VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2012 AND 2011
Together With Independent Auditors' Report

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VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 And 2011

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BERTSMITH & Co.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Statements of Net Assets of the Virgin Islands Economic Development Authority (the Authority) as of and for the years ended September 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. The Virgin Islands Economic Development Authority is a discreetly presented component unit of the Government of the U.S. Virgin Islands. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Authority as of September 30, 2012 and 2011, and the respective changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to management's discussion and analysis and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Bert Smith & Co

Washington D.C.
April 15, 2013

I. INTRODUCTION

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

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

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

As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended September 30, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP"), and the Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government.

II. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Statement of Revenue, Expenses and Changes in Net Assets: All of the current year's revenue and expenses are accounted for in The Statement of Revenue, Expenses and Changes in Net Assets. 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 cost through appropriation and the services it provided.

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

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

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

III. FINANCIAL HIGHLIGHTS

2012

- The Authority's net assets were $16,776,124 in Fiscal Year 2012, which represents a decrease of $380,740 or 2% compared to Fiscal Year 2011.

- Total assets exceeded total liabilities by $16,776,124 in Fiscal Year 2012 compared to $17,156,864 in Fiscal Year 2011.

- Operating revenues for the Authority were $6,168,962 in Fiscal Year 2012, which reflects a decrease of $2,336,408 or 27% compared to Fiscal Year 2011.

- Operating expenses were $6,582,952 in Fiscal Year 2012, which reflects a decrease of $559,604 compared to Fiscal Year 2011.

- Appropriations totaling $4,686,135 received from the Government of the Virgin Islands in Fiscal Year 2012 were $75,712 or 2% higher than in Fiscal Year 2011. In addition, the Authority received $78,990 from the Virgin Islands Public Finance Authority pursuant to Act No. 7081 issued by the Legislature of the Virgin Islands.

IV. Condensed Financial Information

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

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

Current Assets

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

Noncurrent Assets

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

Capital Assets

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

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

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

Noncurrent Liabilities
Noncurrent liabilities decreased in Fiscal Year 2012 by $25,995 or 2% compared to Fiscal Year 2011 due to:

- An increase in compensated absences of $16,199 or 8% due to accrued leave earned by employees completing probation and employees who accrued vacation time, but have not used them by the end of the fiscal year.

- A decrease in the IRP loan principal balance of $24,983 or 6% as the Authority continues to make payments on its long term debt.

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

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

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

V. CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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

Revenues

Operating revenues decreased by $2,336,408 or 27% in Fiscal Year 2012 over the prior fiscal year due mainly to a $2,095,320 or 96% decrease in PFA revenues. However, Government appropriations increased by $75,712 or 2%. In addition, interest received from loans increased by $39,092 or 18% due to the aggressive steps taken by management to improve collections on outstanding loans. Rental income decreased by $83,322 or 17%, due mainly to an amendment of lease agreement by 50% on one of the tenants. There was also a decrease in application and processing fees of $96,881 or 16% due to a reduction in the number of loans approved and processed during the year. Penalties assessed on EDC beneficiaries totaling $21,450 was 79% less than in the previous year due to a reclassification in how penalties assessed on EDC beneficiaries are reported.

Operating Expenses

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

Non-operating Revenues and Expenses

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

VI. CAPITAL ASSETS

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

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

VII. FINANCIAL HIGHLIGHTS

2011

- The Authority's net assets were $17,156,864 in Fiscal Year 2011, which represents an increase of $1,380,366 or 9% compared to Fiscal Year 2010.

- Total assets exceeded total liabilities by $17,156,864 in Fiscal Year 2011 compared to $15,776,498 in Fiscal Year 2010.

- Operating revenues for the Authority were $8,505,370 in Fiscal Year 2011, which reflects an increase of $266,189 or 3% over Fiscal Year 2010.

- Operating expenses were $7,142,556 in Fiscal Year 2011, which reflects an increase of $35,664 over Fiscal Year 2010.

- Appropriations totaling $4,610,423 received from the Government of the Virgin Islands in Fiscal Year 2011 was $169,905 or 4% less than in Fiscal Year 2010.In addition, the Authority received.

- $2,174,310 from the Virgin Islands Public Finance Authority pursuant to Act No. 7081 issued by the Legislature of the Virgin Islands.

VIII. CONDENSED STATEMENTS OF NET ASSETS AS OF SEPTEMBER 30, 2011 AND 2010

	2011	2010	Variances
Current Assets	$ 5,112,042	$ 4,503,154	608,888
Noncurrent Assets	11,522,990	10,174,264	1,348,726
Capital Assets, net	2,915,699	3,302,096	(386,397)
Total Assets	19,550,731	17,979,514	1,571,217
Current Liabilities	727,272	600,443	126,829
Noncurrent Liabilities	1,666,595	1,602,573	64,022
Total Liabilities	2,393,867	2,203,016	190,851
Net Assets			
Invested in Capital Assets, net of related debt	2,882,725	3,222,832	(340,107)
Restricted	10,522,990	9,714,631	808,359
Unrestricted	3,751,149	2,839,035	912,114
Total Net Assets	$ 17,156,864	$ 15,776,498	1,380,366

Current Assets

Current assets increased by $608,888 or 14% in Fiscal Year 2011 compared to Fiscal Year 2010. The cumulative effect included the conversion of a certificate of deposit to cash thereby reducing investments by $107,909 or 37% which contributed to an increase in unrestricted cash of $187,720 or 6%. Accounts Receivables consist mainly of compliance, penalty and late reporting fees that were assessed on EDC beneficiaries and rent revenues generated from tenants located in the Industrial Park Corporation (IPDC). The total accounts receivables increased by $521,829 or 54% due to beneficiaries and tenants experiencing financial hardships in this economic hard time. There was an increase of $7,248 or 9% in prepaid and other assets during the year which was due to an advance payment made by the Authority to one of its vendor.

Noncurrent Assets

Noncurrent assets increased by $1,348,726 or 13% in Fiscal Year 2011 compared to Fiscal Year 2010. This was due partly to an increase of $614.745 or 18% in restricted cash for Performance Bonding and Loan Programs. Additionally, loans receivable increased by $1,274,355 or 36% which reflects the Authority's aggressive approach to promoting its various loan programs during tough economic times. Restricted investments decreased by $540,374 or 17% due to the conversion of certificates of deposit to cash that were set aside for loans and performance bonding

Capital Assets
Total capital assets decreased by $386,397 or 12% in Fiscal Year 2011, due to primarily the net effect of equipment and furniture purchased during the year and depreciation expenses of the Authority's vehicles, equipment and buildings.

Current Liabilities
The Authority's current liabilities increased in Fiscal Year 2011 by $126,829 or 21% compared to Fiscal Year 2010 due to the net effect of the following:

- An increase in accounts payable and accrued expenses of $119,028 or 118%, and $96,915 or 43%, respectively, that represented various obligations, including contractual agreements that were incurred, but were not paid by the end of the fiscal year;
- A decrease of $74,338 or 40% in the current portion of compensated absences due to management enforcing its vacation policy;
- A decrease of $214 or 1% in interest payable as principal balances on outstanding long term debts were reduced; and
- A decrease in current long-term debt of $14,562 or 21% due to principal payments made on outstanding debts.

Noncurrent Liabilities
Noncurrent liabilities increased in Fiscal Year 2011 by $64,022 or 4% compared to Fiscal Year 2010, as a result of the following:

- An increase of $104,590 or 110% in compensated absences resulting from leave accruals for employees who completed their probationary period during this fiscal year plus the incremental increase in accrued leave value as a result of salary increases for unionized employees.

- A decrease of $55,112 or 12% in long term debt due to principal payments on the outstanding debts.

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

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

The Authority's total net assets increased by $1,380,366 or 8% in Fiscal Year 2011 compared to Fiscal Year 2010 due to revenues surpassing expenses.

IX. CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010	Variances
Operating Revenues	$ 8,505,370	$ 8,239,181	266,189
Operating Expenses	(7,142,556)	(7,106,892)	(35,664)
Operating Income	1,362,814	1,132,289	230,525
Nonoperating Revenues	17,552	56,787	(39,235)
Change in Net Assets	1,380,366	1,189,076	191,290
Net Assets, Beginning of the Year	15,776,498	14,587,422	1,189,076
Net Assets, End of the Year	$ 17,156,864	$ 15,776,498	1,380,366

Revenues

Operating revenues increased by $266,189 or 3% in Fiscal Year 2011 over the prior fiscal year was a result of increases in application and processing fees and interest income. These increases were due to the large number of loans processed and approved. Similarly, drawdowns received from Public Finance Authority (PFA) were increased as the demand for loans and performance bonding financing was at an all-time high. Government appropriations and rental income decreased by 4% and 8%, respectively, which was attributable to continuing adverse economic conditions.

Operating Expenses

Total operating expenses in the aggregate increased by $35,664 or .005% in Fiscal Year 2011. This included $138,497 in grant expenditures which was off-set by an equal amount in grant revenues. Depreciation increased by $4,512 due to acquisition of EDC enhancement modules that were capitalized during the fiscal year. The cost for professional services increased by $456,492 or 154% as a result of accelerated marketing initiatives intended to lure investors to the Territory. The $60,155 or 2% decrease in personnel service costs reduction was a result of two (2) employees resigning to take positions at another government department. Other expense decreases were in advertising expense by $43,510 or 26%; travel and per diem were curtailed by $85,134 or 36% and other administrative expenses by $143,374 or 14%. These decreases were as a result of the Authority instituting cost reduction measures, shifting its priorities, and making better use of limited resources.

Nonoperating Revenues and Expenses

Total net non-operating revenues decreased by $39,235 or 69% in Fiscal Year 2011. This included a $53,274 or 41% decrease in interest income due to the Authority converting certificate of deposits held as short-term investments to cash. There was also a decrease in interest expense and finance charges of $4,790 or 33% as the Authority continues to pay down its outstanding debts.

X. CAPITAL ASSETS

The Authority's capital assets as of September 30, 2011 and 2010 are $2,915,699 and $3,302,096 (net of accumulated depreciation). The capital assets addition during the fiscal year included equipment and furniture.

	2011	2010
Building & Building Improvements	$ 9,148,427	$ 9,148,427
Leasehold Improvements	428,431	428,431
Equipment	920,660	787,494
Furniture & Fixture	216,817	215,017
Vehicles	1,135,018	1,135,018
Leasehold Equipment	20,585	20,585
Total Costs	11,869,938	11,734,972
Less: Accumulated Depreciation	(8,954,239)	(8,432,876)
Net Capital Assets	$ 2,915,699	$ 3,302,096

PROGRAMS

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

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

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

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

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

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

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

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

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

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF NET ASSETS
AS OF SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 3,848,247	$ 3,362,593
Investments	352,088	181,861
Receivable, net	1,250,549	1,482,418
Prepaid and Other Assets	76,370	85,170
Total Current Assets	5,527,254	5,112,042
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,758,907	4,061,982
Restricted Investments	2,641,563	2,624,600
Restricted Loans Receivable, net	4,954,755	4,836,408
Total Noncurrent Assets	15,355,225	11,522,990
Capital Assets, net	2,422,132	2,915,699
Total Assets	$23,304,611	$19,550,731
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 261,208	$ 219,658
Accrued Expenses	156,202	321,397
Compensated Absences, current	115,352	110,553
Interest Payable	20,095	20,198
Deferred Revenue	4,310,883	-
Loan Payable, current	24,147	55,466
Total Current Liabilities	4,887,887	727,272
Noncurrent Liabilities:		
Compensated Absences	216,284	200,085
Security Deposits	31,737	34,404
Deferred Revenue	1,000,000	1,014,544
Loan Payable	392,579	417,562
Total Noncurrent Liabilities	1,640,600	1,666,595
Total Liabilities	6,528,487	2,393,867
Net Assets:		
Invested in Capital Assets, net of related debt	2,422,132	2,882,725
Restricted Net Assets	14,524,049	10,522,990
Unrestricted Net Assets	(170,057)	3,751,149
Total Net Assets	$16,776,124	$17,156,864

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Operating Revenues:		
Government Appropriation	$ 4,686,135	$ 4,610,423
Allocation of Bond Proceeds	78,990	2,174,310
Application and Processing Fees	524,071	620,952
Rental Income	409,214	492,536
Interest Income from Loans	261,195	222,103
Grant Revenue	129,251	138,497
Penalties	21,450	100,285
Other Operating Revenue	58,656	146,264
Total Operating Revenues	6,168,962	8,505,370
Operating Expenses:		
Personnel Costs	3,042,214	3,416,480
Occupancy	298,870	298,469
Advertising	85,798	124,859
Professional Services	579,265	752,207
Travel	169,677	148,540
Other Administrative Expenses	876,442	893,764
Program Cost	129,251	138,497
Bad Debt	864,491	848,377
Total Operating Expenses	6,046,008	6,621,193
Income From Operations Before Depreciation	122,954	1,884,177
Depreciation	536,944	521,363
Operating Income	(413,990)	1,362,814
Non-operating Revenues (Expenses):		
Interest Income	29,119	75,764
Scholarship Payments	-	(43,360)
Other Income (Expenses)	10,675	(5,319)
Interest Expenses and Finance Charges	(6,544)	(9,533)
Total Nonoperating Revenues (Expenses)	33,250	17,552
Change In Net Assets	(380,740)	1,380,366
Net Assets Beginning of Year	17,156,864	15,776,498
Net Assets End of Year	$16,776,124	$17,156,864

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Cash Received from Primary Government and Allocation of Bond Proceeds	$ 4,845,794	$ 6,784,733
Cash Received from Application and Processing	497,806	620,026
Cash Received from Tenants	339,637	337,247
Cash Received from Loan Repayments	724,771	512,549
Cash Received from Other Operating Income	340,659	170,768
Cash Received from Federal Government	4,434,060	138,497
Cash Paid for Grant Program	(129,251)	(138,497)
Cash Paid for Goods and Services	(2,125,000)	(2,009,357)
Cash Paid to Employee for Services	(3,021,216)	(3,386,228)
Loan Disbursements	(1,471,062)	(2,688,468)
Net Cash Provided by Operating Activities	4,436,198	341,270
Cash Flows from Noncapital Financing Activities		
Scholarship payments	-	(43,360)
Other Income	10,675	(5,319)
Interest Expense and Finance Charges	(6,544)	(9,533)
Net Cash Used in Noncapital Financing Activities	4,131	(58,212)
Cash Flows from Capital and Related Financing Activities		
Note Principal Payments	(56,302)	(69,674)
Acquisition of Property and Equipment	(43,377)	(134,966)
Net Cash Used in Capital and Related Financing Activities	(99,679)	(204,640)
Cash Flows from Investing Activities		
Interest Income	29,119	75,764
Net Purchase (Sale) of Investments	(187,190)	648,283
Net Cash Provided by (Used in) Investing Activities	(158,071)	724,047
Net Increase in Cash and Cash Equivalents	4,182,579	802,465
Cash and Cash Equivalents, Beginning of Year	7,424,575	6,622,110
Cash and Cash Equivalents, End of Year	$ 11,607,154	$ 7,424,575
Reconciliation of Operating Income to Net Cash Used in Operating Activities:		
Operating Income	$ (413,990)	$ 1,362,814
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation Expense	536,944	521,363
Bad Debt Expense	864,491	848,377
(Increase) in Accounts Receivable	(4,036)	(626,359)
Decrease (Increase) in Prepaid Expenses	8,800	(7,248)
(Increase) in Loans Receivable	(746,933)	(2,018,203)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(123,645)	215,944
Increase in Compensated Absences	20,998	30,252
Increase in Deferred Revenue	4,296,339	14,544
Decrease in Security Deposit	(2,667)	-
Decrease in Due to Other Funds	(103)	(214)
Net Cash Provided by Operating Activities	$ 4,436,198	$ 341,270

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Economic Dependency: The Authority's sustainability depends primarily on appropriations from the Government of the Virgin Islands. In addition, it earns income from application fees, processing fees, compliance fees, and rental income from its Industrial Park facilities. During fiscal years ended September 30, 2012 and 2011, the Authority received in appropriations totaling $4,686,135 and $4,610,423 from the Government of the Virgin Islands, together with $78,990 and $2,174,310 in transfers from the Virgin Islands Public Finance Authority pursuant to Act No. 7081; and $1,443,631 and 1,747,722 of revenue earned from its various revenue-generating sources respectively.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During fiscal years ended September 30, 2012 and 2011, the Authority maintained eleven (11) and nine (9) major funds, respectively, or activities which constitute a major transaction of the Authority:

The following is a summary of these funds:

- **Government Development Bank Fund (GDB)** accounts for the locally funded Micro Loan Program. This fund accounts for interest income from the operating account and certificate of deposit, local government appropriations, and administrative costs. The Authority's administration and processing of loan applications on behalf of the Virgin Islands Department of Agriculture and the Virgin Islands Energy Office also occur within this fund. Those transactions have however been excluded from the Authority's financial statements.

- **Economic Development Commission Fund (EDC)** accounts for application, activation and annual compliance fees. Local government appropriations are also accounted for in this account together with related administrative costs.

- **Small Business Development Agency (SBDA)** accounts for the Federal Economic Development Administration Loan Funds from the U.S. Department of Agriculture, Farmers and Fishermen local loans, Frederiksted Revolving Loan Fund and the SDBA Direct Loan Fund. Appropriations from the central government and administrative costs are also accounted for under this fund. The SBDA legislation does not allow interest earned from its loan portfolio to be used for administrative purposes. The interest income is restricted and is used for issuing new loans.

- **Industrial Park Development Corporation Fund (IPDC)** accounts for the activities conducted by the IPDC. The IPDC was established in March 1984 to acquire, operate, and improve industrial parks in order to provide suitable sites for the location of industries to the Virgin Islands. The IPDC accounts for rental and investment income, and administrative costs associated with its operation. The IPDC does not receive any appropriations from the local government.

- **Intermediary Relending Program (IRP)** accounts for loans that are funded by the United States Department of Agriculture Rural Development Program. The interest income earned from these loans is applied to the program's administrative costs.

- **Enterprise Zone Commission (EZC)** accounts for funds committed to the task of offering incentives to businesses that invest in severely economically depressed designated areas of St. Thomas and St. Croix. As a result, employment opportunities are provided to residents of the areas so designated.

- **Economic Development Authority (Authority)** accounts for loans that are funded through U.S. Department of Agriculture.

- **Tax Increment Financing (TIF)** this fund allows projects to be financed by pledging the increases in tax revenues that can be reasonably anticipated to be collected by the government once the financed project or activity is completed.

- **Economic Development Management (EDM)** this account was established to record all administrative costs associated with the day-to-day operations of the Authority.

- **State Small Business Credit Initiative (SSBCI)** this fund was established by the Small Business Jobs Act of 2010 by the Federal Government to Collateral Support Program, the Credit Guarantee Program and the Payment, Surety and Performance Bond Program.

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

Cash and Cash Equivalents: All cash and all highly liquid investments available for current use with an initial maturity of three months or less are considered to be cash or cash equivalents.

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Assets: Net assets are classified in the following three components:

... *Invested in capital assets, net of related debt* – These consist of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets.

... *Restricted net assets* – These result when constraints placed on net assets' use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

... *Unrestricted net assets* – These consist of nets assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often times can be designated to indicate that management does not consider them to be available for general operations; these designations can be removed or modified.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent 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 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30, 2012 and 2011:

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

	Unrestricted	Restricted	Total 2011
Cash and Cash Equivalents	$3,362,593	$4,061,982	$7,424,575

Custodial Risk

Custodial risk is the risk that in the event of bank failure the Authority's deposits may not be return to it. Cash consists of cash on hand held by depository institutions and trustees in the Authority's name. During the fiscal years, including the final date of the period, September 30, 2012 and 2011, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in excess of this limit are $14,995,392 and $11,443,902 respectively, and are fully collateralized.

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents at September 30, 2012 and 2011 consist of the following:

	2012	2011
Micro Credit Loan Program	$1,002,097	$1,444,859
Farmers and Fishermen Loan Fund	261,960	240,586
Frederiksted Revolving Loan Fund	261,363	260,647
Performance Bonding Loan Fund	1,404,059	1,388,833
Intermediary Relending Loan Fund	211,058	249,322
SBDA Revolving Loan Fund	411,697	342,266
SBDA Administration Loan Fund I	12,215	57,592
SBDA Administration Loan Fund II	115,053	77,836
SSBCI Grant	4,060,444	-
Historic Grant	18,961	-
Board Up Grant	-	41
	$7,758,907	$4,061,982

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

NOTE 3 INVESTMENTS

Investments at September 30, 2012 and 2011 were comprised of certificate of deposits totaling $2,993,651 and $2,806,461, respectively. Balances in excess of $250,000 maintained in depository institution are collateralized.

Investments as of September 30, 2012 and 2011 are as follows:

FY 2012

		Investment Maturities	
Investment Type	Fair Value	Less than 1year	1 - 5 years
Certificate of Deposits	$2,993,651	$ 2,824,826	$168,825

FY 2011

		Investment Maturities	
Investment Type	Fair Value	Less than 1year	1 - 5 years
Certificate of Deposits	$2,806,461	$ 2,806,461	-

NOTE 4 RESTRICTED NET ASSETS

The restricted net assets at September 30, 2012 and 2011 consist of the following:

	2012	2011
Micro Credit Loan Program	$ 2,091,722	$ 2,675,389
GDB Funds – Start Up	2,641,563	2,624,600
Farmers and Fishermen Loan Fund	308,883	305,506
Frederiksted Revolving Loan Fund	261,341	260,625
Performance Bonding Loan Fund	3,334,836	2,962,524
Intermediary Relending Loan Fund	353,101	445,297
SBDA Revolving Loan Fund	821,812	802,796
SBDA Administration Loan Fund I	212,024	197,893
SBDA Administration Loan Fund II	250,537	248,319
SSBCI Grant	4,229,269	-
Historic Walk Grant	18,961	-
Board Up Grant	-	41
	$ 14,524,049	$10,522,990

NOTE 5 LOANS RECEIVABLE

Loans receivable at as of September 30, 2012 and 2011 are as follows:

	2012	2011
Loan Principal	$ 12,655,441	$11,955,730
Allowance for Doubtful Accounts	(7,700,686)	(7,119,322)
Net Loans Receivable	$ 4,954,755	$ 4,836,408

The loans bear interest rates ranging from 4% to 12%. The allowance includes majority of the SBDA loans which were assumed by the Authority at its inception; the additional allowances recorded in Fiscal Year 2012 and 2011 were $628,586 and $743,848 respectively.

NOTE 6 RECEIVABLES

The receivable balances as of September 30, 2012.

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

Total provision for uncollectible accounts during Fiscal Year 2012 was $235,905.

NOTE 6 RECEIVABLES (Continued)

The receivable balances as of September 30, 2011.

	Receivables	Allowance	Receivables, net
Due from Vendor	$ 87,265	$ -	$ 87,265
Interest Receivable	6,276	-	6,276
Performance Bonding Receivable	925,993	-	925,993
Rent Receivable	374,188	(135,219)	238,969
EDC Fees & Charges	443,351	(249,451)	193,900
Tax Increment Financing Fund	30,015	-	30,015
Total	$ 1,867,088	$ (384,670)	$ 1,482,418

Total provision for uncollectible accounts during Fiscal Year 2011 was $104,529.

NOTE 7 CAPITAL ASSETS

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

	Beginning Balance	Additions	Retiremen t	2012 Ending Balance
Capital Assets				
Building and Building Improvements	$ 9,148,427	$ -	$ -	$ 9,148,427
Leasehold Improvements	428,431	-	-	428,431
Equipment	920,660	39,870	-	960,530
Furniture and Fixtures	216,817	3,509	-	220,326
Vehicles	1,135,018	-	(22,500)	1,112,518
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	11,869,938	43,379	(22,500)	11,890,81 7
Accumulated Depreciation				
Building and Building Improvements	(7,229,432)	(231,622)	-	(7,461,054)
Leasehold Improvements	(124,823)	(14,761)	-	(139,584)
Equipment	(699,693)	(73,980)	-	(773,673)
Furniture and Fixtures	(194,953)	(13,138)	-	(208,091)
Vehicles	(684,753)	(203,445)	22,500	(865,698)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(8,954,239)	(536,946)	22,500	(9,468,685)
Capital Assets, net	$ 2,915,699	$ (493,567)	$ -	$ 2,422,132

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

NOTE 7 CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	2011 Ending Balance
Capital Assets			
Building and Building Improvements	$ 9,148,427	$ -	$9,148,427
Leasehold Improvements	428,431	-	428,431
Equipment	787,494	133,166	920,660
494niture and Fixtures	215,017	1,800	216,817
Vehicles	1,135,018	-	1,135,018
Leasehold Equipment	20,585	-	20,585
Total Capital Assets	11,734,972	134,966	11,869,938
Accumulated Depreciation			
Building and Building Improvements	(6,996,662)	(232,770)	(7,229,432)
Leasehold Improvements	(110,062)	(14,761)	(124,823)
Equipment	(644,290)	(55,403)	(699,693)
Furniture and Fixtures	(181,321)	(13,632)	(194,953)
Vehicles	(479,956)	(204,797)	(684,753)
Leasehold Equipment	(20,585)	-	(20,585)
Total Accumulated Depreciation	(8,432,876)	(521,363)	(8,954,239)
Capital Assets, net	$ 3,302,096	$ (386,397)	$ 2,915,699

The related depreciation expense for the year ended September 30, 2011 totaled $521,363.

NOTE 8 LOANS PAYABLE

The Authority entered into an Intermediary Relending Program loan agreement (IRP) with the United States Department of Agriculture Rural Business Cooperative Services on April 21, 1998. This agreement requires the repayment of the approved loan principal of $670,530 to begin after three (3) years in twenty-seven (27) equal annual installments. An interest rate of 1% accrues on the outstanding balance. As of September 30, 2012 and 2011, the outstanding loan balance was $416,726 and $440,054 respectively.

The Industrial Park Development Corporation (IPDC) through the Virgin Islands Economic Development Authority issued a note in the amount of $350,000, on May 22, 2002, with an interest rate of 8% to Blak Corporation. The loan is to be repaid in 120 equal monthly installment of $4,246. At September 30, 2012 and 2011, the outstanding loan balance was $0 and $32,974 respectively.

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

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

NOTE 8 LOANS PAYABLE (Continued)

As of September 30, 2011, the debts are composed of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 463,439	$ -	$ (23,385)	$ 440,054	$ 22,492
Note Payable	79,263	-	(46,289)	32,974	32,974
	$ 542,702	$ -	$ (69,674)	$ 473,028	$ 55,466

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

2013	$ 24,147
2014	24,388
2015	24,632
2016	24,879
2017	25,127
2018 – 2022	129,457
2023 – 2027	136,060
2028 - 2029	28,036
Total	$ 416,726

NOTE 9 COMPENSATED ABSENCES

Compensated absences balance as of September 30, 2012 and 2011 were $331,636 and $310,638, of which $115,352 and $110,553, respectively are due within a year.

NOTE 10 LEASES

Lessor --- The Authority leased a total of 26 buses to tour bus operators on the island of St. Croix during the year. Out of the 26 buses 14 are operating the other 12 tour buses have technical problems and are not on the road. These leases are for two-year terms, with monthly payments dependent on revenues earned from the operation of the buses. The tour bus operators pay the Authority 20% of earned revenue in the months when less than four cruise ships dock at the Frederiksted Pier and 30% when more than four cruise ships dock. Revenue earned from the tour buses in FY 2012 and 2011 was $0 and $10,045, respectively.

The Authority also leases commercial properties it owns through the Industrial Park Development Corporation. The terms of the leases vary from one to five years, with monthly rent payments dependent on the amount of square footage occupied and the location of the property. Minimum non-cancelable lease payments to be received are as follows:

2013	$ 126,698
2014 - 2022	377,666
Total	$ 504,364

NOTE 10 LEASES (Continued)

Lessee --- The Authority leases office space on a month to month basis for $17,568 per month, however the Authority signed a lease agreement from January 1, 2013 through December 31, 2017 for office and common area spaces with increase in rent on the 2nd and 4th anniversaries equal to the percentage of the cost of living increase for the preceding year, base upon the Consumer Price Index (CPI-U) as published by the U.S Department of Labor Bureau of Labor Statistics. In addition, the Industrial Park buildings are located on parcels of lease land. The land is rented under a thirty (30) year term lease which expires May 2013. Two additional ten year option periods are available to the Industrial Park with the rental amounts based upon the Bureau of Labor Statistics' Consumer Price Index.

Rent expense for the years ending September 30, 2012 and 2011 were $298,870 and $298,469 respectively. The aggregate lease commitment for the Authority is as follows as of September 30, 2012:

2013	$ 95,141
2014	166,600
2015	166,600
2016	166,600
2017	166,600
Oct. 2017 - Dec. 2017	41,650
Total	$ 803,191

NOTE 11 DEFERRED REVENUE

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

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

NOTE 12 RETIREMENT PLAN

The Government Employees Retirement System of the Virgin Islands (GERS) is a cost sharing, multiple employer public employee retirement system, established by the Government of the Virgin Islands to provide retirement, death and disability benefits to its employees. The Authority's part-time employees who at the time of employment are under age 55 years with one year of government service are eligible to participate in the system. The Authority's required contribution was 17.5% of the member's annual salary. Member contributions were 8% of annual salary. The Authority's contribution to the retirement plan was $351,103, $386,303 and $439,444 for fiscal years 2012, 2011 and 2010, respectively. The financial report of the retirement system can be obtained from the Government Employees' Retirement System, 3438 Kronprindens Gade, Saint Thomas, Virgin Islands, 00802.

NOTE 13 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority has various outstanding commitments at September 30, 2012 and 2011 which includes outstanding loan commitments in the process of being approved by the Board of Directors which are not reflected on the statement of net assets.

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

NOTE 14 RISK MANAGEMENT

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

NOTE 15 SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through April 15, 2013, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

ASSETS	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	EDA	TIF	SSBCI	STEP	Off-Set	2012
Current Assets:													
Cash and Cash Equivalents	$ 1,645,132	$ 464,162	$ 1,291,136	$ 274,359	$ 61,787	$ -	$ -	$ -	$ 404	$ 85,097	$ 26,170	$ -	$ 3,848,247
Investments	-	-	-	-	183,263	-	-	-	-	168,825	-	-	352,088
Accounts Receivable, net	916,652	18,637	119,450	558	156,517	-	1,717	-	30,015	446	6,557	-	1,250,549
Due from Other Fund	66,045	8,224	-	-	-	-	-	-	-	-	-	(74,269)	-
Prepaid & Other Assets	41,847	20,178	-	7,073	7,272	-	-	-	-	-	-	-	76,370
Total Current Assets	2,669,676	511,201	1,410,586	281,990	408,839	-	1,717	-	30,419	254,368	32,727	(74,269)	5,527,254
Non-Current Assets													
Loan Receivable, net	4,020,401	-	-	457,018	-	142,044	-	335,292	-	-	-	-	4,954,755
Restricted Cash & Cash Equivalents	2,406,156	-	-	935,020	-	211,058	18,961	127,268	-	4,060,444	-	-	7,758,907
Restricted Investments	2,641,563	-	-	-	-	-	-	-	-	-	-	-	2,641,563
Total Non-Current Assets	9,068,120	-	-	1,392,038	-	353,102	18,961	462,560	-	4,060,444	-	-	15,355,225
Capital Assets, net	464,067	24,438	107,563	136,216	1,689,848	-	-	-	-	-	-	-	2,422,132
Total Assets	$ 12,201,863	$ 535,639	$ 1,518,149	$ 1,810,244	$2,098,687	$ 353,102	$ 20,678	$ 462,560	$ 30,419	$4,314,812	$ 32,727	$ (74,269)	$ 23,304,611
LIABILITIES													
Current Liabilities													
Accounts Payable	$ 89,926	$ 118,387	$ 154	$ 400	$ 14,577	$ -	$ -	$ 200	$ -	$ 22,347	$ 15,217	$ -	$ 261,208
Accrued Expenses	71,919	75,125	-	-	9,158	-	-	-	-	-	-	-	156,202
Compensated Absences - Current	3,913	-	50,119	30,661	13,015	-	17,644	-	-	-	-	-	115,352
Interest Payable	18,245	-	-	-	-	1,850	-	-	-	-	-	-	20,095
Due to Other Fund	-	-	700	-	65,569	-	-	-	8,000	-	-	(74,269)	-
Deferred Revenue	-	-	-	-	-	-	18,961	-	-	4,291,922	-	-	4,310,883
Long-Term Debt - Current	-	-	-	-	-	24,147	-	-	-	-	-	-	24,147
Total Current Liabilities	184,003	193,512	50,973	31,061	102,319	25,997	36,605	200	8,000	4,314,269	15,217	(74,269)	4,887,887
Non-Current Liabilities													
Compensated Absences	5,521	-	112,105	42,933	25,642	-	30,083	-	-	-	-	-	216,284
Deferred Revenue	1,000,000	-	-	-	-	-	-	-	-	-	-	-	1,000,000
Security Deposit	-	-	-	-	31,737	-	-	-	-	-	-	-	31,737
Long-Term Debt	-		-	-	-	392,579	-	-	-	-	-	-	392,579
Total Non-Current Liabilities	1,005,521	-	112,105	42,933	57,379	392,579	30,083	-	-	-	-	-	1,640,600
Total Liabilities	1,189,524	193,512	163,078	73,994	159,698	418,576	66,688	200	8,000	4,314,269	15,217	(74,269)	6,528,487
NET ASSETS													
Invested in Capital Assets, net of Debt	464,067	24,438	107,563	136,216	1,689,848	-	-	-	-	-	-	-	2,422,132
Restricted Net Assets	8,068,120	-	-	1,392,037	-	353,102	18,961	462,560	-	4,229,269	-	-	14,524,049
Unrestricted Net Assets	2,480,152	317,689	1,247,508	207,997	249,141	(418,576)	(64,971)	(200)	22,419	(4,228,726)	17,510	-	(170,057)
Total Net Assets	$ 11,012,339	$ 342,127	$ 1,355,071	$ 1,736,250	$1,938,989	$ (65,474)	$ (46,010)	$ 462,360	$ 22,419	$ 543	$ 17,510	$ -	$ 16,776,124

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	USE	TIF	SSBCI	STEP	2012
Operating Revenues												
Application and Processing Fees	$ 27,279	$ -	$ 494,947	$ 1,845	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 524,071
Interest from Loans	179,645	-	-	45,349	-	12,529	-	23,672	-	-	-	261,195
Rental Income	-	-	-	-	409,214	-	-	-	-	-	-	409,214
Grant Revenue	-	-	-	-	-	-	44,072	-	-	53,635	31,544	129,251
Government Appropriation	121,307	1,924,942	1,456,598	728,813	-	13,903	420,572	-	-	-	20,000	4,686,135
PFA Bonds	78,990	-	-	-	-	-	-	-	-	-	-	78,990
Penalties	-	-	21,450	-	-	-	-	-	-	-	-	21,450
Other Operating Income	36,182	-	-	-	21,218	1,256	-	-	-	-	-	58,656
Total Revenue	443,403	1,924,942	1,972,995	776,007	430,432	27,688	464,644	23,672	-	53,635	51,544	6,168,962
Operating Expenses												
Personnel Costs	308,830	-	1,332,942	673,533	311,216	13,903	399,300	-	-	-	2,490	3,042,214
Occupancy	21,690	238,594	-	-	38,586	-	-	-	-	-	-	298,870
Advertising	5,215	39,484	27,317	11,824	-	-	1,958	-	-	-	-	85,798
Professional Services	43,493	507,207	3,107	20,150	-	-	5,308	-	-	-	-	579,265
Travel and Per Diem	9,304	133,359	8,430	5,220	7,319	-	6,045	-	-	-	-	169,677
Other Administrative Expenses	55,183	658,934	27,028	34,608	91,920	-	7,660	1,109	-	-	-	876,442
Grant Expenditure	-	-	-	-	-	-	44,072	-	-	53,635	31,544	129,251
Bad Debt	528,118	-	100,715	23,151	135,190	77,317	-	-	-	-	-	864,491
Depreciation	236,980	1,087	38,898	15,302	244,455	-	222	-	-	-	-	536,944
Total Operating Expenses	1,208,813	1,578,665	1,538,437	783,788	828,686	91,220	464,565	1,109	-	53,635	34,034	6,582,952
Operating Income or (Loss)	(765,410)	346,277	434,558	(7,781)	(398,254)	(63,532)	79	22,563	-	0	17,510	(413,990)
Other Revenues/(Expenses)												
Interest Income	25,707	-	-	1,091	1,778	-	-	-	-	543	-	29,119
Other Income	-	1,575	-	-	-	-	-	9,100	-	-	-	10,675
Interest Expense & Finance Charges	-	-	-	-	(996)	(5,032)	-	(516)	-	-	-	(6,544)
Total Other Revenues/(Expenses)	25,707	1,575	-	1,091	782	(5,032)	-	8,584	-	543	-	33,250
Changes in Net Assets	(739,703)	347,852	434,558	(6,690)	(397,472)	(68,564)	79	31,147	-	543	17,510	(380,740)
Net Assets, Beginning of Year	11,752,042	(5,725)	920,513	1,742,940	2,336,461	3,090	(46,089)	431,213	22,419	-	-	17,156,864
Net Assets, End of Year	$ 11,012,339	$ 342,127	$ 1,355,071	$ 1,736,250	$ 1,938,989	$ (65,474)	$ (46,010)	$ 462,360	$ 22,419	$ 543	$ 17,510	16,776,124

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	EDA	TIF	Off-Set	2011
ASSETS											
Current Assets:											
Cash and Cash Equivalents	$ 1,953,075	$ 5,001	$ 973,738	$ 302,659	$ 127,716	$ -	$ -	$ -	$ 404	$ -	$ 3,362,593
Investments	-	-	-	-	181,861	-	-	-	-	-	181,861
Accounts Receivable, net	1,019,162	-	193,900	-	239,341	-	-	-	30,015	-	1,482,418
Due from Other Fund	71,639	-	1,225	144	75,792	-	-	-	-	(148,800)	-
Prepaid & Other Assets	66,405	-	6,847	4,778	7,140	-	-	-	-	-	85,170
Total Current Assets	3,110,281	5,001	1,175,710	307,581	631,850	-	-	-	30,419	(148,800)	5,112,042
Non-Current Assets:											
Loan Receivable, net	3,804,220	-	-	525,428	-	195,975	-	310,785	-	-	4,836,408
Restricted Cash & Cash Equivalents	2,833,692	-	-	843,499	-	249,322	41	135,428	-	-	4,061,982
Restricted Investments	2,624,600	-	-	-	-	-	-	-	-	-	2,624,600
Total Non-Current Assets	9,262,512	-	-	1,368,927	-	445,297	41	446,213	-	-	11,522,990
Capital Assets, net	695,135	-	146,461	140,119	1,933,762	-	222	-	-	-	2,915,699
Total Assets	13,067,928	5,001	1,322,171	1,816,627	2,565,612	445,297	263	446,213	30,419	(148,800)	19,550,731
LIABILITIES											
Current Liabilities:											
Accounts Payable	136,487	10,726	21,783	677	34,985	-	-	15,000	-	-	219,658
Accrued Expenses	78,516	-	214,448	11,680	9,644	200	6,909	-	-	-	321,397
Compensated Absences - Current	3,617	-	52,896	26,287	12,038	-	15,715	-	-	-	110,553
Interest Payable	18,245	-	-	-	-	1,953	-	-	-	-	20,198
Due to Other Fund	74,247	-	874	672	65,007	-	-	-	8,000	(148,800)	-
Loan Payable – Current	-	-	-	-	32,974	22,492	-	-	-	-	55,466
Total Current Liabilities	311,112	10,726	290,001	39,316	154,648	24,645	22,624	15,000	8,000	(148,800)	727,272
Non-Current Liabilities:											
Compensated Absences	4,774	-	111,657	34,371	25,555	-	23,728	-	-	-	200,085
Security Deposit	-	-	-	-	34,404	-	-	-	-	-	34,404
Deferred Revenue	1,000,000	-	-	-	14,544	-	-	-	-	-	1,014,544
Loan Payable	-	-	-	-	-	417,562	-	-	-	-	417,562
Total Non-Current Liabilities	1,004,774	-	111,657	34,371	74,503	417,562	23,728	-	-	-	1,666,595
Total Liabilities	1,315,886	10,726	401,658	73,687	229,151	442,207	46,352	15,000	8,000	(148,800)	2,393,867
NET ASSETS											
Invested in Capital Assets, net of Debt	695,135	-	146,461	140,119	1,900,788	-	222	-	-	-	2,882,725
Restricted Net Assets	8,262,512	-	-	1,368,927	-	445,297	41	446,213	-	-	10,522,990
Unrestricted Net Assets	2,794,395	(5,725)	774,052	233,894	435,673	(442,207)	(46,352)	(15,000)	22,419	-	3,751,149
Total Net Assets	$11,752,042	$ (5,725)	$ 920,513	$1,742,940	$2,336,461	$ 3,090	$(46,089)	$431,213	$ 22,419	$ -	$ 17,156,864

Legend:
GDB - Government Development Bank Fund
EDM - Economic Development Management
EDC - Economic Development Commission
SBDA - Small Business Development Agency
IPDC - Industrial Park Development Corporation
IRP - Intermediary Relending Program
EZC - Enterprise Zone Commission
EDA - Economic Development Authority
TIF - Tax Increment Financing

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	EDA	TIF	2011
Operating Revenues										
Government Appropriation	$ 537,469	$ 5,001	$2,257,047	$1,213,089	$ -	$ 12,389	$ 585,428	$ -	$ -	$ 4,610,423
Allocation of Bond Proceeds	2,174,310	-	-	-	-	-	-	-	-	2,174,310
Application and Processing Fees	119,947	-	495,625	5,180	-	-	-	200	-	620,952
Rental Income	-	-	-	-	492,536	-	-	-	-	492,536
Interest from Loans	122,877	-	-	46,572	-	25,224	-	27,430	-	222,103
Grant Revenue	-	-	-	-	-	-	138,497	-	-	138,497
Penalties	-	-	100,285	-	-	-	-	-	-	100,285
Other Operating Revenue	46,323	-	22,500	40	75,183	2,218	-	-	-	146,264
Total Revenues	3,000,926	5,001	2,875,457	1,264,881	567,719	39,831	723,925	27,630	-	8,505,370
Operating Expenses										
Personnel Costs	236,344	-	1,644,831	772,816	300,920	11,800	449,769	-	-	3,416,480
Occupancy	23,472	-	114,377	72,495	38,185	-	49,940	-	-	298,469
Advertising	3,923	-	113,207	7,339	-	-	390	-	-	124,859
Professional Services	188,294	-	494,158	46,274	521	-	9,246	-	13,714	752,207
Travel and Per Diem	49,501	4,419	69,795	16,202	4,505	-	4,118	-	-	148,540
Other Administrative Expenses	512,483	6,307	147,715	78,515	90,845	20	57,173	688	18	893,764
Grant Program Costs	-	-	-	-	-	-	138,497	-	-	138,497
Bad Debt	285,730	-	81,090	179,952	23,439	45,955	-	232,211	-	848,377
Depreciation	233,152	-	26,253	14,414	246,752	-	792	-	-	521,363
Total Operating Expenses	1,532,899	10,726	2,691,426	1,188,007	705,167	57,775	709,925	232,899	13,732	7,142,556
Operating Income (Loss)	1,468,027	(5,725)	184,031	76,874	(137,448)	(17,944)	14,000	(205,269)	(13,732)	1,362,814
Nonoperating Revenue (Expenses)										
Interest Income	70,611	-	-	2,041	3,112	-	-	-	-	75,764
Scholarships	-	-	(43,360)	-	-	-	-	-	-	(43,360)
Other Income (Expense)	-	-	(7,219)	-	-	-	-	1,900	-	(5,319)
Interest Expense & Finance Charges	-	-	-	-	(4,668)	(4,865)	-	-	-	(9,533)
Total Nonoperating Revenues (Expenses)	70,611	-	(50,579)	2,041	(1,556)	(4,865)	-	1,900	-	17,552
Change in Net Assets	1,538,638	(5,725)	133,452	78,915	(139,004)	(22,809)	14,000	(203,369)	(13,732)	1,380,366
Net Assets, Beginning of Year	10,213,404	-	787,061	1,664,025	2,475,465	25,899	(60,089)	634,582	36,151	15,776,498
Net Assets, End of Year	$11,752,042	$ (5,725)	$ 920,513	$1,742,940	$2,336,461	$ 3,090	$ (46,089)	$ 431,213	$22,419	$17,156,864