

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
*Together With Independent Auditor's Report*

**VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY**  
*(A Component Unit of the Virgin Islands Government)*  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**TABLE OF CONTENTS**

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Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
<b><i>Basic Consolidated Financial Statements</i></b>	
Consolidated Statement of Net Position.....	10
Consolidated Statement of Revenues, Expenses, and Changes in Net Position.....	11
Consolidated Statement of Cash Flows.....	12
Notes to the Basic Consolidated Financial Statements.....	13
<b><i>Supplementary Information</i></b>	
Consolidated Combining Schedule of Net Position.....	25
Consolidated Combining Schedule of Revenues, Expenses, and Changes in Net Position.....	26

## INDEPENDENT AUDITOR'S REPORT

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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, 2017 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, 2017, 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, 2017 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, 2016 consolidated financial statements, and our report dated, April 13, 2017, expressed an unmodified opinion thereon. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## *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 and the Schedule of Contributions on pages 27 and 28 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 consolidated financial statements. The other supplementary information listed in the accompanying table of contents on pages 31 and 32 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 consolidated financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated 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 consolidated 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 consolidated 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 March 27, 2018 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.

Best Smith & Co

St. Croix, U.S. Virgin Islands  
March 27, 2018



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

(UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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## **INTRODUCTION**

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

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

The Authority operates under one Governing Board ("Board"). The Authority's aim is to achieve maximum efficiency of operations 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 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 consolidated financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's consolidated 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 Governments.

## **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 and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The assets and liabilities are presented in order of liquidity. The resulting net position presented in these statements 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 provides.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

(UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

- **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 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 consolidated financial statements by fund is presented as supplementary schedules. These schedules separate the consolidated financial statements and operations for each of the Authority's major funds.

**2017 FINANCIAL HIGHLIGHTS**

- The Authority's net position (deficit) increased by \$1,522,884 or 46% compared to fiscal year 2016.
- The Authority's total assets and deferred outflow of resources increased by \$1,616,474 or 4% and total liabilities increased by \$2,623,074 or 7% compared to fiscal year 2016.
- The Authority's operating revenues decreased by \$78,697 or 4% and operating expenses increased by \$1,111,163 or 15% compared to fiscal year 2016.
- Government appropriations increased by \$655,163 or 14% compared to fiscal year 2016.

**Condensed Consolidated Statements of Net Position as of September 30, 2017 and 2016**

	2017	2016	Variance	% Variance
<b>Assets</b>				
Current Assets	\$ 11,276,290	\$ 5,961,209	\$ 5,315,081	89%
Noncurrent Assets	17,598,808	22,529,698	(4,930,890)	-22%
Capital Assets, net	1,480,227	1,599,152	(118,925)	-7%
<b>Total Assets</b>	<u>30,355,325</u>	<u>30,090,059</u>	<u>265,266</u>	<u>1%</u>
<b>Deferred Outflows of Resources</b>	<u>8,005,594</u>	<u>6,654,386</u>	<u>1,351,208</u>	<u>20%</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 38,360,919</u>	<u>\$ 36,744,445</u>	<u>\$ 1,616,474</u>	<u>4%</u>
<b>Liabilities</b>				
Current Liabilities	\$ 13,979,376	\$ 13,477,681	\$ 501,695	4%
Noncurrent Liabilities	28,611,714	26,490,335	2,121,379	8%
<b>Total Liabilities</b>	<u>42,591,090</u>	<u>39,968,016</u>	<u>2,623,074</u>	<u>7%</u>
<b>Deferred Inflows of Resources</b>	<u>630,725</u>	<u>114,441</u>	<u>516,284</u>	<u>451%</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>\$ 43,221,815</u>	<u>\$ 40,082,457</u>	<u>\$ 3,139,358</u>	<u>8%</u>
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 1,480,227	\$ 1,599,152	\$ (118,925)	-7%
Restricted	16,722,958	21,210,583	(4,487,625)	-21%
Unrestricted	(23,064,081)	(26,147,747)	3,083,666	-12%
<b>Total Net Position</b>	<u>\$ (4,860,896)</u>	<u>\$ (3,338,012)</u>	<u>\$ (1,522,884)</u>	<u>46%</u>



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(Continued)*

(UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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***Current Assets***

- Current assets increased by \$5,315,081 or 89% compared to last fiscal year. This total includes an increase in cash and cash equivalents of \$4,900,399 or 117% due to funds drawn from the State Small Business Credit Initiative (SSBCI) program to be used as collateral in support of business loans offered by local banks; accounts receivables also increased by \$587,253 or 94% due to the Authority not receiving its last one month of allotment by the end of the fiscal year, plus other amounts that include non-compliance fees and fines imposed on beneficiaries in the Economic Development Commission (EDC) program. There was also an increase in prepaid and other assets of \$7,268 or 13%. The total of these increases were offset by a decrease in investment of \$179,839 or 16% due to the liquidation of a certificate of deposit to fund urgent roof repairs at the Economic Development Park Corporation (EDPC) on St. Croix.

***Noncurrent Assets***

- Noncurrent assets decreased by \$4,930,890 or 22% compared to last fiscal year. This decrease was due mainly to a reduction in restricted cash and cash equivalents of \$4,274,955 or 33%. These funds were reclassified to provide the collateral support required to assist borrowers that qualified under the State Small Business Credit Initiative (SSBCI) program. There was a decrease in restricted investments of \$664,391 or 11% as borrowers in the SSBCI program continue to pay down their loans and to reduce the level of required collateral. The total decrease was offset by an increase in loan receivable, net of allowance for doubtful accounts, by \$8,456 or 0.25%. This was due to an increase in the dollar value and numbers of loans closed during the period.

***Capital Assets***

- Capital assets, net of accumulated depreciation, decreased by \$118,925 or 7% compared to last fiscal year. The overall reduction in capital assets is due to the net effect of capital additions totaling \$294,510 and the reduction of \$413,435 in capital asset values for the year due to depreciation.

***Current Liabilities***

- Current liabilities increased by \$501,695 or 4% compared to last fiscal year. Contributing to this was an increase of \$439,430 or 157% in accounts payable. This increase includes \$400,000 that represented the local match of a federal grant. These funds will be returned to the local government due to the Authority's inability to use the federal funds as intended. There was also an increase in accrued expenses of \$9,228 or 17% due to increases in payroll liability costs.

***Noncurrent Liabilities***

- Noncurrent liabilities increased by \$2,121,379 or 8% compared to last fiscal year. For this category, net liability pension increased by \$2,537,713 or 10% which represents the Authority's share of the Government Employees' Retirement System's (GERS) unfunded liability obligation for FY 2017 based on GASB 68, in addition to an increase in compensated absences of \$55,564



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

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

(UNAUDITED)

FOR THE YEAR ENDED SEPTEMBER 30, 2017

or 36% which was due mainly to the reclassification from the current to the non-current category. The amount for security deposits increased by \$16,274 or 52% due to additional tenants occupying rental space in the Economic Development Park Corporation (EDPC). In the loan payable account, the amount was reduced by \$27,577 or 9% due to the Authority paying its Intermediary Relending Program (IRP) annual installment debt payment ahead of time. The reduction of \$400,000 as Relief Revolving Matching Funds was due to removing the funds from the account which will be returned to the local government. These funds were to be used as a match for a federal grant that could not be utilized due to the intricate grant criteria. Deferred revenues in the amount of \$1,000,000 were reduced by \$60,595 or 6% to recognize the amount received from the sale of the tour buses.

**Net Position**

- Net position represents 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 \$1,522,884 or 46% compared to last year. This increase includes a reduction in restricted net position of \$ 4,487,625 or 21%, which resulted in a reduction in collateral for loans, reduced balances, or were already paid off. The release of collateralized funds increased the unrestricted net position by \$3,083,666 or 12%. Additionally, capital assets, net of related depreciation decreased by \$118,925 or 7%, and is the net effect of asset acquired, totaling \$294,510, and depreciation expense of \$413,435 for the year.

**Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2017 and 2016**

	2017	2016	Variance	% Variance
Operating Revenues	\$ 1,733,718	\$ 1,812,415	\$ (78,697)	-4%
Operating Expenses	(8,939,463)	(7,849,297)	(1,090,166)	14%
Operating Loss	(7,205,745)	(6,036,882)	(1,168,863)	19%
Net Non-operating Revenues	5,682,861	4,928,943	753,918	15%
Changes in Net Position	(1,522,884)	(1,107,939)	(414,945)	37%
Net Position, Beginning of Year	(3,338,012)	(2,230,073)	(1,107,939)	50%
Net Position, End of Year	\$ (4,860,896)	\$ (3,338,012)	\$ ( 1,522,884)	46%



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**(UNAUDITED)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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***Revenues***

- Operating revenues decreased by \$78,697 or 4% compared to last fiscal year. Included in this amount was an increase of \$74,841 or 13% in application and processing fees due to an increase in the number of applications for Economic Development Commission (EDC) benefits. The amount billed for penalties and fines increased by \$145,757 or 83% due to the increased number of EDC beneficiaries found in violation of their Certificates. Additionally, rental income increased by \$14,481 or 3% due to the improved occupancy at the Economic Development Park Commission (EDPC) and there was an increase in interest of \$2,454 or 2% due to the refinancing and/or modification of troubled loans making it easier for borrowers to make payments. However, grant revenue decreased by \$238,497 or 79% because the grant funds received to assist in the incubator operation were expended last year. Allocation bond proceeds decreased by \$55,430 or 91% due to a decline in the number of borrowers utilizing the bonding program.

***Operating Expenses***

- Operating expenses increased by \$1,111,163 or 15% compared to last fiscal year. This includes an increase of \$840,491 or 16% in personnel service costs due to the unfunded liability of Government Employees Retirement System (GERS) and the implementation GASB 68; an increase of \$71,803 or 10% in general and administrative costs because of the purchase of liability insurance to cover the industrial parks on both islands and the office building in Frederiksted that are owned by Economic Development Park Corporation (EDPC), and to cover the additional expenses for hurricane-related damages. Occupancy costs went up by \$6,501 or 2% based on the rental agreement with the Nisky Shopping Center for the office space in St. Thomas, and advertising costs increased by \$84,959 or 38% due to additional marketing activities undertaken by the Authority. The cost for professional services increased by \$346,662 or 61% as a result of contractual obligations for: an Economic Impact Study; a new online EDC application program; recruitment for a Chief Executive Officer; and the performance of various legal services.
- Additionally, travel expenses increased by \$31,550 or 50% to cover the costs for transportation and accommodations on St. Croix for board members and other staff personnel attending a three-day Board Retreat. However, grant expenditures decreased by \$238,497 or 79% due to the ending of the incubator grant funding, and bad debt expense decreased by \$32,306 or 21% as the Authority worked with delinquent borrowers through loan refinancing or restructuring to bring their loans current.

***Non-operating Revenues and Expenses***

- Non-operating revenues increased by \$753,918 or 15% compared to last year. The change was due mainly to an increase of \$655,163 or 14% in government allotments that were appropriated to fund an economic impact study and complement the marketing budget. Other income increased by \$98,714 or 151% due to EDC compliance fines received and approved by the Board to rehabilitate and rejuvenate buildings within the Enterprise Zones. On the other hand, interest expense and finance charges decreased by \$662 or 29% as a result of paying the annual installment on the (IRP) loan from the U.S. Department of Agriculture before its due date.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**(UNAUDITED)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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**CAPITAL ASSETS**

Total asset acquisition this year was \$294,510 compared to \$158,666 last year, an increase of 86%. The net effect of these additions in the capital asset account and this year's total depreciation expense of \$413,435 results in an overall decrease in capital assets of \$118,925 or 7% compared to last year.

	<u>2017</u>	<u>2016</u>
Building & Building Improvements	\$ 9,344,682	\$ 9,160,848
Leasehold Improvements	867,889	867,889
Equipment	1,239,937	1,190,689
Furniture & Fixture	370,393	370,393
Vehicles	418,625	357,197
Leasehold Equipment	20,585	20,585
Total Costs	12,262,111	11,967,601
Less: Accumulated Depreciation	(10,781,884)	(10,368,449)
Net Capital Assets	<u>\$ 1,480,227</u>	<u>\$ 1,599,152</u>

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for 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, 8000 Nisky Shopping Center, Suite 620, St. Thomas, VI 00802.

**VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY**  
*(A Component Unit of the Virgin Islands Government)*  
**CONSOLIDATED STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2017**  
*(With Comparative Totals for 2016)*

	<u>2017</u>	<u>2016</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 9,077,101	\$ 4,176,702
Investments	928,886	1,108,725
Other Receivables, net	1,208,910	621,657
Prepaid and Other Assets	61,393	54,125
Total Current Assets	<u>11,276,290</u>	<u>5,961,209</u>
<b>Noncurrent Restricted Assets:</b>		
Restricted Cash and Cash Equivalents	8,858,425	13,133,380
Restricted Investments	5,321,089	5,985,480
Restricted Loans Receivable, net	3,419,294	3,410,838
Total Noncurrent Restricted Assets	<u>17,598,808</u>	<u>22,529,698</u>
<b>Capital Assets, net</b>	<u>1,480,227</u>	<u>1,599,152</u>
<b>Total Assets</b>	<u>30,355,325</u>	<u>30,090,059</u>
<b>Deferred Outflows of Resources</b>	<u>8,005,594</u>	<u>6,654,386</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 38,360,919</u>	<u>\$ 36,744,445</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 718,558	\$ 279,128
Accrued Expenses	64,567	55,339
Compensated Absences	188,057	166,767
Interest Payable	20,116	19,670
Deferred Revenue	12,962,700	12,931,650
Loan Payable, current	25,378	25,127
Total Current Liabilities	<u>13,979,376</u>	<u>13,477,681</u>
<b>Noncurrent Liabilities:</b>		
Compensated Absences	211,231	155,667
Security Deposits	47,457	31,183
Deferred Revenue	939,405	1,000,000
Relief Revolving Funds	-	400,000
Loan Payable	266,413	293,990
Net Pension Liability	27,147,208	24,609,495
Total Noncurrent Liabilities	<u>28,611,714</u>	<u>26,490,335</u>
<b>Total Liabilities</b>	<u>42,591,090</u>	<u>39,968,016</u>
<b>Deferred Inflows of Resources</b>	<u>630,725</u>	<u>114,441</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>\$ 43,221,815</u>	<u>\$ 40,082,457</u>
<b>NET POSITION</b>		
<b>Net Position:</b>		
Net Investment in Capital Assets	\$ 1,480,227	\$ 1,599,152
Restricted Net Position	16,722,958	21,210,583
Unrestricted Net Position	(23,064,081)	(26,147,747)
<b>Total Net Position</b>	<u>\$ (4,860,896)</u>	<u>\$ (3,338,012)</u>

*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, 2017  
*(With Comparative Totals for 2016)*

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues:</b>		
Allocation of Bond Proceeds	\$ 5,165	\$ 60,595
Application and Processing Fees	655,308	580,467
Rental Income	440,130	425,649
Interest Income from Loans	143,631	141,177
Grant Revenue	63,180	301,677
Penalties	321,138	175,381
Other Operating Revenue	105,166	127,469
Total Operating Revenues	<u>1,733,718</u>	<u>1,812,415</u>
<b>Operating Expenses:</b>		
Personnel Costs	5,947,223	5,106,732
General and Administrative	785,623	713,820
Occupancy	289,156	282,655
Advertising	306,586	221,627
Professional Services	916,776	570,114
Travel	94,830	63,280
Grant Expenditures	63,180	301,677
Bad Debt	122,654	154,960
Total Operating Expenses	<u>8,526,028</u>	<u>7,414,865</u>
Operating Loss Before Depreciation	(6,792,310)	(5,602,450)
Depreciation	(413,435)	(434,432)
<b>Operating Loss</b>	<u>(7,205,745)</u>	<u>(6,036,882)</u>
<b>Nonoperating Revenues:</b>		
Government Appropriations	5,455,163	4,800,000
Interest Income	65,075	65,696
Other Income	164,207	65,493
Interest Expenses and Finance Charges	(1,584)	(2,246)
Total Nonoperating Revenues	<u>5,682,861</u>	<u>4,928,943</u>
<b>Changes in Net Position</b>	(1,522,884)	(1,107,939)
<b>Net Position, Beginning of the Year</b>	<u>(3,338,012)</u>	<u>(2,230,073)</u>
<b>Net Position, End of Year</b>	<u>\$ (4,860,896)</u>	<u>\$ (3,338,012)</u>

*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, 2017**  
*(With Comparative Totals for 2016)*

	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Allocation of Bond Proceeds	\$ -	\$ 65,925
Cash Received from Application and Processing Fees	504,122	470,452
Cash Received from Tenants	414,883	383,809
Cash Received from Loan Repayments	921,475	697,740
Cash Received from Other Operating Income	561,478	597,587
Cash Received from Federal Government	94,230	9,051,780
Cash Paid for Grant Programs	(63,180)	(301,677)
Cash Paid for Goods and Services	(1,934,861)	(2,362,940)
Cash Paid to Employees for Services	(4,197,126)	(3,614,911)
Loan Disbursements	(937,735)	(598,912)
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>(4,636,714)</u>	<u>4,388,853</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Cash Received from Primary Government	4,980,786	4,800,000
Other Income	99,198	78,922
Interest Expense and Finance Charges	(1,584)	(2,246)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>5,078,400</u>	<u>4,876,676</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Note Principal Payments	(27,326)	(24,158)
Acquisition of Property and Equipment	(294,510)	(158,666)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<u>(321,836)</u>	<u>(182,824)</u>
<b>Cash Flows from Investing Activities</b>		
Interest Income	61,364	71,897
Return of Relief Revolving Funds	(400,000)	-
Net Sale of Investments	844,230	(1,152,978)
<b>Net Cash Provided by (Used in) Investing Activities</b>	<u>505,594</u>	<u>(1,081,081)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	625,444	8,001,624
<b>Cash and Cash Equivalents, Beginning of Year</b>	17,310,082	9,308,458
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 17,935,526</u>	<u>\$ 17,310,082</u>
<b>Operating Loss</b>	\$ (7,205,745)	\$ (6,036,882)
<i>Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in)</i>		
<i>Operating Activities:</i>		
Depreciation Expense	413,435	434,432
Bad Debt Expense	122,654	154,960
Increase in Deferred Outflows of Resources	(1,351,208)	(4,398,702)
Increase in Net Pension Liability	2,537,713	5,806,388
(Increase) Decrease in Accounts Receivable	(165,304)	107,264
(Increase) in Prepaid Expenses	(7,268)	(7,733)
(Increase) in Loans Receivable	(8,457)	(1,401)
Increase (Decrease) in Accounts Payable and Accrued Expenses	448,658	(490,101)
Increase (Decrease) in Compensated Absences	76,854	(30,305)
(Decrease) Increase in Deferred Revenue	(31,050)	8,750,103
Increase (Decrease) in Security Deposit	16,274	(14,000)
Increase in Deferred Inflows of Resources	516,284	114,440
Increase in Interest Payable	446	390
<b>Net Cash (Used in) Provided by Operating Activities</b>	<u>\$ (4,636,714)</u>	<u>\$ 4,388,853</u>

*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)*

NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017

**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 Park Development 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 Park facilities. During fiscal year ended September 30, 2017, the Authority received appropriations totaling \$5,455,163 from the Government of the Virgin Islands, which approximates 96% 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, 2017, the Authority maintained twelve (12) accounting entities 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 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.
- **Economic Park Development Corporation (EPDC)** accounts for the activities conducted by the EPDC. The EPDC 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 EPDC accounts for rental and investment income, and administrative costs associated with its operation. The EPDC 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-Mid-sized 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 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 (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 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 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, 2017.



**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 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 2017.

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, 2017, the Authority has not received any Federal assistance or other contributions from FEMA.

**NOTE 3        CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following at September 30, 2017:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 9,077,101	\$8,858,425	\$17,935,526

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 hand held by depository institutions and trustees in the Authority's name. During the fiscal year, including the final date of the period, September 30, 2017, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash in excess of this limit are \$23,200,542 and are fully collateralized.



**NOTE 3 – CASH AND CASH EQUIVALENTS***(Continued)*

**Restricted Cash and Cash Equivalents:** The restricted cash and cash equivalents at September 30, 2017 consisted of the following:

Micro Credit Loan Program	\$ 1,710,456
Farmers and Fishermen Loan Fund	286,803
Frederiksted Revolving Loan Fund	270,733
Performance Bonding Loan Fund	1,373,754
Intermediary Relending Loan Fund	94,503
SBDA Revolving Loan Fund	776,402
SBDA Administration Loan Fund I	136,175
SBDA Administration Loan Fund II	244,672
SSBCI Grant	3,964,927
	<u>\$ 8,858,425</u>

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 observable inputs; Level 3 inputs are significant observable inputs. At September 30, 2017, the Authority's investments consisted of certificate of deposits which had a recurring fair value of \$6,249,975 at year-end. The certificate of deposits is classified as Level 2 in the fair value hierarchy and is valued at amortized cost plus accrued interest.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
Certificates of Deposits	<u>\$ 6,243,975</u>	<u>\$ 922,886</u>	<u>\$5,321,089</u>

**NOTE 5 RESTRICTED NET POSITION FOR LOAN PROGRAMS AND OTHER FUNDS**

The restricted net position at September 30, 2017, consists of the following:

Micro Credit Loan Program	\$ 4,942,364
Farmers and Fishermen Loan Fund	311,755
Frederiksted Revolving Loan Fund	270,733
Performance Bonding Loan Fund	2,654,387
Intermediary Relending Loan Fund	(97,288)
SBDA Revolving Loan Fund	1,459,549
SBDA Administration Loan Fund I	218,245
SBDA Administration Loan Fund II	378,618
SSBCI Grant	6,584,595
	<u>\$16,722,958</u>

**NOTE 6 LOANS RECEIVABLE**

Restricted Loans receivable as of September 30, 2017 was as follows:

Loan Principal	\$ 3,908,186
Allowance for Doubtful Accounts	(488,892)
Net Loans Receivable	<u>\$ 3,419,294</u>

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. No additional allowance was recorded in fiscal year 2017.

**NOTE 7 OTHER RECEIVABLES**

The other receivables balance as of September 30, 2017:

	<b>Other Receivables</b>	<b>Allowance</b>	<b>Other Receivables, net</b>
Interest Receivable	\$ 11,848	\$ -	\$ 11,848
Performance Bonding Receivable	412,646	-	412,646
GDB Receivable	22,035	-	22,035
EDC Fees & Charges	231,393	(7,500)	223,893
SBDA Receivable	1,785	-	1,785
Rent Receivable	75,046	(27,500)	47,546
Grant Receivable-Board Up & Scrape and Paint Program	40	-	40
EZC Compliance Receivable	10,979	-	10,979
Tax Increment Financing Fund	30,015	(30,015)	-
Economic Development Management	478,348	-	478,348
Receivable - Taxi-Tour Bus	(210)	-	(210)
Total	<u>\$ 1,273,925</u>	<u>\$ (65,015)</u>	<u>\$ 1,208,910</u>

Provision for uncollectible accounts was \$65,015 in fiscal year 2017.

**NOTE 8 CAPITAL ASSETS**

Capital assets are composed of the following at September 30, 2017:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirement</b>	<b>Ending Balance</b>
<b>Capital Assets</b>				
Building and Building Improvements	\$ 9,160,848	\$ 183,834	\$ -	\$ 9,344,682
Leasehold Improvements	867,889	-	-	867,889
Equipment	1,190,689	49,248	-	1,239,937
Furniture and Fixtures	370,393	-	-	370,393
Vehicles	357,197	61,428	-	418,625
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	<u>11,967,601</u>	<u>294,510</u>	<u>-</u>	<u>12,262,111</u>
<b>Accumulated Depreciation</b>				
Building and Building Improvements	(8,369,688)	(222,128)	-	(8,591,816)
Leasehold Improvements	(300,167)	(77,333)	-	(377,500)
Equipment	(1,179,367)	(72,928)	-	(1,252,295)
Furniture and Fixtures	(257,726)	(7,433)	-	(265,159)
Vehicles	(240,916)	(33,613)	-	(274,529)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	<u>(10,368,449)</u>	<u>(413,435)</u>	<u>-</u>	<u>(10,781,884)</u>
Capital Assets, net	<u>\$ 1,599,152</u>	<u>\$ (118,925)</u>	<u>\$ -</u>	<u>\$ 1,480,227</u>



**NOTE 8 – CAPITAL ASSETS***(Continued)*

Depreciation expense for the year ended September 30, 2017 totaled \$413,435.

During 2017, the Authority was impacted by Hurricanes Irma and Maria and certain assets sustained physical damage and other assets require considerable effort to restore their service utility. 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*. The Authority did not recognize any impairment loss for the year ended September 30, 2017.

**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, 2017, the outstanding loan balance was \$291,791.

As of September 30, 2016, the outstanding loan balance is comprised of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan Payable	\$ 319,117	\$ -	\$ (27,326)	\$ 291,791	\$ 25,378

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

2018	\$ 25,378
2019	25,632
2020	25,889
2021	26,148
2022-2028	188,744
Total	<u>\$ 291,791</u>

**NOTE 10 COMPENSATED ABSENCES**

Compensated absences balance as of September 30, 2017 was \$399,288 of which \$188,057 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, 2013 through December 31, 2017, for office and common area spaces with increases in rent on the 2<sup>nd</sup> and 4<sup>th</sup> 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 thirty (30) year term lease which expired 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.



**NOTE 11 – LEASES***(Continued)*

Rent expense for the year ending September 30, 2017 was \$289,156. The aggregate lease commitment for the Authority is as follows as of September 30, 2017:

October – December 2017	\$ 41,650
Total	<u>\$ 41,650</u>

**NOTE 12 DEFERRED REVENUE**

**Current Deferred Revenue:** Out of \$12,962,700 reflected in the financial statements \$12,920,121 represents the amount not expended as of September 30, 2017 from the grant funds received in fiscal year 2012 from the United States Department of Treasury for the State Small Business Credit Initiative.

**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.

**NOTE 13 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, 2015, member contributions were 9 and 9.5% for Tier I and Tier II employees. Prior to that, member contributions were 8 and 8.5% for Tier I and Tier II employees respectively. Total amount of the Authority's covered payroll for the year ended September 30, 2017 was \$2,580,450.

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, 2017. 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 14      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 October 1, 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 20.5% 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. Member contributions will increase an additional 1% on January 1, 2018.



**NOTE 14 – NET PENSION LIABILITY***(Continued)*

Effective January 1, 2017, Tier II member contributions increased by 1% to 11.5% of annual salary for regular employees, and will increase an additional 1% on January 1, 2018.

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, 2016
Measurement Date:	September 30, 2016
Measurement Period:	October 1, 2015 – September 30, 2016

The Authority's proportionate share of employer contributions recognized by GERS was \$427,405 for the Plan's fiscal year ended September 30, 2016.

**Pension Liabilities and Expense and Deferred Outflows/Inflows of Resources**

As of September 30, 2017, the actuarial calculated net pension liability for the Authority's proportionate share of the net pension liability of the Plan was \$27,147,208. The net pension liability of the Plan is measured as of September 30, 2016, 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, 2016. Actuarially determined proportionate share information from GERS was estimated by management based on an average four-year respective share of the Authority's contributions to the Plan relative to all contributions to the Plan.

At September 30, 2016, the Authority's proportion was .5868 percent, which was a decrease of .0176 from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the Authority recognized \$528,993 of pension expense, inclusive of amortization of deferred outflows of pension related items. Following is a schedule of deferred outflows/inflows of resources allocated to the Authority in the computation of net pension liability:

	<b>Deferred Outflows by Resources</b>	<b>Deferred Inflows of Resources</b>
Change in assumptions	\$ 5,600,115	\$ -
Difference between expected and actual experience	854,114	-
Net difference between projected and actual earnings on pension plan investments	326,639	-
Change in proportionate share	695,733	630,725
Contributions made subsequent to measurement date	548,480	-
	<b>\$ 8,025,081</b>	<b>\$ 630,725</b>

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



**NOTE 14 – NET PENSION LIABILITY***(Continued)*

Year ending September 30,	
2017	1,698,853
2018	1,698,853
2019	1,336,632
2020	1,247,516
2021	432,011
Thereafter	432,011

**Actuarial Assumptions**

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2016, is provided below, including any assumptions that differ from those used in the October 1, 2016 actuarial valuation. Refer to October 1, 2016 actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website

Inflation Rate:	2.50%
Salary Increases:	3.25% including inflation
Actuarial Cost Method:	Entry Age Normal
Expected Rate of Return:	7.00%
Municipal Bond Yield:	3.06%
Discount Rate:	3.20%
Mortality Table:	RP-2014 Blue Collar

**Investment Rate of Return**

The long-term expected rate of return of 7.0% 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, 2016, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	29%	6.59%
International equity	12%	8.29%
Fixed income	27%	1.59%
Cash	2%	0.99%
Alternative	30%	5.50%

**Discount Rate**

The discount rate used to measure the total pension liability was 3.20% as of September 30, 2016 and 3.84% as of September 30, 2015. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.0% 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 3.06% and 3.71% at September 30, 2016 and 2015, respectively.



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

The following presents the Authority'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% (2.20%) lower or 1% (4.20%) higher than the current rate.

<b>1% Decrease Share of NPL @ 2.20%</b>	<b>Share of NPL @3.20%</b>	<b>1% Increase Share of NPL @4.20%</b>
\$31,728,951	\$27,147,208	\$23,357,018

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

**NOTE 15 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Authority has various outstanding commitments at September 30, 2017, 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 16 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 17 SUBSEQUENT EVENTS**

The Authority's management has evaluated subsequent events through March 27, 2018, 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.

The Authority is making significant progress towards restoring its facilities which were damaged by Hurricanes Irma and Maria in September 2017. The Authority is in the process of accumulating the associated costs and expenses with respect to remediation, clean-up, mitigation, and the restoration of services. The Authority has not reallocated budgeted funds in fiscal year 2018.

As indicated earlier, the Authority is insured under the Virgin Islands Property Insurance Program. The Authority continues to work closely with Federal agencies, such as the Federal Emergency Management Agency (FEMA), to maximize its recovery from all available sources, subject to any sublimits and retentions. The eventual amount and timing for receipt of such funds cannot be predicted at this time. The full impact of these hurricanes on the Authority remains unknown at this time and therefore, it is also not yet possible for the Authority to estimate the impact of hurricane-related losses on revenue collections or expenditures.



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## ***SUPPLEMENTARY INFORMATION***

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**VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY**  
**STATEMENT OF NET POSITION**  
**AS OF SEPTEMBER 30, 2017**  
*(With Comparative Totals for 2016)*

ASSETS	GOB	EDM	EDC	SBDA	EPDC	IRP	EZC	USE	TIF	SSBCI	STEP	INCUBATOR	Tour Bus	Eliminations	2017	2016
<b>Current Assets:</b>																
Cash and Cash Equivalents	\$ -	\$ 863,293	\$ 1,555,296	\$ 1,229	\$ 37,263	\$ -	\$ 122,147	\$ -	\$ 1	\$ 6,468,134	\$ 2,575	\$ 27,163	\$ -	\$ -	\$ 9,077,101	\$ 4,176,702
Investments	-	928,886	-	-	-	-	-	-	-	-	-	-	-	-	928,886	1,108,725
Receivable, net	437,020	482,232	223,893	1,785	47,546	-	11,019	-	-	5,625	-	-	-	-	1,208,510	621,657
Due from Other Fund	2,302,985	697,968	2,565,088	274,359	10	-	-	-	-	-	21,797	-	(210)	5,862,207	-	-
Prepaid & Other Assets	-	45,880	-	-	15,513	-	-	-	-	-	-	-	-	-	61,393	54,125
<b>Total Current Assets</b>	<b>2,740,005</b>	<b>3,018,259</b>	<b>4,344,277</b>	<b>277,373</b>	<b>100,332</b>	<b>-</b>	<b>133,166</b>	<b>-</b>	<b>1</b>	<b>6,473,759</b>	<b>24,372</b>	<b>27,163</b>	<b>(210)</b>	<b>5,862,207</b>	<b>11,276,290</b>	<b>5,961,209</b>
<b>Non-Current Restricted Assets:</b>																
Restricted Cash & Cash Equivalents	3,084,210	-	-	1,333,938	-	94,503	-	380,847	-	3,964,927	-	-	-	-	8,858,425	13,133,280
Restricted Investments	2,701,421	-	-	-	-	-	-	-	-	2,619,668	-	-	-	-	5,321,089	5,985,480
Restricted Loan Receivable, net	2,538,126	-	-	565,152	-	100,000	-	216,016	-	-	-	-	-	-	3,419,294	3,410,838
<b>Total Non-Current Restricted Assets</b>	<b>8,323,757</b>	<b>-</b>	<b>-</b>	<b>1,899,090</b>	<b>-</b>	<b>194,503</b>	<b>-</b>	<b>596,863</b>	<b>-</b>	<b>6,584,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,598,808</b>	<b>22,529,698</b>
<b>Capital Assets, net</b>	<b>10,131</b>	<b>616,846</b>	<b>-</b>	<b>90,978</b>	<b>762,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,480,227</b>	<b>1,599,152</b>
<b>Total Assets</b>	<b>11,073,893</b>	<b>3,635,105</b>	<b>4,344,277</b>	<b>2,267,441</b>	<b>862,604</b>	<b>194,503</b>	<b>133,166</b>	<b>596,863</b>	<b>1</b>	<b>13,058,354</b>	<b>24,372</b>	<b>27,163</b>	<b>(210)</b>	<b>5,862,207</b>	<b>30,355,325</b>	<b>30,050,059</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>7,376,737</b>	<b>-</b>	<b>-</b>	<b>628,857</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,005,594</b>	<b>6,654,386</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>11,073,893</b>	<b>11,011,842</b>	<b>4,344,277</b>	<b>2,267,441</b>	<b>1,491,461</b>	<b>194,503</b>	<b>133,166</b>	<b>596,863</b>	<b>1</b>	<b>13,058,354</b>	<b>24,372</b>	<b>27,163</b>	<b>(210)</b>	<b>5,862,207</b>	<b>38,360,919</b>	<b>36,744,445</b>
<b>LIABILITIES</b>																
<b>Current Liabilities</b>																
Accounts Payable	385	251,718	47,500	402,502	16,443	-	-	-	-	-	-	-	-	-	718,558	279,128
Accrued Expenses	-	61,157	-	-	3,410	-	-	-	-	-	-	-	-	-	64,567	55,339
Compensated Absences	-	172,125	-	-	15,932	-	-	-	-	-	-	-	-	-	188,057	166,767
Interest Payable	18,245	-	-	-	-	1,871	-	-	-	-	-	-	-	-	20,116	19,670
Due to Other Fund	-	5,089,590	10	1,190	295,891	-	-	-	7,596	17,743	-	444,808	5,379	5,862,207	-	-
Deferred Revenue	-	-	-	-	-	-	34,436	-	-	12,920,121	8,143	-	-	-	12,962,700	12,931,650
Long Payable	-	-	-	-	-	26,378	-	-	-	-	-	-	-	-	25,378	25,127
<b>Total Current Liabilities</b>	<b>18,640</b>	<b>5,574,580</b>	<b>47,510</b>	<b>403,692</b>	<b>331,676</b>	<b>27,249</b>	<b>34,436</b>	<b>-</b>	<b>7,596</b>	<b>12,937,864</b>	<b>8,143</b>	<b>444,808</b>	<b>5,379</b>	<b>5,862,207</b>	<b>13,979,376</b>	<b>13,477,651</b>
<b>Non-Current Liabilities</b>																
Compensated Absences	-	192,342	-	-	18,889	-	-	-	-	-	-	-	-	-	211,231	155,667
Security Deposits	-	-	-	-	47,457	-	-	-	-	-	-	-	-	-	47,457	31,183
Deferred Revenue	939,405	-	-	-	-	-	-	-	-	-	-	-	-	-	939,405	1,000,000
Relief Revolving Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400,000
Loan Payable	-	-	-	-	-	266,413	-	-	-	-	-	-	-	-	266,413	293,990
Net Pension Liability	-	24,963,452	-	-	2,183,756	-	-	-	-	-	-	-	-	-	27,147,208	24,809,456
<b>Total Non-Current Liabilities</b>	<b>939,405</b>	<b>25,155,794</b>	<b>-</b>	<b>-</b>	<b>2,250,102</b>	<b>266,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,611,714</b>	<b>26,490,335</b>
<b>Total Liabilities</b>	<b>958,045</b>	<b>30,730,384</b>	<b>47,510</b>	<b>403,692</b>	<b>2,581,778</b>	<b>293,662</b>	<b>34,436</b>	<b>-</b>	<b>7,596</b>	<b>12,937,864</b>	<b>8,143</b>	<b>444,808</b>	<b>5,379</b>	<b>5,862,207</b>	<b>42,591,090</b>	<b>39,968,016</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>519,612</b>	<b>-</b>	<b>-</b>	<b>111,113</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>630,725</b>	<b>114,441</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>958,045</b>	<b>31,249,996</b>	<b>47,510</b>	<b>403,692</b>	<b>2,692,891</b>	<b>293,662</b>	<b>34,436</b>	<b>-</b>	<b>7,596</b>	<b>12,937,864</b>	<b>8,143</b>	<b>444,808</b>	<b>5,379</b>	<b>5,862,207</b>	<b>43,221,815</b>	<b>40,082,457</b>
<b>NET POSITION</b>																
Net Investment in Capital Assets	10,131	616,846	-	90,978	762,272	-	-	-	-	-	-	-	-	-	1,480,227	1,599,152
Restricted Net Position	7,596,751	-	-	2,042,037	-	97,288	-	596,863	-	6,584,595	-	-	-	-	16,917,534	21,210,583
Unrestricted Net Position	2,508,966	(20,855,000)	4,296,767	(269,266)	(1,963,702)	(196,447)	98,730	-	(7,595)	(6,464,105)	16,229	(417,645)	(5,589)	-	(23,258,557)	(26,147,747)
<b>Total Net Position</b>	<b>\$ 10,115,848</b>	<b>\$ (20,238,154)</b>	<b>\$ 4,296,767</b>	<b>\$ 1,898,749</b>	<b>\$ (1,201,430)</b>	<b>\$ (99,159)</b>	<b>\$ 98,730</b>	<b>\$ 596,863</b>	<b>\$ (7,595)</b>	<b>\$ 120,490</b>	<b>\$ 16,229</b>	<b>\$ (417,645)</b>	<b>\$ (5,589)</b>	<b>\$ -</b>	<b>\$ (4,860,896)</b>	<b>\$ (3,338,012)</b>



VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITON  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(With Comparative Totals for 2016)

	GDB	EDM	EDC	S8DA	EPDC	IRP	EZC	USE	TIF	SSBCI	STEP	INCUBATOR	Tour Bus	2017	2016
<b>Operating Revenues</b>															
Allocation of Bond Proceeds	\$ 5,165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,165	\$ 60,595
Application and Processing Fees	-	10,808	644,500	-	-	-	-	-	-	-	-	-	-	655,308	580,467
Rental Income	-	-	-	-	440,530	-	-	-	-	-	-	(400)	-	440,130	425,649
Interest Income from Loans	109,635	-	-	25,475	-	-	-	8,521	-	-	-	-	-	143,631	141,177
Grant Revenue	-	-	-	-	-	-	22,000	-	-	41,180	-	-	-	63,180	301,677
Penalties	-	-	321,138	-	-	-	-	-	-	-	-	-	-	321,138	175,381
Other Operating Income	33,746	-	-	3,031	68,389	-	-	-	-	-	-	-	-	105,166	127,469
<b>Total Operating Revenues</b>	<b>148,546</b>	<b>10,808</b>	<b>965,638</b>	<b>28,506</b>	<b>508,919</b>	<b>-</b>	<b>22,000</b>	<b>8,521</b>	<b>-</b>	<b>41,180</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>1,733,718</b>	<b>1,812,415</b>
<b>Operating Expenses</b>															
Personnel Costs	-	5,503,900	-	-	443,323	-	-	-	-	-	-	-	-	5,947,223	5,106,732
General and Administrative	(11,536)	579,422	323	69	203,790	97	13,275	138	-	45	-	-	-	785,623	713,820
Occupancy	-	246,998	-	-	42,158	-	-	-	-	-	-	-	-	289,156	282,655
Advertising	-	306,586	-	-	-	-	-	-	-	-	-	-	-	306,586	221,627
Professional Services	-	914,349	-	-	2,427	-	-	-	-	-	-	-	-	916,776	570,114
Travel	-	91,779	-	-	3,051	-	-	-	-	-	-	-	-	94,830	63,280
Grant Expenditures	-	-	-	-	-	-	22,000	-	-	41,180	-	-	-	63,180	301,677
Bad Debt	-	-	16,565	-	34,363	15,236	-	56,490	-	-	-	-	-	122,654	154,960
<b>Total Operating Expenses</b>	<b>(11,536)</b>	<b>7,643,034</b>	<b>16,888</b>	<b>69</b>	<b>729,112</b>	<b>15,333</b>	<b>35,275</b>	<b>56,628</b>	<b>-</b>	<b>41,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,526,028</b>	<b>7,414,865</b>
<b>Operating Income (Loss) Before Depreciation</b>	<b>160,082</b>	<b>(7,632,226)</b>	<b>948,750</b>	<b>28,437</b>	<b>(220,193)</b>	<b>(15,333)</b>	<b>(13,275)</b>	<b>(48,107)</b>	<b>-</b>	<b>(45)</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>(6,792,310)</b>	<b>(5,602,451)</b>
<b>Depreciation</b>	<b>683</b>	<b>177,154</b>	<b>325</b>	<b>5,960</b>	<b>229,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>413,435</b>	<b>434,432</b>
<b>Operating Income (Loss)</b>	<b>159,399</b>	<b>(7,809,380)</b>	<b>948,425</b>	<b>22,477</b>	<b>(449,506)</b>	<b>(15,333)</b>	<b>(13,275)</b>	<b>(48,107)</b>	<b>-</b>	<b>(45)</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>(7,205,745)</b>	<b>(6,036,883)</b>
<b>Non-Operating Revenues (Expenses)</b>															
Government Appropriation	-	5,455,163	-	-	-	-	-	-	-	-	-	-	-	5,455,163	4,800,000
Interest Income	-	28,732	-	213	339	120	-	-	-	35,671	-	-	-	65,075	65,697
Other Income	-	12,024	-	8,460	-	-	111,959	31,764	-	-	-	-	-	164,207	65,493
Interest Expense & Finance Charges	-	-	-	-	-	(1,584)	-	-	-	-	-	-	-	(1,584)	(2,246)
<b>Total Non-Operating Revenues</b>	<b>-</b>	<b>5,495,919</b>	<b>-</b>	<b>8,673</b>	<b>339</b>	<b>(1,464)</b>	<b>111,959</b>	<b>31,764</b>	<b>-</b>	<b>35,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,682,861</b>	<b>4,928,944</b>
<b>Changes in Net Assets</b>	<b>159,399</b>	<b>(2,313,461)</b>	<b>948,425</b>	<b>31,150</b>	<b>(449,167)</b>	<b>(16,797)</b>	<b>98,684</b>	<b>(16,343)</b>	<b>-</b>	<b>35,626</b>	<b>-</b>	<b>(400)</b>	<b>-</b>	<b>(1,522,884)</b>	<b>(1,107,939)</b>
<b>Net Assets, Beginning of Year</b>	<b>9,956,449</b>	<b>(17,924,693)</b>	<b>3,348,342</b>	<b>1,832,599</b>	<b>(752,263)</b>	<b>(82,362)</b>	<b>46</b>	<b>613,206</b>	<b>(7,595)</b>	<b>84,864</b>	<b>16,229</b>	<b>(417,245)</b>	<b>(5,589)</b>	<b>(3,338,012)</b>	<b>(2,230,073)</b>
<b>Net Assets, End of Year</b>	<b>\$ 10,115,848</b>	<b>\$ (20,238,154)</b>	<b>\$ 4,296,767</b>	<b>\$ 1,863,749</b>	<b>\$ (1,201,430)</b>	<b>\$ (99,159)</b>	<b>\$ 98,730</b>	<b>\$ 596,863</b>	<b>\$ (7,595)</b>	<b>\$ 120,490</b>	<b>\$ 16,229</b>	<b>\$ (417,645)</b>	<b>\$ (5,589)</b>	<b>\$ (4,860,896)</b>	<b>\$ (3,338,012)</b>