1,892,381)

Revenues

- Operating revenues increased by $653,002 or 11% in fiscal year 2013 compared to the same period last year. The net effect of this change includes:
  - An increase in (EDC) beneficiary billings of $437,536 or 83% due to a substantial fine that was imposed on one beneficiary.
  - An increase in grant revenues of $567,989 or 439% including $547,070 received for the STEP program.
  - A decrease of $34,463 or 13% in loan interest was due to the write-down of certain loans in the Government Development Bank (GDB) portfolio.
  - A decrease of $74,806 or 95% in PFA funds. The $4,184 drawdown this year was the final amount to be received from the appropriation.
  - A decrease in penalties of $30,987 or 144% was due mainly to collaboration efforts with the EDC beneficiaries to ensure comply with rules and regulation.
  - A decrease in other operating income of $11,342 or 19% which includes NSF and late fees was due to management revising policies with respect to collections.
  - A decrease in government allotment of $204,322 or 4% which was a result of a reduction in government revenues.

Operating Expenses

- Operating expenses increased by $2,193,045 or 33% in this fiscal year compared to last year. The major changes were in the following areas:
  - Personnel costs were increased by $285,008 or 9% due to the filling of vacancies, and the addition of part-time and temporary employees, to assist the Authority in meeting its mandate.
  - Advertising costs went up by $111,725 or 130% as the Authority continues to aggressively market the EDC program within the United States and Europe.
  - Professional services increased by $614,137 or 106% due to increased marketing and lead generation activities, legal and other consulting services in support of the EDC program and marine economic development initiative.

- Other administrative expenses increased by $242,206 or 28%. This amount includes $175,986 attributable to grant expenses. Within this expense category, funds were expended to do emergency repairs to the St. Croix office building.
- Grant expenditures were $567,391 or 439% more than the previous year which include $24,446 for the Scrape and Paint and Historical Walking Tour programs that are administered by the Enterprise Zone Commission. Additionally, $56,533 and $546,472 were expended for the SSBCI and STEP programs, respectively.
- Loss on asset termination was $157,259 the amount written-off that represents the undepreciated costs of leasehold improvements when the Authority moved from its old location on St. Thomas to Nisky Center.
- Bad debt increased by $246,653 or 29% as the Authority is aggressively taking the necessary steps of removing from its portfolio those loans that are determined to be uncollectible.
- Depreciation expenses increased by $27,172 or 5% due to the acquisition of capital assets during the fiscal year.

Non-operating Revenues and Expenses

- Although total net non-operating revenues increased by $21,857 or 55% in fiscal year 2013, interest income declined by $8,755 or 30% due to the conversion of a certificate of deposit to cash which was used to pay for leasehold improvements and furniture and fixtures at the new office on St. Thomas. However, other income increased by $30,612 or 287% due to the receipt of $20,950 in bad debt recoveries and $14,927 as a gain on the sale of an asset. There was also a reduction in interest expense and finance charges of $2,760 or 42% as the Authority continues to pay down its outstanding debts.

V. CAPITAL ASSETS

The Authority's capital assets as of September 30, 2013 and 2012 are $2,626,063 and $2,422,132 (net of accumulated depreciation). The capital assets addition during the fiscal year included leasehold improvements, equipment and furniture.

	2013	2012
Building & Building Improvements	$ 9,149,776	$ 9,148,427
Leasehold Improvements	836,124	428,431
Equipment	1,038,349	960,530
Furniture & Fixture	349,457	220,326
Vehicles	1,119,896	1,112,518
Leasehold Equipment	20,585	20,585
Total Costs	12,514,187	11,890,817
Less: Accumulated Depreciation	(9,888,124)	(9,468,685)
Net Capital Assets	$ 2,626,063	$ 2,422,132

VI. FINANCIAL HIGHLIGHTS

2012

- The Authority's net position were $16,776,124 in fiscal year 2012, which represents a decrease of $380,740 or 2% compared to fiscal year 2011.
- Total assets exceeded total liabilities by $16,776,124 in fiscal year 2012 compared to $17,156,864 in fiscal year 2011.
- Operating revenues for the Authority were $6,168,962 in fiscal year 2012, which reflects a decrease of $2,336,408 or 27% compared to fiscal year 2011.
- Operating expenses were $6,582,952 in fiscal year 2012, which reflects a decrease of $559,604 compared to fiscal year 2011.
- Appropriations totaling $4,686,135 received from the Government of the Virgin Islands in fiscal year 2012 were $75,712 or 2% higher than in fiscal year 2011. In addition, the Authority received $78,990 from the Virgin Islands Public Finance Authority pursuant to Act No. 7081 issued by the Legislature of the Virgin Islands.

VII. CONDENSED FINANCIAL INFORMATION

Condensed Statements of Net Position as of September 30, 2012 and 2011

	2012	2011	Variances
Current Assets	$ 5,527,254	$ 5,112,042	$ 415,212
Noncurrent Assets	15,355,225	11,522,990	3,832,235
Capital Assets, net	2,422,132	2,915,699	(493,567)
Total Assets	23,304,611	19,550,731	3,753,880
Current Liabilities	4,887,887	727,272	4,160,615
Noncurrent Liabilities	1,640,600	1,666,595	(25,995)
Total Liabilities	6,528,487	2,393,867	4,134,620
Net Position			
Invested in Capital Assets, net of related debt	2,422,132	2,882,725	(460,593)
Restricted	14,524,049	10,522,990	4,001,059
Unrestricted	(170,057)	3,751,149	(3,921,206)
Total Net Position	$16,776,124	$17,156,864	$ (380,740)

Current Assets

- Current assets increased by $415,212 or 8% in fiscal year 2012 compared to fiscal year 2011. This includes an increase in cash and cash equivalents of $485,654 or 14% due to funds received for the Small State Business Credit Initiative (SSBCI) and State Trade Export (STEP) programs. Additionally, a substantial sum was received from two EDC beneficiaries for non-compliance. Accounts receivables decreased by $231,869 or 16% due to the write off of outstanding rent receivable and amending the lease agreement for one of the tenants located in the Industrial Park, plus $135,190 allowance for uncollectible for the year. There was a decrease of $8,800 or 10% in prepaid and other assets; however, there was an improvement in the collection of fees assessed on EDC beneficiaries during the year.

Noncurrent Assets

- Noncurrent assets increased by $3,832,235 or 33% in fiscal year 2012 compared to fiscal year 2011 due to an increase in restricted cash and cash equivalent of $3,696,925 or 91%. The SSBCI program accounts for a substantial portion of the increase. There was an increase of $118,347 or 2% in loan receivables as management continues to aggressively market, expand and increase its loan portfolio through its many lending programs. The increase of $16,963 or 1% in restricted investments represents SSBCI funds used to collateralized loans to qualified bank customers.

Capital Assets

- The decrease in total capital assets of $493,567 or 17% as compared to last year was due to fiscal year 2012 depreciation taken on the Authority's buildings, vehicles and equipment.

Current Liabilities

- The Authority's current liabilities increased in fiscal year 2012 by $4,160,615 or 572% compared to fiscal year 2011 due to the net effect of the following:

  - Deferred revenues of $4,310,883 consisting of $18,961 for the Savanne Historic Walk Tour grant and $4,291,922 for the State Small Business Credit Initiative (SSBCI) programs.
  - An increase in accounts payable of $41,550 or 19%, representing various obligations, including contractual agreements that were incurred, but were not paid by the end of the fiscal year.
  - A decrease in accrued expenses of $165,195 or 51% due to the Authority paid off some of the outstanding obligations within the year.
  - A decrease in long-term debt-current of $31,319 or 56% was due to the Authority paying-off its note on the office building on St. Croix, in addition to paying down on its outstanding IRP loan.

Noncurrent Liabilities

- Noncurrent liabilities decreased in fiscal year 2012 by $25,995 or 2% compared to fiscal year 2011 due to:

    - An increase in compensated absences of $16,199 or 8% due to accrued leave earned by employees completing probation and employees who accrued vacation time, but have not used them by the end of the fiscal year.
    - A decrease in the IRP loan principal balance of $24,983 or 6% as the Authority continues to make payments on its long term debt.

Net Position

- Net Position represents residual interest in the Authority's assets after all liabilities are deducted for reporting purposes and are divided into three major components:

    - Invested in Capital Assets
    - Restricted Net Position
    - Unrestricted Net Position

  The Authority's total net position at September 30, 2012 were $16,776,124, due mainly to a reduction in revenues in fiscal year 2012, total net position decreased by $380,740 or 2% compared to September 30, 2011.

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Years Ended September 30, 2012 and 2011

	2012	2011	Variances
Operating Revenues	$ 6,168,962	$ 8,505,370	$ (2,336,408)
Operating Expenses	(6,582,952)	(7,142,556)	559,604
Operating Income	(413,990)	1,362,814	(1,776,804)
Net Nonoperating Revenues	33,250	17,552	15,698
Change in Net Position	(380,740)	1,380,366	(1,761,106)
Net Position, Beginning of the Year	17,156,864	15,776,498	1,380,366
Net Position, End of the Year	$ 16,776,124	$ 17,156,864	$ (380,740)

Revenues

- Operating revenues decreased by $2,336,408 or 27% in fiscal year 2012 over the prior fiscal year due mainly to a $2,095,320 or 96% decrease in PFA revenues. However, Government appropriations increased by $75,712 or 2%. In addition, interest received from loans increased by $39,092 or 18% due to the aggressive steps taken by management to improve collections on outstanding loans. Rental income decreased by $83,322 or 17%, due mainly to an amendment of a lease agreement by 50% for one of the Industrial Park tenants.

There was also a decrease in application and processing fees of $96,881 or 16% due to a reduction in the number of loans approved and processed during the year. Penalties assessed on EDC beneficiaries totaling $21,450 was 79% less than in the previous year due to a reclassification in how penalties assessed on EDC beneficiaries are reported.

Operating Expenses

- Operating expenses in the aggregate decreased by $559,604 or 8% in fiscal year 2012 compared to fiscal year 2011. This year's reduction in operating expenses is in line with management's plan to reduce cost and improve operational efficiency. Due to employee resignations and the elimination of vacancies as part of a government-wide austerity plan, personnel service costs were decreased by $374,266 or 11%. There was a decrease of $39,061 or 31% in advertising cost as the firm that was hired to do lead generation work was also used to market the EDC program. The cost for professional services was reduced by $172,942 or 23% as contractual agreements were not renewed. Administrative expenses decreased by $17,322 or 2% and confirmed management's commitment to reduce overall costs. There was an increase of $21,137 or 14% in travel and per diem to support the objective of attracting more international investors to the Territory. Bad debt increased by $16,114 or 2% which is consistent with management's goal of reducing the level of accounts deemed uncollectible; and additionally, there was a $15,581 or 3% increase in depreciation due to the acquisition of assets that were capitalized during the fiscal year.

Non-operating Revenues and Expenses

- Total net non-operating revenues increased by $15,698 or 89% in fiscal year 2012 despite a reduction of $46,645 or 62% in interest income due to the maturity of certain certificates of deposits that were invested until needed. There was an increase in other income due to amounts received in bad debt recoveries and a gain on sale of an asset. There was a reduction in interest expenses and finance charges of $2,989 or 31% as the Authority continues to pay down its outstanding debts.

VIII. CAPITAL ASSETS

The Authority's capital assets as of September 30, 2012 and 2011 are $2,422,132 and $2,915,699 (net of accumulated depreciation). The capital assets addition during the fiscal year included equipment and furniture.

	2012	**2011**
Building & Building Improvements	$ 9,148,427	$ 9,148,427
Leasehold Improvements	428,431	428,431
Equipment	960,530	920,660
Furniture & Fixture	220,326	216,817
Vehicles	1,112,518	1,135,018
Leasehold Equipment	20,585	20,585
Total Costs	11,890,817	11,869,938
Less: Accumulated Depreciation	(9,468,685)	(8,954,239)
Net Capital Assets	$ 2,422,132	$ 2,915,699

PROGRAMS

Enterprise Zone Program – This program offers incentives for businesses to invest in severely economically depressed areas in St. Thomas and St. Croix. The program provides tax credits to businesses, which provide employment to residents of the designated areas. During the audit period, the Enterprise Zone managed the Scrape and Paint Program on both islands and the Board-Up Program on St. Thomas. Both programs were funded by local sub-grants from Federal funds.

Tax-Incentive Program – This five (5) year program is aimed at local entrepreneurs who want to develop and expand their current businesses in exchange for various tax exemptions.

Micro Loan Program – This program is geared to current and potential business owners who meet certain eligibility criteria. The micro-loans range from $1,000 to $50,000, have an interest rate of 5% and a term of five (5) years. The Micro Loan program is administered by the Government Development Bank.

Performance Bonding Program – As a new initiative of the Lending Unit, this program started towards the latter part of 2010. It secures the link between local contractors, the Department of Property and Procurement, local banking institutions, and sureties licensed in the Virgin Islands. The program allows local contractors to participate in capital development projects by providing payment and performance bonding.

Tour Bus Program – Cruise lines requested "tour type" buses as a condition to making St. Croix a "port of call." As a result, financing was obtained in the amount of $1,000,000 from the PFA to purchase twenty-six (26) tour buses. Due to this initiative, this effort was considered an investment in the St. Croix economy.

Energy Loan and Rebate Program – The Authority serves as a loan processing agent for the Virgin Islands Energy Office in collaboration with the Virgin Islands Water and Power Authority. The Authority processes loan applications, issues loan and rebate checks, and maintains customers' loan balances and files. These transactions are not reflected in the financial statements of the Authority.

Department of Agriculture Loan Program – The Authority serves as a loan processing agent for the Virgin Islands Department of Agriculture pursuant to a memorandum of understanding between the parties. The Authority processes loan applications, issues loan checks and maintains customers' loan balances and files. These transactions are not reflected in the financial statements of the Authority.

State Small Business Credit Initiative (SSBCI) Program – The Authority was awarded a Federal grant in the amount of $13.1M to support loan enhancements and performance bonding in partnership with local banks. Borrowers who otherwise qualify to receive a business loan can be eligible to receive collateral support from this program.

State Trade Export (STEP) Program – The Authority was awarded $489,646 in Federal funds to assist and encourage small local manufacturers to increase exports and promote trade.

Disaster Small-Midsized Enterprises Incubator Program – The Authority was awarded a Federal grant in the amount of $1.0M that is matched with $200,000 of local funding for the establishment of an incubator program on the island of St. Croix. The program promotes resource collaborations between the local government and other community based institutions to create an avenue to spark economic viability and sustainability.

Post-Disaster Relief Revolving Loan – The Department of Commerce's Economic Development Administration (EDA) awarded $2,000,000 in Federal funds to support VIEDA Post – Disaster Relief Revolving Loan Fund (RLF) focusing on natural disaster resiliency and economic diversification. The Federal funding is matched by $400,000 or 20% local contribution.

Request for Information – This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's operation. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Virgin Islands Economic Development Authority, Nisky Shopping Center, Suite 620, St. Thomas, VI 00802.

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,669,360	$ 3,848,247
Investments	769,091	352,088
Receivable, net	1,560,761	1,250,549
Prepaid and Other Assets	82,299	76,370
Total Current Assets	5,081,511	5,527,254
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,864,742	7,758,907
Restricted Investments	2,675,301	2,641,563
Restricted Loans Receivable, net	3,544,477	4,954,755
Total Noncurrent Assets	14,084,520	15,355,225
Capital Assets, net	2,626,063	2,422,132
Total Assets	$ 21,792,094	$ 23,304,611
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 640,601	$ 261,208
Accrued Expenses	330,976	156,202
Compensated Absences, current	147,351	115,352
Interest Payable	19,987	20,095
Deferred Revenue	4,252,932	4,310,883
Loan Payable, current	24,388	24,147
Total Current Liabilities	5,416,235	4,887,887
Noncurrent Liabilities:		
Compensated Absences	74,547	216,284
Security Deposits	39,865	31,737
Deferred Revenue	1,009,937	1,000,000
Loan Payable	367,767	392,579
Total Noncurrent Liabilities	1,492,116	1,640,600
Total Liabilities	6,908,351	6,528,487
Net Position:		
Invested in Capital Assets, net of related debt	2,626,063	2,422,132
Restricted Net Position	13,647,640	14,524,049
Unrestricted Net Position	(1,389,960)	(170,057)
Total Net Position	$ 14,883,743	$ 16,776,124

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Operating Revenues:		
Government Appropriation	$ 4,481,814	$ 4,686,135
Allocation of Bond Proceeds	4,184	78,990
Application and Processing Fees	961,607	524,071
Rental Income	412,611	409,214
Interest Income from Loans	226,732	261,195
Grant Revenue	697,240	129,251
Penalties	-	21,450
Other Operating Revenue	37,777	58,656
Total Operating Revenues	6,821,965	6,168,962
Operating Expenses:		
Personnel Costs	3,327,222	3,042,214
Occupancy	300,842	298,870
Advertising	197,523	85,798
Professional Services	1,193,402	579,265
Travel	105,415	169,677
Other Administrative Expenses	1,118,648	876,442
Program Cost	696,642	129,251
Bad Debt	1,111,144	864,491
Total Operating Expenses	8,050,838	6,046,008
(Loss) or Income From Operations Before Depreciation	(1,228,873)	122,954
Depreciation	564,116	536,944
Loss on Assets/Termination of Lease	157,259	-
Operating Loss	(1,950,248)	(413,990)
Non-operating Revenues (Expenses):		
Interest Income	20,364	29,119
Other Income	41,287	10,675
Interest Expenses and Finance Charges	(3,784)	(6,544)
Total Non-operating Revenues (Expenses)	57,867	33,250
Change In Net Position	(1,892,381)	(380,740)
Net Position Beginning of Year	16,776,124	17,156,864
Net Position End of Year	$ 14,883,743	$ 16,776,124

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Cash Received from Primary Government and Allocation of Bond Proceeds	$ 4,404,911	$ 4,845,794
Cash Received from Application and Processing	767,374	497,806
Cash Received from Tenants	444,926	339,637
Cash Received from Loan Repayments	838,998	724,771
Cash Received from Other Operating Income	264,509	340,659
Cash Received from Federal Government	484,576	4,434,060
Cash Paid for Grant Program	(696,642)	(129,251)
Cash Paid for Goods and Services	(2,367,701)	(2,125,000)
Cash Paid to Employee for Services	(3,436,960)	(3,021,216)
Loan Disbursements	(434,291)	(1,471,062)
Net Cash Provided by Operating Activities	269,700	4,436,198
Cash Flows from Noncapital Financing Activities		
Other Income	41,287	10,675
Interest Expense and Finance Charges	(3,784)	(6,544)
Net Cash Provided by Noncapital Financing Activities	37,503	4,131
Cash Flows from Capital and Related Financing Activities		
Note Principal Payments	(24,572)	(56,302)
Acquisition of Property and Equipment	(925,306)	(43,377)
Net Cash Used in Capital and Related Financing Activities	(949,878)	(99,679)
Cash Flows from Investing Activities		
Interest Income	20,364	29,119
Net Purchase (Sale) of Investments	(450,741)	(187,190)
Net Cash Provided by (Used in) Investing Activities	(430,377)	(158,071)
Net Decrease/Increase in Cash and Cash Equivalents	(1,073,052)	4,182,579
Cash and Cash Equivalents, Beginning of Year	11,607,154	7,424,575
Cash and Cash Equivalents, End of Year	$ 10,534,102	$ 11,607,154
Reconciliation of Operating Income to Net Cash Used in Operating Activities:		
Operating Income	$ (1,950,248)	$ (413,990)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	564,116	536,944
Bad Debt Expense	1,111,144	864,491
Loss on Assets/Termination of Lease	157,259	-
(Increase) in Accounts Receivable	(415,784)	(4,036)
(Increase) Decrease in Prepaid Expenses	(5,929)	8,800
Decrease (Increase) in Loans Receivable	404,706	(746,933)
Increase (Decrease) in Accounts Payable and Accrued Expenses	554,168	(123,645)
(Decrease) Increase in Compensated Absences	(109,738)	20,998
(Decrease) Increase in Deferred Revenue	(48,014)	4,296,339
Increase (Decrease) in Security Deposit	8,128	(2,667)
(Decrease) in Interest Payable	(108)	(103)
Net Cash Provided by Operating Activities	$ 269,700	$ 4,436,198

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Governance:*** The Virgin Islands Economic Development Authority (the "Authority"), was created on December 21, 2000, as an umbrella authority to assume, integrate and unify the functions of the Government Development Bank, the Economic Development Commission, the Industrial Park Development Corporation and the Small Business Development Agency under an executive board, which consists of seven members appointed by the Governor. The Authority is a public corporation and a semi-autonomous instrumentality of the Government of the Virgin Islands and operates under the provisions of Act of 6390, approved by the Twenty-third Legislature of the Virgin Islands of the United States Virgin Islands. The general purposes and functions of the Authority were previously carried out by the Government Development Bank for the United States Virgin Islands which was created originally in 1978 by Act No. 902, and subsequently amended in 1995 and 1996.

  The mission of the Authority is to accelerate the economic development of the Virgin Islands by providing financial and technical assistance to industrial and commercial enterprises to create and save jobs in the community. In this regard, the Authority is authorized, among other things, to make loans to eligible small business enterprises.

  The Authority is a component unit of the Government of the Virgin Islands and as such, its financial statements are included in the Comprehensive Annual Financial Statements of the Central Government.

- ***Economic Dependency:*** The Authority's sustainability depends primarily on appropriations from the Government of the Virgin Islands. In addition, it earns income from application fees, processing fees, compliance fees, and rental income from its Industrial Park facilities. During fiscal years ended September 30, 2013 and 2012, the Authority received in appropriations totaling $4,481,813 and $4,686,135 from the Government of the Virgin Islands, together with $4,184 and $78,990 in transfers from the Virgin Islands Public Finance Authority pursuant to Act No. 7081; and $2,397,619 and 1,443,631 of revenue earned from its various revenue-generating sources, respectively.

- ***Basis of Presentation:*** The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by Government Accounting Standards Board. The Authority uses the economic resources measurement focus and follows the accrual basis of accounting.

  In accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies only Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

  The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing business operations. Operating expenses include costs and losses resulting from services, administrative expenses, and depreciation expense. All other revenues and expenses are reported as nonoperating revenues and expenses. Nonoperating revenues consist of interest generated from restricted and unrestricted investments in short-term investment instruments.

- ***Separate Funds:*** The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. All transactions are recorded in a separate set of self-balancing accounts, which include assets, liabilities, fund net assets, revenues and expenses.

  During fiscal years ended September 30, 2013 and 2012, the Authority maintained twelve (12) and eleven (11) major funds, respectively, or activities which constitute a major transaction of the Authority:

  The following is a summary of these funds:

  - **Government Development Bank Fund (GDB)** accounts for the locally funded Micro Loan Program. This fund accounts for interest income from the operating account and certificate of deposit, local government appropriations, and administrative costs. The Authority's administration and processing of loan applications on behalf of the Virgin Islands Department of Agriculture and the Virgin Islands Energy Office also occur within this fund. Those transactions have however been excluded from the Authority's financial statements.
  - **Economic Development Commission Fund (EDC)** accounts for application, activation and annual compliance fees. Local government appropriations are also accounted for in this account together with related administrative costs.
  - **Small Business Development Agency (SBDA)** accounts for the Federal Economic Development Administration Loan Funds from the U.S. Department of Agriculture, Farmers and Fishermen local loans, Frederiksted Revolving Loan Fund and the SDBA Direct Loan Fund. Appropriations from the central government and administrative costs are also accounted for under this fund. The SBDA legislation does not allow interest earned from its loan portfolio to be used for administrative purposes. The interest income is restricted and is used for issuing new loans.
  - **Industrial Park Development Corporation Fund (IPDC)** accounts for the activities conducted by the IPDC. The IPDC was established in March 1984 to acquire, operate, and improve industrial parks in order to provide suitable sites for the location of industries to the Virgin Islands. The IPDC accounts for rental and investment income, and administrative costs associated with its operation. The IPDC does not receive any appropriations from the local government.
  - **Intermediary Relending Program (IRP)** accounts for loans that are funded by the United States Department of Agriculture Rural Development Program. The interest income earned from these loans is applied to the program's administrative costs.
  - **Enterprise Zone Commission (EZC)** accounts for funds committed to the task of offering incentives to businesses that invest in severely economically depressed designated areas of St. Thomas and St. Croix. As a result, employment opportunities are provided to residents of the areas so designated.
  - **Economic Development Authority (Authority)** accounts for loans that are funded through U.S. Department of Agriculture.
  - **Tax Increment Financing (TIF)** this fund allows projects to be financed by pledging the increases in tax revenues that can be reasonably anticipated to be collected by the government once the financed project or activity is completed.
  - **Economic Development Management (EDM)** this account was established to record all administrative costs associated with the day-to-day operations of the Authority.
  - **State Small Business Credit Initiative (SSBCI)** this fund was established by the Small Business Jobs Act of 2010 by the Federal Government to Collateral Support Program, the Credit Guarantee Program and the Payment, Surety and Performance Bond Program.

- **State Trade and Export Promotion Grant Program (STEP)** this program is funded by a federal grant from U.S. Small Business Administration. The program authorized by the Small Business Jobs Act of 2010 is a 3-year trade and export promotion pilot initiative to make matching-fund grants for states to assist 'eligible small business concerns.' The program objectives are to increase the number of small businesses that are exporting, and to increase the value of exports for those small businesses.

- **Disaster Small-Midsized Enterprises Incubator Program –** The Authority was awarded a Federal grant in the amount of $1.0M that is matched with $200, 000 of local funding for the establishment of an incubator program on the island of St. Croix. The program promotes resource collaborations between the local government and other community based institutions to create an avenue to spark economic viability and sustainability.

- ***Cash and Cash Equivalents:*** For the purposes of reporting cash flows, cash and cash equivalents are defined as cash on hand, demand deposits, certificate of deposits with financial institutions and all highly liquid investments available for current use with an initial maturity of three months or less are considered to be cash or cash equivalents.

- ***Investments:*** Investments in marketable securities or other short-term investments of cash with readily determinable fair values and investments in debt securities are reported at their fair values in the Authority's statement of net assets.

- ***Restricted Cash and Cash Equivalents:*** This consists of cash and cash equivalents to be used for specific purposes as specified by legislation or by a grant agreement.

- ***Allowance for Uncollectible Accounts:*** The Authority provides for losses when a specific need for an allowance is indicated. The provision for loan losses charged to operating expenses is the amount necessary to report the net asset at its estimated realizable value. In determining the adequacy of the allowance, management considers the composition of the loan portfolio, economic factors, historical loss experience, and value and sufficiency of collateral in the current level of the allowance.

- ***Capital Assets:*** The Authority capitalizes all property and equipment at cost. The property and equipment is capitalized and depreciated using the straight line method over the assets estimated useful lives. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extends the asset life are not capitalized.

  Depreciation has been provided using the straight line method. The estimated economic lives of the Authority's property and equipment varied as follows:

Equipment and Furniture and Fixtures	3-5 Years
Vehicles	5 Years
Buildings and Leasehold Improvements	5-27 Years

- ***Compensated Absences:*** The Authority has recognized the liability for annual leave, which is payable to employees upon separation. Sick leave balances are not paid out upon termination, however, a liability for the balances do exist in the event an employee transfers to another government agency; such liability is recognized at the time of the transfer. The liability for both amounts is calculated based on the Authority salary rates in effect at the statements of net position date.

Note 1 – Summary of Significant Accounting Policies (Continued)

- ***Use of Estimates:*** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

- ***Recently Adopted Accounting Pronouncements***

  The Authority recently adopted GASB 62 and 63 for the period ending September 30, 2013.In December, 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for periods beginning after December 15, 2011, with earlier application encouraged. The objective of GASB Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is include in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for period beginning after December 15, 2011, with earlier application encouraged. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. For fiscal year 2013, both GASB 62 and 63 had no effect on the financial statements of the Authority. *New Accounting Pronouncements:* In March 2012, the GASB issued Statement No. 65, Items *Previously Reported as Assets*

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30, 2013 and 2012:

	Unrestricted	**Restricted**	**Total 2013**
Cash and Cash Equivalents	$2,669,360	$7,864,742	$10,534,102

	Unrestricted	**Restricted**	**Total 2012**
Cash and Cash Equivalents	$3,848,247	$7,758,907	$11,607,154

Custodial Risk is the risk that in the event of bank failure the Authority's deposits may not be return to it. Cash consists of cash on hand held by depository institutions and trustees in the Authority's name. During the fiscal years, including the final date of the period, September 30, 2013 and 2012, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in excess of this limit are $15,595,308 and $14,995,392, respectively, and are fully collateralized.

Restricted Cash and Cash Equivalents. The restricted cash and cash equivalents at September 30, 2013 and 2012 consist of the following:

	2013	**2012**
Micro Credit Loan Program	$1,290,480	$1,002,097
Farmers and Fishermen Loan Fund	280,779	261,960
Frederiksted Revolving Loan Fund	264,001	261,363
Performance Bonding Loan Fund	1,792,645	1,404.,059
Intermediary Relending Loan Fund	201,992	211,058
SBDA Revolving Loan Fund	385,593	411,697
SBDA Administration Loan Fund I	43,834	12,215
SBDA Administration Loan Fund II	43,310	115,053
SSBCI Grant	3,543,541	4,060,444
Historic Grant	18,567	18,961
	$7,864,742	$7,758,907

Note 2 – Cash and Cash Equivalents (Continued)

The restrictions above relate to revolving loan funds established through legislation to offer direct assistance to various industries and businesses and to aid in the creation of economic opportunities within the United States Virgin Islands.

NOTE 3 INVESTMENTS

Investments at September 30, 2013 and 2012 were comprised of certificate of deposits totaling $3,444,392 and $2,993,651, respectively. Balances in excess of $250,000 maintained in depository institution are collateralized.

Investments as of September 30, 2013 and 2012 are as follows:

FY 2013		Investment Maturities	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Certificate of Deposits	$3,444,392	$2,859,386	$ 585,006

FY 2012		Investment Maturities	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Certificate of Deposits	$2,993,651	$2,824,826	$ 168,825

NOTE 4 RESTRICTED NET POSITION FOR LOAN PROGRAMS AND OTHER FUNDS

The restricted net position at September 30, 2013 and 2012 consist of the following:

	2013	**2012**
Micro Credit Loan Program	$ 2,078,220	$ 2,091,722
GDB Funds – Start Up	2,653,417	2,641,563
Farmers and Fishermen Loan Fund	310,672	308,883
Frederiksted Revolving Loan Fund	264,001	261,341
Performance Bonding Loan Fund	2,479,975	3,334,836
Intermediary Relending Loan Fund	363,917	353,101
SBDA Revolving Loan Fund	861,504	821,812
SBDA Administration Loan Fund I	236,402	212,024
SBDA Administration Loan Fund II	252,419	250,537
SSBCI Grant	4,128,548	4,229,269
Historic Walk Grant	18,565	18,961
	$ 13,647,640	$14,524,049

NOTE 5 LOANS RECEIVABLE

Loans receivable at as of September 30, 2013 and 2012 are as follows:

	2013	**2012**
Loan Principal	$ 9,596,574	$ 12,655,441
Allowance for Doubtful Accounts	(6,052,097)	(7,700,686)
Net Loans Receivable	$ 3,544,477	$ 4,954,755

Note 5 – Loans Receivable (Continued)

The loans bear interest rates ranging from 4% to 12%. The allowance includes majority of the SBDA loans which were assumed by the Authority at its inception; the additional allowances recorded in fiscal year 2013 and 2012 were $1,065,645 and $628,586, respectively.

NOTE 6 RECEIVABLES

The receivable balances as of September 30, 2013:

	Receivables	Allowance	Receivables, net
Interest Receivable	$ 6,027	$ -	$ 6,027
Performance Bonding Receivable	910,646	-	910,646
EDC Fees & Charges	608,849	(295,166)	313,683
Rent Receivable	254,156	(187,630)	66,526
Grant Receivable – Board Up & Scrap	1,790	-	1,790
Tax Increment Financing Fund	30,015	(30,015)	-
Economic Development Management	103,469	-	103,469
Employee Advance	460	-	460
STEP Grant	88,969	-	88,969
Incubator Grant	69,191	-	69,191
Total	$ 2,073,572	$ (512,811)	$ 1,560,761

Total provision for uncollectible accounts during fiscal year 2013 was $192,551.

The receivable balances as of September 30, 2012:

	Receivables	Allowance	Receivables, net
Due from Vendor	$ 3,972	$ -	$ 3,972
Interest Receivable	3,243	-	3,243
Performance Bonding Receivable	910,646	-	910,646
Rent Receivable	330,240	(173,928)	156,312
EDC Fees & Charges	469,616	(350,166)	119,450
Grant Receivable – Board Up & Scrap	1,717	-	1,717
Tax Increment Financing Fund	30,015	-	30,015
Economic Development Management	18,637	-	18,637
STEP Grant	6,557	-	6,557
Total	$ 1,774,643	$ (524,094)	$ 1,250,549

Total provision for uncollectible accounts during fiscal year 2012 was $235,905.

NOTE 7 CAPITAL ASSETS

Capital assets are composed of the following at September 30, 2013 and 2012:

	Beginning Balance	Additions	Retirement	2013 Ending Balance
Capital Assets				
Building and Building Improvements	$ 9,148,427	$ 1,349	$ -	$ 9,149,776
Leasehold Improvements	428,431	678,715	(271,022)	836,124
Equipment	960,530	77,819	-	1,038,349
Furniture and Fixtures	220,326	129,131	-	349,457
Vehicles	1,112,518	38,293	(30,915)	1,119,896
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	11,890,817	925,307	(301,937)	12,514,187
Accumulated Depreciation				
Building and Building Improvements	(7,461,054)	(231,573)	-	(7,692,627)
Leasehold Improvements	(139,584)	(42,316)	113,762	(68,138)
Equipment	(773,673)	(77,168)	-	(850,841)
Furniture and Fixtures	(208,091)	(17,323)	-	(225,414)
Vehicles	(865,698)	(195,736)	30,915	(1,030,519)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(9,468,685)	(564,116)	144,677	(9,888,124)
Capital Assets, net	$ 2,422,132	$ 361,191	$ (157,260)	$ 2,626,063

Depreciation expense for the year ended September 30, 2013 totaled $564,116.

Capital assets are composed of the following at September 30, 2012 and 2011:

	Beginning Balance	Additions	Retirement	2012 Ending Balance
Capital Assets				
Building and Building Improvements	$ 9,148,427	$ -	$ -	$ 9,148,427
Leasehold Improvements	428,431	-	-	428,431
Equipment	920,660	39,870	-	960,530
Furniture and Fixtures	216,817	3,509	-	220,326
Vehicles	1,135,018	-	(22,500)	1,112,518
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	11,869,938	43,379	(22,500)	11,890,817
Accumulated Depreciation				
Building and Building Improvements	(7,229,432)	(231,622)	-	(7,461,054)
Leasehold Improvements	(124,823)	(14,761)	-	(139,584)
Equipment	(699,693)	(73,980)	-	(773,673)
Furniture and Fixtures	(194,953)	(13,138)	-	(208,091)
Vehicles	(684,753)	(203,445)	22,500	(865,698)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(8,954,239)	(536,946)	22,500	(9,468,685)
Capital Assets, net	$ 2,915,699	$ (493,567)	$ -	$ 2,422,132

Depreciation expense for the year ended September 30, 2012 totaled $536,944.

NOTE 8 LOANS PAYABLE

The Authority entered into an Intermediary Relending Program loan agreement (IRP) with the United States Department of Agriculture Rural Business Cooperative Services on April 21, 1998. This agreement requires the repayment of the approved loan principal of $670,530 to begin after three (3) years in twenty-seven (27) equal annual installments. An interest rate of 1% accrues on the outstanding balance. As of September 30, 2013 and 2012, the outstanding loan balance was $392,155 and $416,726, respectively.

As of September 30, 2013, the debts are composed of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 416,726	$ -	$ (24,571)	$ 392,155	$ 24,388
	$ 416,726	$ -	$ (24,571)	$ 392,155	$ 24,388

As of September 30, 2012, the debts are composed of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 440,054	$ -	$ (23,328)	$ 416,726	$ 24,147
Note Payable	32,974	-	(32,974)	-	-
	$ 473,028	$ -	$ (56,302)	$ 416,726	$ 24,147

Future minimum payments to the U.S. Department of Agriculture

2014	$ 24,388
2015	24,632
2016	24,879
2017	25,127
2018	25,379
2019 – 2023	130,752
2024 – 2028	136,998
Total	$ 392,155

NOTE 9 COMPENSATED ABSENCES

Compensated absences balance as of September 30, 2013and 2012 were $221,898 and $331,636, of which $147,351 and $115,352, respectively are due within a year.

NOTE 10 LEASES

Lessor --- The Authority leased a total of 26 buses to tour bus operators on the island of St. Croix during the year. Out of the 26 buses 16 are operating the other 10 tour buses have technical problems and are not on the road. These leases are for two-year terms, with monthly payments dependent on revenues earned from the operation of the buses. The tour bus operators pay the Authority 20% of earned revenue in the months when less than four cruise ships dock at the Frederiksted Pier and 30% when more than four cruise ships dock. Revenue earned from the tour buses in FY 2013 and 2012 was $6,000 and $-0-, respectively.

The Authority also leases commercial properties it owns through the Industrial Park Development Corporation. The terms of the leases vary from one to five years, with monthly rent payments dependent on the amount of square footage occupied and the location of the property.

Lessee --- The Authority leases office space from January 1, 2013 through December 31, 2017 for office and common area spaces with increase in rent on the 2nd and 4th anniversaries equal to the percentage of the cost of living increase for the preceding year, based upon the Consumer Price Index (CPI-U) as published by the U.S. Department of Labor Bureau of Labor Statistics. In addition, the Industrial Park buildings are located on parcels of lease land. The land is rented under a thirty (30) year term lease which expires May 2013. Two additional ten year option periods are available to the Industrial Park with the rental amounts based upon the Bureau of Labor Statistics' Consumer Price Index.

Rent expense for the years ending September 30, 2013 and 2012 were $298,870 and $298,469, respectively. The aggregate lease commitment for the Authority is as follows as of September 30, 2013:

2014	$ 166,600
2015	166,600
2016	166,600
2017	166,600
Oct. 2017 – Dec. 2017	41,650
Total	$ 708,050

NOTE 11 DEFERRED REVENUE

Current Deferred Revenue: Represent grant funds received in fiscal year 2012 from the United States Department of Treasury for the State Small Business Credit Initiative. The amount not expended as of the fiscal year end has been reflected in the financial statement as current deferred revenue in the amount of $4,252,932 and $4,310,883 for fiscal year 2013 and 2012, respectively.

Noncurrent Deferred Revenue: In October 2009, the Virgin Islands Public Finance Authority (VIPFA) issued $87 million in bonds of which $5 million was allotted to the Authority. These funds are to be utilized for developmental loan programs and are drawn down from VIPFA as loans are issued. Out of the noncurrent deferred revenue reflected in the financial statements $1,000,000 represents advanced funds received from VIPFA in fiscal year 2009. The deferred revenue will be relieved as additional loans are made in the future.

NOTE 12 RETIREMENT PLAN

The Government Employees Retirement System of the Virgin Islands (GERS) is a cost sharing, multiple employer public employee retirement system, established by the Government of the Virgin Islands to provide retirement, death and disability benefits to its employees. The Authority's part-time employees who at the time of employment are under age 55 years with one year of government service are eligible to participate in the system. The Authority's required contribution was 17.5% of the member's annual salary. Member contributions were 8% of annual salary. The Authority's contribution to the retirement plan was $355,306, $351,103 and $386,303 for fiscal years 2013, 2012 and 2011, respectively. The financial report of the retirement system can be obtained from the Government Employees' Retirement System, 3438 Kronprindens Gade, Saint Thomas, Virgin Islands, 00802.

NOTE 13 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority has various outstanding commitments at September 30, 2013 and 2012 which includes outstanding loan commitments in the process of being approved by the Board of Directors which are not reflected on the statement of net assets.

The Authority asserts that there have not been any material claims, suits or complaints filed nor are any pending against the Authority. In the opinion of management, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations if they were disposed of unfavorably.

NOTE 14 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters for which the Authority has commercial insurance coverage. Annual premium payments are made in proportion to the anticipated exposure to the liability losses assessed.

NOTE 15 SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 12, 2014, the date which the financial statements were available to be issued. Management is not aware of any facts or circumstances that require disclosure in the financial statements for the year ended September 30, 2013.

SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

ASSETS	**GDB**	**EDM**	**EDC**	**SBDA**	**IPDC**	**IRP**	**EZC**	**USE**	**TIF**	**SSBCI**	**STEP**	**INCUBATOR**	**ELIMINATIONS**	**2013**	**2012**	**Variance**
Current Assets:																
Cash and Cash Equivalents	357,917	473,941	1,303,730	274,359	63,766	-	-	-	404	110,719	84,524	-	-	2,669,360	3,848,247	(1,178,887)
Investments	-	-	-	-	184,085	-	-	-	-	585,006	-	-	-	769,091	352,088	417,003
Accounts Receivable, net	912,985	103,930	313,683	19	66,710	-	1,789	-	-	3,484	88,969	69,191	-	1,560,761	1,250,549	310,212
Due from Other Fund	2,038,213	166,214	-	-	2,647	-	-	-	-	-	10,050	-	(2,217,124)	-	-	-
Prepaid & Other Assets	-	63,798	-	8,743	9,758	-	-	-	-	-	-	-	-	82,299	76,370	5,929
Total Current Assets	**3,309,115**	**807,883**	**1,617,413**	**283,121**	**326,966**	**-**	**1,789**	**-**	**404**	**699,209**	**183,543**	**69,191**	**(2,217,124)**	**5,081,511**	**5,527,254**	**(445,743)**
Non-Current Assets																
Loan Receivable, net	2,475,069	-	-	505,805	-	161,926	-	401,677	-	-	-	-	-	3,544,477	4,954,755	(1,410,278)
Restricted Cash & Cash Equivalents	2,083,125	1,000,000	-	930,373	-	201,992	18,567	87,144	-	3,543,541	-	-	-	7,864,742	7,758,907	105,835
Restricted Investments	2,653,417	-	-	-	-	-	-	21,884	-	-	-	-	-	2,675,301	2,641,563	33,738
Total Non-Current Assets	**7,211,611**	**1,000,000**	**-**	**1,436,178**	**-**	**363,918**	**18,567**	**510,705**	**-**	**3,543,541**	**-**	**-**	**-**	**14,084,520**	**15,355,225**	**(1,270,705)**
												-	-			
Capital Assets, net	83,724	888,048	77,471	122,540	1,451,289	-	-	-	-	-	2,991	-	-	2,626,063	2,422,132	203,931
Total Assets	**10,604,450**	**2,695,931**	**1,694,884**	**1,841,839**	**1,778,255**	**363,918**	**20,356**	**510,705**	**404**	**4,242,750**	**186,535**	**69,191**	**(2,217,124)**	**21,792,094**	**23,304,611**	**(1,512,517)**
LIABILITIES																
Current Liabilities																
Accounts Payable	100,905	294,329	105,686	-	32,420	-	3,549	-	-	1,265	102,447	-	-	640,601	261,208	379,393
Accrued Expenses	-	324,609	-	-	6,367	-	-	-	-	-	-	-	-	330,976	156,202	174,774
Compensated Absences, Current	3,753	-	84,011	24,079	15,508	-	20,000	-	-	-	-	-	-	147,351	115,352	31,999
Interest Payable	18,245	-	-	-	-	1,742	-	-	-	-	-	-	-	19,987	20,095	(108)
Due to Other Fund	-	1,981,236	10	-	92,109	-	-	-	8,000	-	66,578	69,191	(2,217,124)	-	-	-
Deferred Revenue	-	-	-	-	-	-	17,542	-	-	4,235,390	-	-	-	4,252,932	4,310,883	(57,951)
Loan Payable, Current	-	-	-	-	-	24,388	-	-	-	-	-	-	-	24,388	24,147	424
Total Current Liabilities	**122,903**	**2,600,174**	**189,707**	**24,079**	**146,404**	**26,130**	**41,091**	**-**	**8,000**	**4,236,655**	**169,025**	**69,191**	**(2,217,124)**	**5,416,235**	**4,887,887**	**528,531**
Non-Current Liabilities																
Compensated Absences	(842)	-	20,989	(5,747)	31,406	-	28,741	-	-	-	-	-	-	74,547	216,284	(141,737)
Deferred Revenue	1,000,000	-	-	-	9,937	-	-	-	-	-	-	-	-	1,009,937	1,000,000	9,937
Security Deposit	-	-	-	-	39,865	-	-	-	-	-	-	-	-	39,865	31,737	8,128
Long-Term Debt	-	-	-	-	-	367,767	-	-	-	-	-	-	-	367,767	392,579	(24,995)
Total Non-Current Liabilities	999,158	-	20,989	(5,747)	81,208	367,767	28,741	-	-	-	-	-	-	1,492,116	1,640,600	(148,667)
Total Liabilities	**1,122,061**	**2,600,174**	**210,696**	**18,332**	**227,612**	**393,897**	**69,832**	**-**	**8,000**	**4,236,655**	**169,025**	**69,191**	**(2,217,124)**	**6,908,351**	**6,528,487**	**379,864**
NET POSITION																
Invested in Capital Position, net of Debt	83,724	888,048	77,471	122,540	1,451,289	-	-	-	-	-	2,991	-	-	2,626,063	2,422,132	203,931
Restricted Net Position	7,211,611	-	-	1,436,177	-	363,918	18,567	488,821	-	4,128,547	-	-	-	13,647,640	14,524,049	(876,409)
Unrestricted Net Position	2,187,054	(792,291)	1,406,717	264,790	99,354	(393,897)	(68,043)	21,884	(7,596)	(4,122,452)	14,519	-	-	(1,389,960)	(170,057)	(1,219,903)
Total Net Position	**9,482,389**	**95,757**	**1,484,188**	**1,823,507**	**1,550,643**	**(29,979)**	**(49,476)**	**510,705**	**(7,596)**	**6,095**	**17,510**	**-**	**-**	**14,883,743**	**16,776,124**	**(1,892,381)**

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	USE	TIF	SSBCI	STEP	INCUBATOR	2,013	2,012
Operating Revenues														
Application and Processing Fees	1,233	53,749	906,326	-	-	-	-	299	-	-	-	-	961,607	524,071
Interest from Loans	156,260	-	-	34,156	-	8,293	-	28,023	-	-	-	-	226,732	261,195
Rental Income	-	-	-	-	412,611	-	-	-	-	-	-	-	412,611	409,214
Grant Revenue	-	-	-	-	-	-	24,446	-	-	56,533	547,070	69,191	697,240	129,251
Government Appropriation	-	3,395,726	413,344	372,884	-	1,089	283,187	-	-	-	-	15,584	4,481,814	4,686,135
PFA Bonds	4,184	-	-	-	-	-	-	-	-	-	-	-	4,184	78,990
Penalties	-	-	-	-	-	-	-	-	-	-	-	-	-	21,450
Other Operating Income	16,861	-	(9,537)	-	29,503	950	-	-	-	-	-	-	37,777	58,656
Total Revenue	**178,538**	**3,449,475**	**1,310,133**	**407,040**	**442,114**	**10,332**	**307,633**	**28,322**	**-**	**56,533**	**547,070**	**84,775**	**6,821,965**	**6,168,962**
Operating Expenses														
Personnel Costs	209,919	1,644,775	670,314	267,676	280,918	1,089	242,506	-	-	-	-	10,025	3,327,222	3,042,214
Occupancy	23,769	238,389	-	-	38,684	-	-	-	-	-	-	-	300,842	298,870
Advertising	7,127	125,373	50,638	3,991	-	-	8,735	-	-	-	-	1,659	197,523	85,798
Professional Services	57,165	695,075	398,635	13,489	2,687	-	26,351	-	-	-	-	-	1,193,402	579,265
Travel and Per Diem	1,191	64,783	23,717	7,000	3,688	-	4,943	-	-	-	-	93	105,415	169,677
Other Administrative Expenses	2,592	889,914	5,164	22,827	189,299	-	4,118	927	-	-	-	3,807	1,118,648	876,442
Grant Expenditure	-	-	-	-	-	-	24,446	-	-	56,533	546,472	69,191	696,642	129,251
Bad Debt	1,039,289	-	-	(3,681)	75,557	(30,036)	-	-	30,015	-	-	-	1,111,144	864,491
Total Operating Expenses	**1,341,052**	**3,658,309**	**1,148,468**	**311,302**	**590,833**	**(28,947)**	**311,099**	**927**	**30,015**	**56,533**	**546,472**	**84,775**	**8,050,838**	**6,046,008**
Operating Income or (Loss) Before Depreciatic	(1,162,514)	(208,834)	161,665	95,738	(148,719)	39,279	(3,466)	27,395	(30,015)	-	598	-	(1,228,873)	122,954
Depreciation	223,084	52,463	32,548	14,787	240,636	-	-	-	-	-	598	-	564,116	536,944
Loss on Assets/Termination of Lease	157,259	-	-	-	-	-	-	-	-	-	-	-	157,259	-
Operating Income or (Loss)	**(1,542,857)**	**(261,297)**	**129,117**	**80,951**	**(389,355)**	**39,279**	**(3,466)**	**27,395**	**(30,015)**	**-**	**-**	**-**	**(1,950,248)**	**(413,990)**
Other Revenues/(Expenses)														
Interest Income	12,907	-	-	896	1,009	-	-	-	-	5,552	-	-	20,364	29,119
Other Income	-	14,927	-	5,410	-	-	-	20,950	-	-	-	-	41,287	10,675
Interest Expense & Finance Charges	-	-	-	-	-	(3,784)	-	-	-	-	-	-	(3,784)	(6,544)
Total Other Revenues/(Expenses)	**12,907**	**14,927**	**-**	**6,306**	**1,009**	**(3,784)**	**-**	**20,950**	**-**	**5,552**	**-**	**-**	**57,867**	**33,250**
Changes in Net Position	(1,529,950)	(246,370)	129,117	87,257	(388,346)	35,495	(3,466)	48,345	(30,015)	5,552	-	-	(1,892,381)	(380,740)
Net Position, Beginning of Year	11,012,339	342,127	1,355,071	1,736,250	1,938,989	(65,474)	(46,010)	462,360	22,419	543	17,510	- -	16,776,124	17,156,864
Net Position, End of Year	**9,482,389**	**95,757**	**1,484,188**	**1,823,507**	**1,550,643**	**(29,979)**	**(49,476)**	**510,705**	**(7,596)**	**6,095**	**17,510**	**-**	**14,883,743**	**16,776,124**