VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
Together With Independent Auditor's Report

BSC
BERT SMITH & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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(A Component Unit of the Virgin Islands Government)

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SEPTEMBER 30, 2021

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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 consolidated accompanying statement of net position of the Virgin Islands Economic Development Authority (the "Authority") and its wholly owned subsidiary Economic Development Park Corporation, a component unit of the Government of the U.S. Virgin Islands, as of and for the year ended September 30, 2021 and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended and the related notes to the consolidated financial statements.

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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including, the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2021, and the respective changes in net position and cash flows for the year 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 consolidated financial statements, the consolidated financial statements present only the Authority's financial position and the changes in financial position and cash flows 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, 2021 and changes in the financial position of the Government of the U.S. Virgin Islands for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Comparative Information

We have previously audited the Authority's September 30, 2020 consolidated financial statements, and our report dated, February 22, 2022, expressed an unmodified opinion thereon. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis information on pages 4 through 10 and the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions and Schedule of Proportionate Share of OPEB Liability on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic consolidated financial statement in an appropriate operational, economic, or historic context. We have applied certain limited procedures to 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 consolidated 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 Authority's basic financial statements. The combining statement of net position and statement of changes in revenues, expenses and changes in net position on pages 44 and 45 and the accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles and Audit Requirements* for Federal Awards on page 38, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information, as noted in the preceding paragraph, 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. Such 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 or other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the schedule of expenditures of federal awards 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 April 14, 2023 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 solely 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 effectiveness of 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.
April 14, 2023

INTRODUCTION

The Virgin Islands Economic Development Authority (the "Authority") is a semi-autonomous government instrumentality responsible for the promotion and enhancement of economic development in the U.S. Virgin Islands.

The Authority is the umbrella organization that assumes, integrates, and unifies the functions of the following subsidiary entities: the Economic Development Bank ("EDB"), the Economic Development Commission ("EDC"), the Economic Development Park Corporation ("EDPC"), and the Enterprise Zone Commission ("EZC").

The Authority operates under one Governing Board ("Board") in order to achieve maximum efficiency of operation to avoid duplication of services, positions, and responsibilities; to reduce expenses of personnel, physical plant, and operations; and to develop comprehensive programs for the economic development of the U.S. Virgin Islands. The Authority is funded primarily by allotments through 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 consolidated financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the Authority's consolidated financial statements. This overview and analysis are 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

The consolidated financial 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 consolidated 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 Consolidated Statement of Net Position:*** This statement includes all of the Authority's assets, deferred outflows of resources and deferred inflows of resources, and liabilities. It 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 is displayed as restricted or unrestricted.

- ***The Consolidated Statement of Revenues, Expenses, and Changes in Net Position:*** All of the current year's revenues and expenses are accounted for in the Statement of Revenues, 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.

- ***Notes to the Financial Statements:*** The notes to the consolidated 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 consolidated financial statements are presented as supplementary schedules. These schedules separate the consolidated financial statements and operations for each of the major funds.

2021 FINANCIAL HIGHLIGHTS

- The Authority's net position deficit increased by 198,221 or 2% compared to fiscal year 2020.
- The Authority's total assets and deferred outflow of resources increased by $3,246,503 or 8%.
- Total liabilities and deferred inflows of resources increased by $3,444,724 or 7% compared to fiscal year 2020.
- The Authority's operating revenues increased by $1,189,838 or 67% and operating expenses exclusive of depreciation increased by $343,463 or 4% compared to fiscal year 2020.
- Government appropriations increased by $1,062,124 or 22% compared to fiscal year 2020.

Condensed Consolidated Statements of Net Position as of September 30, 2021 and 2020

	2021	2020	Variance	% Variance
Assets				
Current Assets	$ 17,232,677	$ 13,239,440	$ 3,993,237	30%
Noncurrent Assets	18,173,354	17,855,599	317,755	2%
Capital Assets, net	862,448	987,613	(125,165)	-13%
Total Assets	36,268,479	32,082,652	4,185,827	13%
Deferred Outflows of Resources	6,675,614	7,614,938	(939,324)	-12%
Total Assets and Deferred Outflows of Resources	$ 42,944,093	$ 39,697,590	$ 3,246,503	8%
Liabilities				
Current Liabilities	$ 16,136,554	$ 14,171,320	$ 1,965,234	14%
Noncurrent Liabilities	34,265,406	32,143,383	2,122,023	7%
Total Liabilities	50,401,960	46,314,703	4,087,257	9%
Deferred Inflows of Resources	3,551,353	4,193,886	(642,533)	-15%
Total Liabilities and Deferred Inflows of Resources	$ 53,953,313	$ 50,508,589	$ 3,444,724	7%
Net Position				
Net Investment in Capital Assets	$ 862,448	$ 987,613	$ (125,165)	-13%
Restricted	16,486,935	16,578,570	(91,635)	-1%
Unrestricted	(28,358,603)	(28,377,182)	18,579	0%
Total Net Position	$(11,009,220)	$ (10,810,999)	$ (198,221)	2%

CURRENT ASSETS

Current assets support the Authority's operations and include cash and cash equivalents, net accounts receivables (primarily receivables from rentals and beneficiaries, accrued interest receivables, short-term investments, and prepaid expenses).

In comparison to the previous fiscal year, current assets increased by $3,993,237 or 30%. This total includes an increase of $3,344,377 or 31% in cash and cash equivalents due to the Authority receiving its full appropriation for fiscal year 2021 and increased funding from the Government of the Virgin Islands ("GVI") for the construction of a state-of-the-art, certified, clean kitchen facility on St. Croix. There was also an increase in cash flow from the operations of the Economic Development Park Corporation ("EDPC"). Accounts receivables, net allowance for doubtful accounts, increased by $744,121 or 69% due to reimbursable expenses incurred in connection with the execution of four (4) federal grant projects and the evaluation of two (2) Hotel Development Act ("HDA") applications. There was also an increase of $6,688 or 1% in investments, representing the annual interest earned on Certificates of Deposit held at local financial institutions. These increases were offset by a $101,949 or 34% reduction in prepaid and other assets.

NONCURRENT RESTRICTED ASSETS

Noncurrent assets increased by $317,755 or 2% compared to last fiscal year. This increase was mainly due to the following changes, a $483,399 or 5% reduction in restricted cash & cash equivalents, used for loans and guarantee/collateral support for local small and mid-sized businesses. An offset by an increase of $777,547 or 25% in net loan receivables driven by growth in the Economic Development Bank's ("EDB") loan portfolio. Additionally, there was an increase in restricted investments of $23,607, which constitutes interest income earned on restricted assets.

CURRENT LIABILITIES

Current liabilities increased by $1,965,234 or 14% compared to Fiscal Year 2020. This was primarily due to the recognition of $1,808,937 or 13% in deferred revenue stemming from an allotment from the GVI to construct a state-of-the-art clean kitchen facility on St. Croix. Additionally, accounts payable increased by $168,577 or 51% due to timing differences in vendor payments during the fourth quarter. Compensated absences rose by $17,816, representing a 9% increase in accrued vacation leave for employees at year-end. On the other hand, accrued expenses decreased by $28,440 or 35% due to reductions in payroll liabilities.

NONCURRENT LIABILITIES

The Authority's noncurrent liabilities are significantly comprised of long-term debt, net pension liability, and other long-term liabilities accrued for post-employment and post-retirement benefits ("OPEB"). During Fiscal Year 2021, noncurrent liabilities increased by $2,122,023 or 7% due to the cumulative effect of:

- An increase of $2,160,964 or 7% in the Authority's proportionate share of the net pension liability in the U.S. Virgin Islands' Government Employees Retirement System ("GERS"). The Governmental Accounting Standards Board ("GASB") Statements No. 68 and 75 require governmental employers participating in multi-employer cost-sharing pension and healthcare benefit plans to recognize liabilities for their proportionate share of the unfunded liability for plans whose actuarial liabilities exceed the plan's net assets. As required by the U.S. Virgin Islands statute, all eligible employees of a qualifying employer must be a member of GERS for Fiscal Year 2021.

- A reduction of $24,876 or 13% in long-term debt, representing the annual principal payment on the Intermediary Relending Program ("IRP") loan.

- A reduction of $14,066 or 5% in long-term compensated absences to record the amount owed to employees for accumulated vacation time at the end of the fiscal year.

NET POSITION

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

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

The Authority's total net position (deficit) increased by $198,221 or 2% during Fiscal Year 2021. This was due to the net effect of a decrease in net investment in capital assets of $125,165 or 13% and an increase in unrestricted net position (deficit) of $18,579 or .07% as total expenses exceeded total revenues.

Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2021 and 2020

	2021	2020	Variance	% Variance
Operating Revenues	$ 2,974,220	$ 1,784,382	$ 1,189,838	67%
Operating Expenses	(9,196,933)	(8,853,470)	(343,463)	4%
Operating Loss before Depreciation	(6,222,713)	(7,069,088)	846,375	-12%
Depreciation	(257,022)	(231,531)	(25,491)	11%
Operating Loss	(6,479,735)	(7,300,619)	820,884	-11%
Net Non-operating Revenues	6,281,514	5,052,591	1,228,923	24%
Changes in Net Position	(198,221)	(2,248,028)	2,049,807	-91%
Net Position, Beginning of Year	(10,810,999)	(8,562,971)	(2,248,028)	26%
Net Position, End of Year	$(11,009,220)	$(10,810,999)	$ (198,221)	2%

OPERATING REVENUES

Operating revenues increased by $1,189,838 or 67% over the previous fiscal year. This is mainly attributed to an increase of $834,278 or 1232% in federal grants to develop a comprehensive 20-year economic development plan for the Territory and technical assistance grants supporting the EZC's strategic objectives of revitalizing the zones and providing exporting opportunities for local small businesses. There was also an increase of $168,222 or 11914% in fees and fines assessed on EDC beneficiaries that violated their certificates. Application and processing fees rose by $140,066 or 28% due to increased EDC and EDB applications processed during the fiscal year. Additionally, the EDB realized an increase of $43,312 or 57% in interest income from loans due to the growth of the lending portfolio and the expiration of the COVID-19 loan deferments. However, these increases were partially offset by a reduction of $48,422 or 5% in rent revenue generated by the EDPC due to rent abatements granted to EDPC tenants that continued to be adversely impacted by the 2017 hurricane-related damages. There was also a reduction of $73,000 or 100% in non-federal grants due to the closeout of the Mercy Corps and Bacardi Limited grant for the Caribbean Innovation Challenge.

OPERATING EXPENSES

Operating expenses in the aggregate increased by $343,463 or 4% compared to last fiscal year. This is mainly attributed to an increase of $834,278 or 1232% in federal grant expenditures incurred to develop a comprehensive 20-year economic development plan for the Territory and to support the EZC's strategic objectives, which includes revitalizing the zones and providing export opportunities for local small business manufacturers. In addition, the amount of uncollectible receivables increased by $49,203 or 411%, to account for EDB loans deemed unlikely to be repaid by borrowers. Occupancy costs rose slightly by $6,361 or 2% due to scheduled rent increases tied to the Consumer Price Index ("CPI"). These increases were offset by a reduction of $101,211 or 2% in personnel service costs due to positions that remained vacant or were partially filled during the year. Moreover, general administrative expenses declined by $111,992 or 12% due to the Authority conducting more of its activities virtually and implementing COVID-19 cost containment measures that resulted in greater efficiencies. Non-federal grant expenditures declined by $73,000 or 100% due to the closeout of the Mercy Corps and Bacardi Limited grant for the Caribbean Innovation Challenge. Lastly, travel and advertising costs declined by $65,430 or 19% due to increased attendance at virtual conferences, marketing missions, and meetings.

NON-OPERATING REVENUES AND EXPENSES

Non-operating revenues are revenues received from activities not related directly to a business core operation. For example, appropriations from the Government of the Virgin Islands are non-operating revenues because appropriated funds are those controlled by Legislature through the general or special appropriation process and are designated for specific purposes. Without non-operating revenues, the Authority would not be able to cover its costs of operations. This funding is critical to the Authority's financial stability and directly impacts the quality of its programs.

In Fiscal Year 2021, the Authority's non-operating revenues increased by $1,228,992 or 24%. This was primarily driven by an increase of $1,062,124 or 22% in the government appropriation that supports the Authority's day-to-day operations.

CAPITAL ASSETS

As of September 30, 2021, the Authority had $862,448 invested in capital assets. Total asset acquisition during the fiscal year was $131,877 compared to $49,130 last fiscal year, an increase of $82,747 or 168% due to the purchase of laptops, the upgrade of the entry door access system, and the replacement of an air conditioning unit. However, after accounting for the fiscal year's total depreciation expense of $257,022, the net effect is an overall reduction of $125,165 or 13% in capital asset balance compared to last fiscal year.

Capital Assets at Year-end
Net of Accumulated Depreciation

	2021	2020
Building & Building Improvements	$ 9,508,842	$ 9,508,842
Leasehold Improvements	867,890	867,890
Equipment	1,464,098	1,332,241
Furniture & Fixtures	513,973	513,973
Vehicles	469,145	469,145
Leasehold Equipment	20,585	20,585
Total Costs	12,844,533	12,712,676
Less: Accumulated Depreciation	(11,982,085)	(11,725,063)
Net Capital Assets	$ 862,448	$ 987,613

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

CONSOLIDATED STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	$ 14,253,828	$ 10,909,451
Investments	955,218	948,530
Other Receivables, net	1,823,969	1,079,848
Prepaid and Other Assets	199,662	301,611
Total Current Assets	17,232,677	13,239,440
Noncurrent Restricted Assets:		
Restricted Cash and Cash Equivalents	8,829,994	9,313,393
Restricted Investments	5,431,394	5,407,787
Restricted Loans Receivable, net	3,911,966	3,134,419
Total Noncurrent Restricted Assets	18,173,354	17,855,599
Capital Assets, net	862,448	987,613
Total Assets	36,268,479	32,082,652
Deferred Outflows of Resources	6,675,614	7,614,938
Total Assets and Deferred Outflows of Resources	$ 42,944,093	$ 39,697,590
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities:		
Accounts Payable	$ 499,203	$ 330,626
Accrued Expenses	52,226	80,666
Compensated Absences	218,866	201,050
Interest Payable	18,245	18,245
Deferred Revenue	15,324,116	13,515,179
Loan Payable, current	23,898	25,554
Total Current Liabilities	16,136,554	14,171,320
Noncurrent Liabilities:		
Compensated Absences	293,249	307,315
Security Deposits	69,125	69,124
Deferred Revenue	1,569,059	1,569,059
Relief Revolving Funds	400,000	400,000
Loan Payable	164,452	189,328
Net Pension Liability	31,769,521	29,608,557
Total Noncurrent Liabilities	34,265,406	32,143,383
Total Liabilities	50,401,960	46,314,703
Deferred Inflows of Resources	3,551,353	4,193,886
Total Liabilities and Deferred Inflows of Resources	$ 53,953,313	$ 50,508,589
NET POSITION		
Net Position:		
Net Investment in Capital Assets	$ 862,448	$ 987,613
Restricted Net Position	16,486,935	16,578,570
Unrestricted Net Position	(28,358,603)	(28,377,182)
Total Net Position	$ (11,009,220)	$ (10,810,999)

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Operating Revenues:		
Application and Processing Fees	$ 638,216	$ 498,150
Rental Income	860,499	908,921
Interest Income from Loans	119,315	76,003
Grant Revenue – Federal	988,130	67,743
Grant Revenue – Non-Federal	-	73,000
Fees and Fines	169,634	1,412
Other Operating Revenue	198,426	159,153
Total Operating Revenues	2,974,220	1,784,382
Operating Expenses:		
Personnel Costs	6,298,148	6,399,359
General and Administrative	810,665	922,657
Occupancy	322,211	315,850
Advertising	265,291	295,109
Professional Services	519,026	713,772
Travel	18,391	54,003
Grant Expenditures – Federal	902,021	67,743
Grant Expenditures – Non-Federal	-	73,000
Uncollectible Receivables	61,180	11,977
Total Operating Expenses	9,196,933	8,853,470
Operating Loss Before Depreciation	(6,222,713)	(7,069,088)
Depreciation	(257,022)	(231,531)
Operating Loss	(6,479,735)	(7,300,619)
Nonoperating Revenues (Expenses):		
Government Appropriations	5,804,407	4,742,283
Interest Income	44,358	67,796
Other Income	434,889	244,850
Interest Expenses and Finance Charges	(2,140)	(2,338)
Total Nonoperating Revenues	6,281,514	5,052,591
Changes in Net Position	(198,221)	(2,248,028)
Net Position, Beginning of the Year	(10,810,999)	(8,562,971)
Net Position, End of Year	$ (11,009,220)	$(10,810,999)

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash Flows from Operating Activities		
Cash Received from Application and Processing Fees	$ 541,578	$ 463,049
Cash Received from Tenants	736,152	926,285
Cash Received from Fees and Fines & Other Operating Income	368,060	574,188
Cash Received from Grant – Federal and Non-Federal	2,797,067	140,743
Cash Paid for Program Expenditure	(902,021)	(140,743)
Cash Paid for Goods and Services	(2,876,970)	(3,089,901)
Cash Paid to Employee for Services	(3,836,643)	(4,375,769)
Net Cash Provided by (Used in) Operating Activities	(3,172,777)	(5,502,148)
Cash Flows from Noncapital Financing Activities		
Cash Received from Primary Government	5,804,407	4,742,283
Other Income	434,889	184,598
Interest Expense and Finance Charges	-	(2,338)
Net Cash Provided by Noncapital Financing Activities	6,239,296	4,924,543
Cash Flows from Capital and Related Financing Activities		
Net Principal Payments	(26,532)	23,801
Acquisition of Property and Equipment	(131,857)	(49,129)
Net Cash (Used in) Capital and Related Financing Activities	(158,389)	(25,328)
Cash Flows from Investing Activities		
Interest Income	42,218	67,796
Loan Repayments	962,375	341,408
Loan Disbursements	(1,021,450)	(977,408)
Purchase of Investment Securities	(30,295)	(29,510)
Net Cash (Used in) Investing Activities	(47,152)	(597,714)
Net Increase (Decrease) in Cash and Cash Equivalents	2,860,978	(1,200,647)
Cash and Cash Equivalents, Beginning of Year	20,222,844	21,423,491
Cash and Cash Equivalents, End of Year	$ 23,083,822	$ 20,222,844
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating (Loss)	$ (6,479,735)	$ (7,300,619)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Depreciation	257,022	231,531
Bad Debt	59,076	11,977
Changes in Assets and Liabilities:		
Decrease (Increase) in Deferred Outflows of Resources	939,324	(3,220,547)
(Decrease) Increase in Net Pension Liability	2,160,964	4,842,586
Decrease (Increase) in Accounts Receivable	(744,121)	(837,172)
(Increase) Decrease in Prepaid Expenses	101,949	(174,287)
Decrease (Increase) in Loans Receivable	(777,547)	(596,006)
(Decrease) Increase in Accounts Payable and Accrued Expenses	140,137	(61,576)
(Decrease) Increase in Compensated Absences	3,750	84,718
(Decrease) Increase in Deferred Revenue	1,808,937	391,645
(Decrease) Increase in Security Deposit	-	3,332
(Increase) Decrease in Deferred Inflows of Resources	(642,533)	486,270
Net Cash (Used in) Provided by Operating Activities	$ (3,172,777)	$ (6,138,148)

The accompanying notes are an integral part of these consolidated 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 Economic Development Park Corporation (formerly known as the Industrial Development Park 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 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 Economic Development Park facilities. During fiscal year ended September 30, 2021, the Authority received appropriations totaling $5,804,407 from the Government of the Virgin Islands, which approximates 92% of its nonoperating revenue.

- ***Basis of Presentation:*** The Authority's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board. The Authority uses the economic resources measurement focus and follows the accrual basis of accounting whereby revenue is recorded when earned and expenses are recorded when incurred.

  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 year ended September 30, 2021, the Authority maintained twelve (12) accounting divisions and ten (10) major funds which constitute major transactions 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 certificates of deposits, 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 SBDA 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.

- **Economic Development Park Corporation (EDPC)** accounts for the activities conducted by the EDPC. The EDPC 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 EDPC accounts for rental and investment income, and administrative costs associated with its operation. The EDPC 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 $1,000,000 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.

- ***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 position.

- ***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 (Loan Losses):*** 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 amount 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 assets or materially extends the life of the assets 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

  The Authority evaluated its capital assets in accordance with GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries and determined that there was no impairment loss for the year ended September 30, 2021.

- ***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 liability for the balances exists 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's salary rates in effect at the statement of net position date.

- ***Use of Estimates:*** The preparation of financial statements in accordance 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.

NOTE 2 NATURAL DISASTERS – HURRICANES IRMA AND MARIA

On September 6 and 19, 2017, the United States Virgin Islands were struck by two Category five hurricanes. The extent and severity of the storms was unprecedented and resulted in catastrophic damage to the Territory.

The Authority suffered damages in the amount of $8,979,280. The Authority's assets are covered under the Government of the Virgin Islands Property Insurance Program. The insurance program covers substantially all the property of the Virgin Islands Government. The program provides coverage for all risks including windstorm, earthquake, and floods. The Virgin Islands Department of Property and Procurement manages all activity related to the Property Insurance Program. The Authority realized $-0- in insurance recoveries in fiscal year 2021.

On or about September 7 and 20, 2017, the President of the United States declared the United States Virgin Islands a disaster area and eligible for Federal Emergency Management Agency (FEMA) recovery assistance. The Authority requested financial assistance from FEMA to aid with storm related losses caused by the hurricanes, reimbursement of expenditures will be secured through Federal assistance and other contributions. As of September 30, 2021, the Authority recovered grants totaling $16,056,286.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30, 2021:

	Unrestricted	Restricted	Total
Cash and Cash Equivalents	$14,253,828	$8,829,994	$23,083,822

Custodial Risk is the risk that in the event of bank failure the Authority's deposits may not be returned to it. Cash consists of cash on handheld by depository institutions and trustees in the Authority's name. During the fiscal year, including the final date of the period, September 30, 2021, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in excess of this limit are $24,482,094 and are fully collateralized.

Restricted Cash and Cash Equivalents: The restricted cash and cash equivalents at September 30, 2021 consisted of the following:

Micro Credit Loan Program	$ 1,845,639
Farmers and Fishermen Loan Fund	283,411
Frederiksted Revolving Loan Fund	255,040
Performance Bonding Loan Fund	1,627,289
Intermediary Relending Loan Fund	111,367
SBDA Revolving Loan Fund	1,035,936
SBDA Administration Loan Fund I	119,496
SBDA Administration Loan Fund II	283,061
SSBCI Grant	2,768,755
TAP Grant	500,000
	$ 8,829,994

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 4 INVESTMENTS

The Authority categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other than observables inputs; Level 3 inputs are significant observable inputs. At September 30, 2021, the Authority's investments consisted of certificate of deposits which had a recurring fair value of $6,386,565 at year-end. The certificates of deposits are classified as Level 2 in the fair value hierarchy and are valued at amortized cost-plus accrued interest.

		Investment Maturities	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Certificates of Deposits	$ 5,431,393	$ 955,218	$6,386,611

NOTE 5 RESTRICTED NET POSITION FOR LOAN PROGRAMS AND OTHER FUNDS

The restricted net position at September 30, 2021, consists of the following:

Micro Credit Loan Program	$ 4,343,722
Farmers and Fishermen Loan Fund	315,166
Frederiksted Revolving Loan Fund	255,040
Performance Bonding Loan Fund	3,535,593
Intermediary Relending Loan Fund	(15,569)
SBDA Revolving Loan Fund	1,440,456
SBDA Administration Loan Fund I	166,829
SBDA Administration Loan Fund II	491,677
SSBCI Grant	5,454,021
TAP Grant	500,000
	$16,486,935

NOTE 6 LOANS RECEIVABLE

Restricted Loans receivable as of September 30, 2021 was as follows:

Loan Principal	$ 4,382,818
Less Allowance for Doubtful Accounts	(470,852)
Net Loans Receivable	$ 3,911,966

The loans bear interest rates ranging from 4% to 12%. The majority of the allowance for doubtful accounts is attributed to SBDA & GDB loans which were assumed by the Authority at its inception. The Authority recorded $19,729 additional allowance in fiscal year 2021.

NOTE 7 OTHER RECEIVABLE

The other receivables balance as of September 30, 2021:

	Other Receivables	Allowance	Other Receivables, net
SSBCI Receivable	$ 876,923	$ -	$ 876,923
Interest Receivable	2,359	-	2,359
GDB Receivable	16,035	-	16,035
EDC Fees & Charges	171,053	(100,730)	70,323
Rent Receivable	136,706	-	136,706
Grant Receivable-Board Up & Scrape and Paint Program	40	-	40
Tax Increment Financing Fund	30,015	(30,015)	-
Economic Development Management	753,404	(31,611)	721,793
Receivable - Taxi-Tour Bus	(210)	-	(210)
Total	$ 1,954,325	$ (162,356)	$ 1,823,969

Provision for uncollectible accounts was $162,355 in fiscal year 2021.

NOTE 8 CAPITAL ASSETS

Capital assets are composed of the following at September 30, 2021:

	Beginning Balance	Additions	Retirement	Ending Balance
Capital Assets				
Building and Building Improvements	$ 9,508,842	$ -	$ -	$ 9,508,842
Leasehold Improvements	867,890	-	-	867,890
Equipment	1,332,241	131,857	-	1,464,098
Furniture and Fixtures	513,973	-	-	513,973
Vehicles	469,145	-	-	469,145
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	12,712,676	131,857	-	12,844,533
Accumulated Depreciation				
Building and Building Improvements	(8,988,688)	(91,608)	-	(9,080,296)
Leasehold Improvements	(605,699)	(77,005)	-	(682,704)
Equipment	(1,181,081)	(59,806)	-	(1,240,887)
Furniture and Fixtures	(511,801)	(2,061)	-	(513,862)
Vehicles	(417,209)	(26,542)	-	(443,751)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(11,725,063)	(257,022)	-	(11,982,085)
Capital Assets, net	$ 987,613	$ (125,165)	$ -	$ 862,448

Depreciation expense for the year ended September 30, 2021 totaled $257,022.

NOTE 9 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, 2021, the outstanding loan balance was $188,350.

As of September 30, 2021, the outstanding loan balance is comprised of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 214,882	$ -	$ (26,534)	$ 188,350	$ 26,409

Future minimum payments to the U.S. Department of Agriculture are as follows:

2022	$ 26,409
2023	26,673
2024	26,940
2025	27,209
2026	27,482
Thereafter	55,510
Total	$ 190,223

NOTE 10 COMPENSATED ABSENCES

Compensated absences balance as of September 30, 2021 was $511,915 of which $218,866 is due within a year.

NOTE 11 LEASES

Lessor --- The Authority leases commercial properties it owns through the Economic 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, under a five-year lease term, from January 1, 2018 through December 31, 2022, for office and common area spaces with increases 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 leased land. The land is rented under a two-year term, from January 1, 2017 – December 31, 2019.

Rent expense for the year ending September 30, 2021 was $322,211. The aggregate lease commitment for the Authority is:

2022	$ 242,680
2023	19,905
2024	11,947
2025	-
2026	-
Total	$ 274,532

NOTE 12 DEFERRED REVENUE

Current Deferred Revenue: Out of $15,324,116 reflected in the financial statements $12,920,121 represents the amount not expended as of September 30, 2021, from the grant funds received in fiscal year 2012 from the United States Department of Treasury for the State Small Business Credit Initiative. $2,000,000 represents increased funding from the Government of the Virgin Islands for the construction of a state of the art, certified, clean kitchen facility on St. Croix and $403,995 which represents amounts not expended for the incubator grant and marketing supplemental allotments.

Noncurrent Deferred Revenue: In October 2009, the Virgin Islands Public Finance Authority (VIPFA) issued $87,000,000 in bonds of which $5,000,000 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 $939,405 represents advance funds received from VIPFA in fiscal year 2009. The deferred revenue will be relieved as additional loans are made in the future. The remaining amount relates to unexpended funds for the EZC grant programs and amounts related to energy efficient program which EDA administers on behalf the Virgin Islands energy office.

NOTE 13 FEDERAL GRANT EXPENDITURES

Federal grant expenditures for the year ended September 30, 2021, and reported on the Schedule of Expenditures of Federal Awards (SEFA) totaled $1,813,340. Included in this amount is $235,994 expended under Federal Emergency Management Agency (FEMA) grants. The grants were awarded to repair buildings affected by hurricanes Maria and Irma in 2017. The grants are administered by the Virgin Islands Disaster Recovery Office (VI DOR) and the Virgin Islands Territorial Emergency Management Agency (VITEMA) on behalf of the Authority and are recorded by VITEMA. Expenditures for these grants are not included in the Authority's financial statements.

NOTE 14 PAYCHECK PROTECTION PROGRAM

On March 20, 2020, the Authority's Economic Development Board (EDB) resolved to participate in the Small Business Paycheck Protection Program (PPP) as implemented by the Small Business Administration (SBA) through the CARES Act. The PPP was established under the Federal Coronavirus Aid, Relief, and Economic Security Act ("Cares Act"). EDB was approved as an SBA participating lender on or about April 20, 2020. Under the SBA guidelines the Authority utilized EDA funds from the Development Loan Program. Funds will be reimbursed by SBA with 1% interest to the Authority upon submission and approval of the PPP loan forgiveness. If the loan forgiveness is not approved by SBA, the borrower will be required to repay the funds loaned at a 1% interest for a period of up to 5 years. As of September 30, 2020, funds disbursed totaled $494,322. Loans funded under PPP are reported in Restricted Loan Receivable on the Statement of Net Position. The Authority received loan forgiveness in the amount of $492,197 as of September 30, 2021.

NOTE 15 PENSION PLAN

The Authority follows the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement establishes financial reporting standards for state and local governments for pensions.

Plan Description

The Authority's employees are members of the Employees' Retirement System of the Government of the U.S. Virgin Islands ("GERS"), cost sharing multiple employer defined benefit, public employee retirement system as defined by GASB 68. The system was established by the Government to provide retirement, death and disability benefits to its employees. All of the Authority's full-time regular employees are mandated to participate in the retirement plan administered by GERS.

The Authority's part-time employees who regularly work more than 50% of the normal work period, and full-time regular 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. Effective January 1, 2015, the Authority's required contribution was 20.5% of the member's annual salary. Prior to that date, the percentage was 17.5%. Effective January 1, 2017, member contributions were 11 and 11.5% for Tier I and Tier II employees. Prior to that, member contributions were 10 and 10.5% for Tier I and Tier II employees, respectively. Total amount of the Authority's covered payroll for the year ended September 30, 2021 was $2,264,666.

Plan descriptions, funding policies, and a schedule of employee required and paid contributions for the defined benefit plans are presented in the Virgin Islands Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2021. The CAFR also provides detailed historical trend information showing the progress in accumulating sufficient assets to pay benefits when due. In addition, GERS issues a publicly available report that includes financial statements and required supplementary information.

This report may be obtained from the Employees Retirement System of the Government of the Virgin Islands, GERS Complex, 3438 Kronprindsens Gade, St. Thomas, VI 00802.

NOTE 16 NET PENSION LIABILITY

Net Pension Liability

Effective July 1, 2014, the Entity 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 the Government Employees' Retirement System of the Virgin Islands (GERS), a cost sharing multiple-employer, defined benefit pension plan (the plan) established as of October1,1959 in accordance with 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 Entity, 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 was 23.5% of the member's annual salary.

Effective January 1, 2017, Tier I member contributions increased by 1% to 11% of annual salary for regular employees.

Effective January 1, 2017, Tier II member contributions increased by 1% to 11.5% of annual salary for regular employees.

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, 2020
Measurement Date:	September 30, 2020
Measurement Period:	October 1, 2019 – September 30, 2020

The Authority's proportionate share of employer contributions recognized by GERS was $517,748 for the Plan's fiscal year ended September 30, 2020.

Pension Liabilities and Expense and Deferred Outflows/Inflows of Resources

The actuarial calculated net pension liability is calculated for Economic Development Authority (EDA) and Economic Development Park Corporation (EDPC) separately. As of September 30, 2021, the actuarial calculated net pension liability for EDA's and EDPC's proportionate share of the net pension liability of the Plan was $29,459,010 and $2,310,511, respectively. The net pension liability of the Plan is measured as of September 30, 2020, 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, 2020. Actuarially determined proportionate share information from GERS was estimated by management based on an average five-year respective share of the Authority's contributions to the Plan relative to all contributions to the Plan.

At September 30, 2020, EDA's and EDPC's proportion was .5100% and .0400% percent respectively, which was a decrease of 0.0100% and 0.00% respectively from its proportion measured as of September 30, 2019.

For the year ended September 30, 2021, EDA and EDPC recognized $2,497,331 and $143,094 of pension expense respectively, inclusive of amortization of deferred outflows of pension related items.

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

	Deferred Outflows by Resources	**Deferred Inflows of Resources**
Change in assumptions	$5,718,169	$1,678,982
Difference between expected and actual experience	251,637	10,044
Net difference between projected and actual earnings on pension plan investments	-	35,038
Change in proportionate share	194,655	1,461,565
Contributions made subsequent to measurement date	471,382	-
	$6,635,843	$3,185,629

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

Year ending September 30,	
2021	$1,009,215
2022	$1,022,252
2023	$ 648,095
2024	$ 900,599
2025	$ 247,666
Thereafter	$ 522,712

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

	Deferred Outflows by Resources	**Deferred Inflows of Resources**
Change in assumptions	$ 448,484	$ 131,685
Difference between expected and actual experience	19,736	788
Net difference between projected and actual earnings on pension plan investments	-	2,748
Change in proportionate share	9,330	230,503
Contributions made subsequent to measurement date	32,192	-
	$ 509,742	$ 365,724

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

Year ending September 30,	
2021	$ 140,555
2022	$ 147,653
2023	$ 109,662
2024	$ 105,593
2025	$ 22,704
Thereafter	$ 22,704

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2020, is provided below, including any assumptions that differ from those used in the October 1, 2020 actuarial valuation. Refer to October 1, 2020 actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website.

Inflation Rate:	2.00%
Salary Increases:	3.25% including inflation
Actuarial Cost Method:	Entry Age Normal
Expected Rate of Return:	4.00%
Municipal Bond Yield:	2.21%
Discount Rate:	2.23%
Mortality Table:	RP-2014 Blue Collar

Investment Rate of Return

The expected rate of return 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, 2020 are summarized as follows:

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equity	9%	6.23%
International equity	60%	0.98%
Fixed income	10%	4.33%
Cash	12%	0.48%
Alternative	9%	10.23%

Discount Rate

The discount rate used to measure the total pension liability was 2.23% as of September 30, 2020 and 2.67% as of September 30, 2019. 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 4.0% 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 2.21% and 2.66% at September 30, 2020 and 2019, respectively.

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

The following presents EDA's and EDPC's allocation of its proportionate share of the net pension liability (NPL) for the plan, calculated using the discount rate, and what the allocation of 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.

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

1% Decrease Share of NPL @ 1.23%	Share of NPL @ 2.23%	1% Increase Share of NPL @ 3.23%
$33,179,172	$29,459,010	$25,603,973

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

1% Decrease Share of NPL @ 1.23%	Share of NPL @ 2.28%	1% Increase Share of NPL @ 3.23%
$2,680,719	$2,310,511	$2,008,155

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

NOTE 17 OTHER POSTEMPLOYMENT BENEFITS

The Government provides other postemployment benefits (OPEB) of healthcare, prescription, dental and life insurance coverage. The Authority participates in the Government's plan. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the V.I. Code as part of a multiple employer defined benefit OPEB plan, in which the Authority participates. All employees who retire from government service after attaining age fifty-five (55) with at least thirty (30) years of service, except for policemen and firemen who can retire with at least twenty (20) years of service, are eligible for these benefits.

The Authority has implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This standard requires the reporting and disclosure of costs and liabilities associated with postemployment benefits provided to retirees of the Authority.

Healthcare, prescription, and dental insurance is provided through negotiated contracts with private insurance companies. Participants in the plan may elect coverage for their spouses and dependent children. Participants are required to contribute 35% of medical, prescription, and dental premiums.

Employees covered by benefits terms. At September 30, 2021, the following employees were covered by the benefit terms:

Service and Disability retirees	7
Active employees	37
Deferred vested	1
Total	45

The contribution requirements of plan members and the Primary Government are legislated within the V.I. Code, and may be amended, by the Virgin Islands Legislature. As part of the code, the Primary Government is legally responsible to pay 100% of the cost of the benefits constituting a special funding situation under GASB Statement No. 75 for the Authority. For the years ended September 30, 2021 and 2020, the Authority recognized revenue and related expenses of $288,021 and $182,636, respectively, related to the on-behalf OPEB costs paid by the Primary Government. The plan is a pay-as-you-go plan, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75 and expenses are paid as they become due.

At September 30, 2021 and 2020, respectively, the Authority's proportionate share of the total OPEB liability was reduced by the OPEB support provided by the Primary Government. The amount recognized by the Authority for its proportionate share, the related Primary Government proportion and the total were as follows:

	2021	**2020**
The Authority's proportionate share of total OPEB liability	$ -	$ -
Primary Government's share of the total OPEB liability associated with the Authority	3,062,364	2,223,191
Total OPEB liability	$3,062,364	$2,223,191

At September 30, 2021 and 2020, the Primary Government's share of the deferred inflows of resources related to the Authority are as follows:

	2021	**2020**
Changes in Actuarial Assumptions or other input	$ 105,968	$ 143,892

The amounts of the Primary Government's balances of deferred inflows and outflows of resources related to the Authority will be recognized in OPEB expense as follows:

Year ended September 30	OPEB Expense Amount
2021	$ 94,062
2022	94,062
2023	94,062
2024	107,841
2025	126,011
Thereafter	140,861
Total	$656,899

Actuarial Assumptions

The postemployment benefit plan is an unfunded plan. An actuarial valuation was conducted of the amount required to fund the plan, involving assumptions about the probability of the occurrence of events in the future. Update procedures were used to roll forward the total OPEB liability to the measurement date. Actuarial assumptions used in the computation of the total OPEB liability are as follows:

Valuation date:	October 1, 2020
Measurement date:	October 1, 2021
Report date:	September 30, 2021
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Recognition Period of 6 Years

Salary increases:	Payroll Growth of 3.25% per year
Discount rate:	Beginning of Year Rate of 3.64% End of Year Rate of 3.58% S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2020
Healthcare cost trend rates:	Pre-Medicare Increases of 6.00% in 2019 to 4.50% in 2023 Medicare Increases of 5.00% in 2019 to 4.50% in 2023 Dental Increases of 5.25% in 2019 to 4.50% in 2023
Inflation:	2.25% Implicit Rate in Healthcare Trend Analysis
Retirees share of costs:	35% of Medical and Dental Premiums and Noncontributory Life Insurance Coverage.
Mortality:	RP-2014 Blue Collar Mortality Generational Table Adjusted 110% with Scale MP-2015 for Healthy Lives. For Disability Retirees, RP-2014 Disabled Mortality Generational Table Adjusted 125% with Scale MP-2015
Marital status:	Assumed 50% of Future Male Retirees and 25% of Future Female Retirees Cover Spouses in Retirement Husbands Assumed to be 3 Years Older Than Spouse Subsidized Coverage of Spouses and Dependents Ceases Upon Death.
Actuarial Experience Study:	The actuarial assumptions used in the October 1, 2021 valuation was based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2016.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB Liability if the discount rate was 1% less than and 1% greater than the discount rate that was used (3.58%) in measuring the total OPEB Liability for the year ended September 30, 2021.

	1% Decrease in Discount Rate (1.14%)	Current Single Discount Rate (2.14%)	1% Increase in Discount Rate (3.14%)
The Primary Government's share of the total OPEB liability associated with the Authority:	$ 3,728,412	$ 3,062,364	$ 2,545,371

The following schedule shows the impact of the total OPEB Liability if the discount rate was 1% less than and 1% greater than the discount rate that was used (3.58%) in measuring the total OPEB Liability for the year ended September 30, 2020.

	1% Decrease in Discount Rate (2.58%)	Current Single Discount Rate (3.58%)	1% Increase in Discount Rate (4.58%)
The Primary Government's share of the total OPEB liability associated with the Authority:	$ 2,642,628	$ 2,223,191	$ 1,889,929

Healthcare trend Sensitivity Analysis

The following schedule shows the impact of the total OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 7.0% rate used for the year ended September 30, 2021.

	1% Decrease in Healthcare Trend Rate (6.0%)	Current Single Healthcare Trend Rate (7.0%)	1% Increase in Healthcare Trend Rate (8.0%)
The Primary Government's share of the total OPEB liability associated with the Authority:	$ 2,458,477	$ 3,062,364	$ 3,881,652

The following schedule shows the impact of the total OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 7.0% rate used for the year ended September 30, 2020.

	1% Decrease in Healthcare Trend Rate (6.0%)	Current Single Healthcare Trend Rate (7.0%)	1% Increase in Healthcare Trend Rate (8.0%)
The Primary Government's share of the total OPEB liability associated with the Authority:	$ 2,642,628	$ 2,223,191	$ 1,889,929

NOTE 18 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority has various outstanding commitments at September 30, 2021, 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 19 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 20 RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The pandemic spread globally and adversely affected economic conditions throughout the world. As of the date of this report the pandemic is not officially over, however, management believes that any future financial impact is not significant. The Authority continues to monitor any changes related to this matter.

NOTE 21 INSURANCE RECOVERIES

Certain properties of the Authority sustained damage as a result of hurricanes Irma and Maria. The Authority's properties are insured under an umbrella policy owned by the Government of the U.S. Virgin Islands. The Authority has expended certain sums on repairs and expects to incur substantial costs in future periods. The allocated insurance recovery from the Government-wide insurance policy has not been received as of the date of this report.

NOTE 22 SUBSEQUENT EVENTS

The Authority's management has evaluated subsequent events through April 14, 2023, the date the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that exist at the balance sheet date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events that did not exist at the balance sheet date, but disclosures of such events, if any, are included in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

SCHEDULE OF THE AUTHORITY'S PRORPORTIONATE SHARE OF NET PENSION LIABILITIY

LAST 10 FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015
Proportion Share of the Net Pension Liability	0.5500%	0.5600%	0.5935%	0.5994%	0.5868%	0.6044%	0.05569%
Proportionate Share of the Net Pension Liability	$31,769,521	$29,762,028	$24,765,971	$26,256,361	$27,147,208	$24,609,495	$18,803,107
Covered-Employee Payroll	$ 2,264,666	$ 2,236,567	$ 2,402,395	$ 2,404,022	$ 2,130,222	$ 2,149,268	$ 2,106,050
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	1403%	1331%	1031%	1092%	1274%	1145%	892%
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	8.23%	9.16%	11.32%	16.18%	16.54%	19.58%	27.02%

**The 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 fiscal year.)*

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

LAST 10 FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	$2,055,618	$2,048,499	$1,647,137	$1,604,852	$1,450,324	$1,209,343	$1,056,524
Contributions in Relation to the Contractually Required Contribution	517,748	509,651	484,158	450,946	528,992	437,513	388,619
Annual Contribution Deficiency (Excess)	$1,537,870	$1,545,848	$1,162,979	$1,153,906	$ 921,332	$ 771,830	$ 677,905
Covered Employee Payroll	$2,264,666	$2,236,567	$2,402,395	$2,404,022	$2,130,222	$2,149,268	$2,106,050
Contributions as a Percentage of Covered Employee Payroll	22.86%	22.47%	20.15%	18.76%	24.83%	20.36%	18.45%

**The 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.*

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

SCHEDULE OF THE AUTHORITY'S PRORPORTIONATE SHARE OF OPEB LIABILITIY

LAST 10 FISCAL YEARS

Year Ended September 30,	Measurement Period Ended October 1,	Authority's Proportion of the Total OPEB Liability	Authority's Proportion of the Total OPEB Liability	Primary Government's Proportionate Share of the total OPEB Liability	Total OPEB Liability	Authority's Covered Employee Payroll	Total OPEB Liability as a Percentage of the Authority's Covered Employee Payroll
2021	2020	0.00%	$ -	$3,062,364	$3,062,364	$2,264,666	135.22%
2020	2019	0.00%	$ -	$2,223,191	$2,223,191	$2,236,567	99.40%
2019	2018	0.00%	$ -	$1,911,089	$1,911,089	$2,402,395	79.55%
2018	2017	0.00%	$ -	$1,841,060	$1,841,060	$2,404,022	76.58%
2017	2016	0.00%	$ -	$1,824,937	$1,824,937	$2,130,222	85.67%

**The 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 fiscal year.)*

REPORTS REQUIRED BY THE UNIFORM GUIDANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the 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, the financial statements of the Virgin Islands Economic Development Authority (the "Authority"), which comprise the statement of net position as of September 30, 2021, and the related statement of revenues, expenses and, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2021-001.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bert Smith & Co.

Washington, D.C.
April 14, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE AUDIT REQUIREMENTS

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

Report on Compliance for Each Major Federal Program

We have audited the Virgin Islands Economic Development Authority (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended September 30, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bert Smith & Co.

Washington, D.C.
April 14, 2023

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster	Federal Assistance Listing Number	Pass-Through Entity Identifying No.	Total Federal Expenditures
U.S. Department of Commerce			
Economic Adjustment Assistance - Revolving Loan Fund	11.307		$ 163,002
Economic Adjustment Assistance - Revolving Loan Fund	11.307		512,323
Economic Adjustment Assistance - VIEDA - 2040 Vision	11.307		305,305
Total U.S. Department of Commerce			**$ 980,630**
U.S. Department of Interior			
Economic, Social, and Political Development of the Territories	15.875	N/A	$ 165,955
Total U.S. Department of Interior			**$ 165,955**
U.S. Small Business Administration			
State Trade Export and Promotion Program (STEP)	59.061		$ 111,761
Total U.S. Small Business Administration			**$ 111,761**
Department of Housing and Urban Development			
Community Development Block Grant – DR	14.228		$ 319,000
Total Department of Housing and Urban Development			**$ 319,000**
Federal Emergency Management Agency			
Disaster Grants Public Assistance (Presidentially Declared Disaster)	97.036		$ 126,346
Hazard Mitigation Grant Program	97.039		109,648
Total Federal Emergency Management Agency			**$ 235,994**
Total Expenditures of Federal Awards			**$ 1,813,340**

The accompanying notes are an integral part of this schedule.

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Virgin Islands Economic Development Authority under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Virgin Islands Economic Development Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Virgin Islands Economic Development Authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 FEDERAL INDIRECT RATE

The Authority uses an approved cost allocation program for federal programs.

NOTE 4 DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)

After a presidentially declared disaster, the Federal Emergency Management Agency (FEMA) provides Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA 97.036) to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. FEMA expenditures are included in the Schedule when eligible expenditures are incurred, and the project worksheets (PWs) are approved. The Authority reported eligible expenditures on the Schedule in fiscal year 2021.

NOTE 5 NOTES RECEIVABLE OUTSTANDING

The Authority had the following note receivable balances outstanding at September 30, 2021:

Program Title	Federal CFDA Number	Amount Outstanding
Revolving Loan Fund	11.307	$312,438

NOTE 6 EDA RLF EXPENDITURE CALCULATION

The calculation of amount included as expenditures of federal funds for the EDA RLF grant funds is as follows:

	RLF 1	RLF 2
Balance of RLF principal outstanding on loans as of September 30, 2021	$103,823	$208,615
Cash and investments balance as of September 30, 2021	113,513	303,708
Administrative expenses paid out of the RLF income	-	-
	217,336	512,323
Federal Participation Rate	75%	100%
EDA RLF Expenditures of Federal Awards	$163,002	$512,323

NOTE 7 FEMA GRANT EXPENDITURES

The Authority received federal funding from the Federal Emergency Management Agency. The funding is being used for restoration of buildings destroyed during hurricanes Irma and Maria. The grants are administered by the Virgin Islands Disaster Recovery Office (VI DOR) and the Virgin Islands Territorial Emergency Management Agency (VITEMA) on behalf of the Authority and are recorded by VITEMA. Expenditures for these grants are not included in the Authority’s financial statements.

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material Weakness(es) identified?	No
• Significant Deficiency(ides) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material Weakness(es) identified?	No
• Significant Deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major federal programs.	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of Major Federal Programs:

Assistance Listing Number	Name of Federal Program
11.307	Economic Adjustment Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as a low-risk auditee?	No

Section II – Financial Statement Findings

2021-001 ***Noncompliance with Program Requirements***

The Economic Development Commission (EDC) Tax Incentive Program is administered by the Authority and represents a significant investment in the economic development of the U.S. Virgin Islands. EDC Beneficiaries receive tax incentives based on compliance with the general and special conditions of their certificates. A strong and effective internal control system, consistently enforced, is critical to the long-term success and sustainability of the program.

Finding and Recommendation: We acknowledge that the Authority has a documented policy that details monitoring requirements including monitoring timeframes, however, our review of a sample of Beneficiaries revealed instances of non-compliance with EDC certificates requirements. We recommend that the Authority adheres to their review policies and procedures. Continued diligence with respect to monitoring will ensure that beneficiaries are held accountable and required deficiencies corrected within a shorter timeframe.

Views of Responsible Officials: Management concurs with the finding.

Corrective Action Plan: The Authority continues to review its policies and procedures with a view to improving monitoring timeframes and ensuring that appropriate action is taken with respect to non-compliant beneficiaries. To meet the established goals of the compliance division, the Authority has contracted an independent consultant, and will be continuing to seek the services of additional consultants. Consultant(s) will perform audits and compliance reviews and provide recommendations to the Authority.

Implementation Date: Ongoing

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
(A Component Unit of the Virgin Islands Government)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

NONE

OTHER SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021
(With Comparative Total for 2020)

Assets and Deferred Outflows of Resources	EDB	EDC	EDM	EDPC	EZC	IRP	SSBCI	STEP	USE	Eliminations	2021	2020
Current Assets:												
Cash and Cash Equivalents	$ 55,377	$1,069,703	$ 3,466,044	$ 1,091,995	$2,132,788	$ (153)	$ 6,435,499	$ 2,575	$ -	$ -	$ 14,253,828	$10,909,451
Investments	-	-	955,218	-	-	-	-	-	-	-	955,218	948,530
Other Receivables, net	(13,427)	70,323	753,404	136,706	40	-	876,923	-	-	-	1,823,969	1,079,848
Due from Other Fund	2,577,345	2,565,088	822,239	1,304	-	-	-	21,797	-	5,987,773	-	-
Prepaid and Other Assets	-	-	186,481	13,181	-	-	-	-	-		199,662	301,611
Total Current Assets	2,619,295	3,705,114	6,183,386	1,243,186	2,132,828	(153)	7,312,422	24,372	-	5,987,773	17,232,677	13,239,440
Noncurrent Restricted Assets:												
Restricted Cash and Cash Equivalents	5,047,314	-	-	500,000	-	111,367	2,768,755	-	402,558	-	8,829,994	9,313,393
Restricted Investments	2,746,128	-	-	-	-	-	2,685,266	-	-	-	5,431,394	5,407,787
Restricted Loans Receivables, net	3,029,279	-	24,971	-	-	153,662	475,000	-	229,054	-	3,911,966	3,134,419
Total Noncurrent Restricted Assets	10,822,721	-	24,971	500,000	-	265,029	5,929,021	-	631,612	-	18,173,354	17,855,599
Capital Assets, net	110,137	-	294,508	457,803	-	-	-	-	-	-	862,448	987,613
Total Assets	13,552,153	3,705,114	6,502,865	2,200,989	2,132,828	264,876	13,241,443	24,372	631,612	5,987,773	36,268,479	32,082,652
Deferred Outflows of Resources	-	-	6,164,461	511,153	-	-	-	-	-	-	6,675,614	7,614,938
Total Assets and Deferred Outflows of Resources	$13,552,153	$3,705,114	$ 12,667,326	$ 2,712,142	$2,132,828	$264,876	$13,241,443	$24,372	$631,612	$5,987,773	$ 42,944,093	$39,697,590

Liabilities and Deferred Inflows of Resources	EDB	EDC	EDM	EDPC	EZC	IRP	SSBCI	STEP	USE	Eliminations	2021	2020
Current Liabilities:												
Accounts Payable	$ 17,519	$ 47,500	$ 399,693	$ 32,438	$ -	$ 1,502	$ -	$ -	$ 551	$ -	$ 499,203	330,626
Accrued Expenses	-	-	48,603	3,623	-	-	-	-	-	-	52,226	80,666
Compensated Absences	-	-	206,727	12,139	-	-	-	-	-	-	218,866	201,050
Interest Payable	18,245	-	-	-	-	-	-	-	-	-	18,245	18,245
Due to Other Fund	458,973	10	5,090,884	420,163	-	-	17,743	-	-	5,987,773	-	-
Deferred Revenue	-	-	403,995	-	2,000,000	-	12,920,121	-	-	-	15,324,116	13,515,179
Loan Payable	-	-	-	-	-	23,898	-	-	-	-	23,898	25,554
Total Current Liabilities	494,737	47,510	6,149,902	468,363	2,000,000	25,400	12,937,864	-	551	5,987,773	16,136,554	14,171,320
Noncurrent Liabilities:												
Compensated Absences	-	-	284,453	8,796	-	-	-	-	-	-	293,249	307,315
Security Deposits	-	-	-	69,125	-	-	-	-	-	-	69,125	69,124
Deferred Revenue	939,405	-	-	509,075	112,436	-	-	8,143	-	-	1,569,059	1,569,059
Relief Revolving Funds	400,000	-	-	-	-	-	-	-	-	-	400,000	400,000
Loan Payable	-	-	-	-	-	164,452	-	-	-	-	164,452	189,328
Net Pension Liability	-	-	29,459,010	2,310,511	-	-	-	-	-	-	31,769,521	29,608,557
Total Noncurrent Liabilities	1,339,405	-	29,743,463	2,897,507	112,436	164,452	-	8,143	-	-	34,265,406	32,143,383
Total Liabilities	1,834,142	47,510	35,893,365	3,365,870	2,112,436	189,852	12,937,864	8,143	551	5,987,773	50,401,960	46,314,703
Deferred Inflows of Resources	-	-	3,185,629	365,724	-	-	-	-	-	-	3,551,353	4,193,886
Total Liabilities and Deferred Inflows of Resources	1,834,142	47,510	39,078,994	3,731,594	2,112,436	189,852	12,937,864	8,143	551	5,987,773	53,953,313	50,508,589
NET POSITION												
Net Investment in Capital Assets	110,137	-	294,508	457,803	-	-	-	-	-	-	862,448	987,613
Restricted Net Position	9,865,006	-	24,971	500,000	-	(15,569)	5,454,021	-	658,506	-	16,486,935	16,578,570
Unrestricted Net Position	1,742,867	3,657,606	(26,731,154)	(1,977,248)	20,391	90,594	(5,150,443)	16,229	(27,445)	-	(28,358,603)	(28,377,182)
Total Net Position	$11,718,010	$3,657,606	$(26,411,675)	$(1,019,445)	$ 20,391	$ 75,025	$ 303,578	$16,229	$631,061	$ -	$(11,009,220)	(10,810,999)

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Total for 2020)

	EDB	EDC	EDM	EDPC	EZC	IRP	SSBCI	STEP	USE	2021	2020
Operating Revenues											
Application and Processing Fees	$ -	$ 553,000	$ 85,216	$ -	$ -	$ -	$ -	$ -	$ -	$ 638,216	$ 498,150
Rental Income		-	-	860,499	-	-	-	-	-	860,499	908,921
Interest Income from Loans	114,257	-	1,990	-	-	3,068	-	-	-	119,315	76,003
Grant Revenue - Federal	-	-	624,305	86,109	277,716	-	-	-	-	988,130	67,743
Grant Revenue - Non-Federal	-	-	-	-	-	-	-	-	-	-	73,000
Fees and Fines	-	169,634	-	-	-	-	-	-	-	169,634	1,412
Bad Debt Recovery										-	12,500
Other Operating Revenue	47,913	-	-	70,957	-	5,100	-	-	74,456	198,426	146,653
Total Operating Revenues	162,170	722,634	711,511	1,017,565	277,716	8,168	-	-	74,456	2,974,220	1,784,382
Operating Expenses											
Personnel Costs	-	-	6,104,538	193,610	-	-	-	-	-	6,298,148	6,399,359
General and Administrative	516	500	555,430	240,572	13,333	-	72	-	242	810,665	922,657
Occupancy	-	-	279,662	42,549	-	-	-	-	-	322,211	315,850
Adverstising	-	-	261,501	3,790	-	-	-	-	-	265,291	295,109
Professional Services	-	-	503,917	15,109	-	-	-	-	-	519,026	713,772
Travel	-	-	18,211	180	-	-	-	-	-	18,391	54,003
Grant Expenditures - Federal	-	-	624,305	-	277,716	-	-	-	-	902,021	67,743
Grant Expenditures - Non-Federal	-	-	-	-	-	-	-	-	-	-	73,000
Uncollectible Receivables	31,611	-	-	2,675	-	-	-	-	26,894	61,180	11,977
Total Operating Expenses	32,127	500	8,347,564	498,485	291,049	-	72	-	27,136	9,196,933	8,853,470
Operating Loss before Depreciation	130,043	722,134	(7,636,053)	519,080	(13,333)	8,168	(72)	-	47,320	(6,222,713)	(7,069,088)
Depreciation	12,892	-	135,338	108,792	-	-	-	-	-	257,022	231,531
Operating Loss	117,151	722,134	(7,771,391)	410,288	(13,333)	8,168	(72)	-	47,320	(6,479,735)	(7,300,619)
NonOperating Revenues (Expenses)											
Government Appropriations	-	-	5,804,407	-	-	-	-	-	-	5,804,407	4,742,283
Interest Income	8,180	-	7,231	2,398	-	-	26,336	-	213	44,358	67,796
Other Income	4,353	(1,036,462)	1,447,065	-	-	3,852	-	-	16,081	434,889	244,850
Interest Expenses and Finance Charges	-	-		-	-	(2,140)	-	-	-	(2,140)	(2,338)
Total Nonoperating Revenues	12,533	(1,036,462)	7,258,703	2,398	-	1,712	26,336	-	16,294	6,281,514	5,052,591
Changes in Net Position	129,684	(314,328)	(512,688)	412,686	(13,333)	9,880	26,264	-	63,614	(198,221)	(2,248,028)
Beginning Net Position	11,588,326	3,971,934	(25,898,987)	(1,432,131)	33,724	65,145	277,314	16,229	567,447	(10,810,999)	(8,562,971)
Ending Net Position	$11,718,010	$ 3,657,606	$(26,411,675)	$(1,019,445)	$20,391	$75,025	$303,578	$16,229	$631,061	$ (11,009,220)	(10,810,999)