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

## CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED SEPTEMBER 30, 2018
*Together With Independent Auditor's Report*

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

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

CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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# INDEPENDENT AUDITOR'S REPORT

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

## Report on the Financial Statements

We have audited the consolidated accompanying statement of net position of the Virgin Islands Economic Development Authority (the "Authority") and its wholly owned subsidiary Economic Development Park Corporation, a component unit of the Government of the U.S. Virgin Islands, as of and for the year ended September 30, 2018 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.

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## 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, 2018, 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, 2018 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, 2017 consolidated financial statements, and our report dated, March 27, 2018, expressed an unmodified opinion thereon. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2017, 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 9 and the Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions and Schedule of Proportionate Share of Net OPEB Liability on pages 28 through 30 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 October 28, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Bert Smith & Co.

St. Croix, U.S. Virgin Islands
October 28, 2019

## 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"), the Economic Development Park Corporation ("EDPC"), and the Enterprise Zone Commission ("EZC").

The Authority operates under one Governing Board ("Board") in order to achieve maximum efficiency of operation to avoid duplication of services, positions, and responsibilities; to reduce expenses of personnel, physical plant and operations; and to develop comprehensive programs for the economic development of the U.S. Virgin Islands. The Authority is funded primarily by allotments through the Office of Management and Budget via the Department of Finance based on an approved budget authorized by the Legislature of the Virgin Islands.

## ECONOMIC FACTORS 2018

The Authority's primary source of revenue is derived from allotments received from the Government of the Virgin Islands.

Two weeks before the start of Fiscal Year 2018, the U.S. Virgin Islands experienced two major category 5 hurricanes (Irma and Maria), two of the most powerful and destructive hurricanes in the Atlantic's recorded history. In the aftermath of storms, the Government of the Virgin Islands (GVI) faced the significant challenge of maintaining the Government's fiscal sustainability, while attempting to rebuild the Territory's infrastructure. To achieve this, the Office of Management and Budget reduced all Government and semi-autonomous agencies allotments, to include the Authority's, by 12.5% and eliminated all supplemental funding received in the prior fiscal year for the marketing of the Authority's tax-incentive and Incubator programs.

These reductions in revenues, coupled with an increase in spending to repair the Authority's buildings and surrounding infrastructure directly following the storms, contributed to the Authority's weakened financial position at the end of the fiscal year. Although these events had a negative impact on the Authority's net financial position in fiscal year 2018, management is optimistic that as hurricane recovery efforts progress, allotments should normalize, which in turn will improve the Authority's overall financial position in future years.

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, 2018. 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 Government.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The Consolidated Statement of Net Position: This statement includes all of the Authority's assets, deferred outflows of resources and deferred inflows of resources, and liabilities 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 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 consolidated financial statements provide additional information that is essential to the full understanding of the data provided in the financial statements.

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

## 2018 FINANCIAL HIGHLIGHTS

- The Authority's net position decreased by $3,207,000 or 65.98% compared to fiscal year 2017.

- The Authority's total assets and deferred outflow of resources decreased by $1,376,395 or 3.59%.

- Total liabilities and deferred inflows of resources increased by $1,830,605 or 4.24% compared to fiscal year 2017.

- The Authority's operating revenues increased by $261,891 or 15.11% and operating expenses increased by $1,301,181 or 15.26% compared to fiscal year 2017 principally due to losses with non-operating loans and receivables.

- Government appropriations decreased by $657,656 or 12.06% compared to fiscal year 2017.

## Condensed Consolidated Statements of Net Position as of September 30, 2018 and 2017

| | 2018 | 2017 | Variance | % Variance |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | $11,412,366 | $11,276,290 | $ 136,076 | 1.21% |
| Noncurrent Assets | 17,775,033 | 17,598,808 | 176,225 | 1.00% |
| Capital Assets, net | 1,242,328 | 1,480,227 | (237,899) | -16.07% |
| **Total Assets** | 30,429,727 | 30,355,325 | 74,402 | 0.25% |
| **Deferred Outflows of Resources** | 6,554,797 | 8,005,594 | 1,450,797 | -18.12% |
| **Total Assets and Deferred Outflows of Resources** | $36,984,524 | $38,360,919 | $ 1,376,395 | -3.59% |
| **Liabilities** | | | | |
| Current Liabilities | $14,589,169 | $13,979,376 | $ 609,793 | 4.36% |
| Noncurrent Liabilities | 28,113,554 | 28,611,714 | 498,160 | -1.74% |
| **Total Liabilities** | 42,702,723 | 42,591,090 | 111,633 | 0.26% |
| **Deferred Inflows of Resources** | 2,349,697 | 630,725 | 1,718,972 | 272.54% |
| **Total Liabilities and Deferred Inflows of Resources** | $45,052,420 | $43,221,815 | $ 1,830,605 | 4.24% |
| **Net Position** | | | | |
| Net Investment in Capital Assets | $ 1,242,328 | $ 1,480,227 | $ (237,899) | -16.07% |
| Restricted | 16,570,721 | 16,722,958 | (152,237) | -0.91% |
| Unrestricted | (25,880,945) | (23,064,081) | (2,816,864) | 12.21% |
| **Total Net Position** | $ (8,067,896) | $ (4,860,896) | $ (3,207,000) | 65.98% |

***Current Assets***

- Current assets increased by $136,076 or 1.21% compared to last fiscal year. This is primarily due to an increase in cash and cash equivalents of $777,438 or 8.56%, which resulted from the Authority receiving its last month allotment in the amount of $443,196 for Fiscal Year 2017 in the first quarter of Fiscal Year 2018 and the sale of vehicles in the amount of $14,481. There was also an increase in prepaid and other assets of $10,384 or 16.91% due to increases in the premium amounts for the Authority's vehicle and Directors and Officers liability insurances. The total of these increases was offset by a decrease in account receivables as the Authority increased the allowance for doubtful accounts by $412,646 for a non-performing loan and $117,936 for fees and fines imposed on beneficiaries in the Economic Development Commission program that are deemed uncollectible.

### *Noncurrent Restricted Assets*

- Noncurrent assets increased by $176,225 or 1% compared to last fiscal year. This was due mainly to an increase in restricted cash and cash equivalents of $729,100 or 8.23%. The cash increase was due in part to the number of borrowers that paid off their loans before the maturity date and the sale of properties used as collateral by borrowers that have defaulted on their loans. There was also an increase in restricted investments of $30,976 or 0.58%, which represents interest earned on long-term investments held at local banking institutions in the form of Certificate of Deposits.

- Restricted loan receivables, net allowance for doubtful accounts, decreased by $583,851 or 17.08%. This was due to both EDB borrowers and borrowers in the State Small Business Credit Initiative (SSBCI) program paying down their loan balances.

### *Capital Assets*

- Capital assets, net of accumulated depreciation, decreased by $237,899 or 16.07% compared to last fiscal year. The overall reduction in capital assets is due to the net effect of capital additions totaling $151,804 and the reduction of $389,704 in capital asset values for the year due to depreciation.

### *Current Liabilities*

- Current liabilities increased by $609,793 or 4.36% compared to last fiscal year. Contributing to this was an increase of $511,499 or 71.18% in accounts payable. This increase includes obligations for hurricane-related expenses and other vendor payments and payroll liabilities that were not paid by the end of the fiscal year. There was an increase in deferred revenues of $95,455 or 0.74% which also represents grant funding received and not expended by the end of the fiscal year.

### *Noncurrent Liabilities*

- Noncurrent liabilities decreased by $498,160 or 1.74% compared to last fiscal year. This decrease was due to the cumulative effect of:

  - A reduction in the net pension liability in the amount of $890,847 or 3.28%. This represents the Authority's share of the Government Employees' Retirement System (GERS) unfunded liability obligation for Fiscal Year 2018.
  - A reduction in compensated absences of $4,825 or 2.28% as management continues to enforce the Authority's compensated absence policy.
  - A reduction of $27,489 or 10.32% in long term debt that represents this year's payment of principal on a revolving loan.
  - An increase in security deposits of $25,001 or 52.68% for new tenants at the Economic Development Park Corporation.
  - An increase of $400,000 as the local match of a federal grant no longer required by Authority was reclassified.

***Net Position***

- Net position represents a 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 $3,207,000 or 65.98% compared to last year. This increase includes a reduction in the unrestricted net position as total expenses for the fiscal year exceeded total revenues by $2,816,864 or 12.21%. Additionally, capital assets, net of related depreciation decreased by $237,899 or 16.07%, and is the net effect of assets acquired, totaling $151,237, and depreciation expense of $389,702 for the fiscal year.

**Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2018 and 2017**

| | 2018 | 2017 | Variance | % Variance |
|---|---|---|---|---|
| **Operating Revenues** | $ 1,995,609 | $ 1,733,718 | $ 261,891 | 15.11% |
| **Operating Expenses** | (10,216,911) | (8,939,463) | 1,277,448 | 14.29% |
| **Operating Loss** | (8,221,302) | (7,205,745) | (1,015,557) | 14.09% |
| **Net Non-operating Revenues** | 5,014,302 | 5,682,861 | (668,559) | -11.76% |
| **Changes in Net Position** | (3,207,000) | (1,522,884) | (1,684,116) | 110.59% |
| **Net Position, Beginning of Year** | (4,860,896) | (3,338,012) | (1,522,884) | 45.62% |
| **Net Position, End of Year** | $ (8,067,896) | $ (4,860,896) | $ (3,207,000) | 65.98% |

***Operating Revenues***

- Operating revenues increased by $261,891 or 15.11% compared to last fiscal year. Included in this amount was an increase in rental income of $144,852 or 32.91% due to improved tenant occupancy at the Economic Development Park Corporation. There was also an increase of $37,019 or 25.77% in interest from loans due to the refinancing and/or modification of troubled loans making it easier for borrowers to make payments. Grant revenues increased by $22,102 or 34.98% due to the receipt of a Technical Assistance Program (TAP) grant from the Office of Insular Affairs. Other operating income also increased by $256,311 or 243.72% due to the sale of vehicles in the Authority's fleet, receipt of income from miscellaneous services and an increase in OPEB revenue. However, there was a decrease in application and processing fees as the number of applications received for EDB loans and EDC benefits declined.

### *Operating Expenses*

- Operating expenses increased by $1,277,448 or 14.29% compared to last fiscal year. This increase includes an increase of $255,717 or 4.3% in personnel services costs due to the filling of vacant positions and the retirement expense amount recorded for Fiscal Year 2018 as a result of changes in the net pension liability. General and administrative expenses increased by $390,980 or 49.77% as a result of hurricane-related expenses incurred to repair the St. Thomas Industrial Park and William D. Roebuck Industrial Park after the two (2) CAT5 hurricanes and an increase in OPEB expense. Additionally, grant expenditures increased by $22,102 or 34.98% and included expenses for a TAP Grant administered by the Enterprise Zone Commission. Loan losses and uncollectible receivables increased by $782,609 or 638.06% as the Authority is aggressively taking the necessary steps of removing from its portfolio those amounts deemed uncollectible in receivables for the EDC and EDB. Conversely, inter-island travel costs decreased by $25,271 or 26.65% due to the Authority using video conferencing to conduct its meetings, and professional services decreased by $139,927 or 15.26% due to the termination of a lead generation and marketing contract.

### *Non-operating Revenues and Expenses*

- Non-operating revenues decreased by $668,559 or 11.76% compared to last fiscal year. The change is due to a decrease of $657,656 or 12.06% in the government appropriations. In the prior fiscal year, the Authority received line-item appropriations to conduct an Economic Impact Analysis Study, as well as support marketing initiatives that promote the territory as a premier business destination. These appropriations were not received in FY 2018.

## CAPITAL ASSETS

Capital assets, net of accumulated depreciation, decreased by $237,899 or 16.07% compared to last fiscal year. The overall reduction in capital assets is due to the net effect of capital additions totaling $151,804 and the reduction of $389,704 in capital asset values for the year due to depreciation.

| | 2018 | 2017 |
|---|---|---|
| Building & Building Improvements | $ 9,355,407 | $ 9,344,682 |
| Leasehold Improvements | 867,890 | 867,889 |
| Equipment | 1,328,616 | 1,239,937 |
| Furniture & Fixture | 372,273 | 370,393 |
| Vehicles | 469,145 | 418,625 |
| Leasehold Equipment | 20,585 | 20,585 |
| Total Costs | 12,413,916 | 12,262,111 |
| Less: Accumulated Depreciation | (11,171,588) | (10,781,884) |
| Net Capital Assets | $ 1,242,328 | $ 1,480,227 |

## 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, 2018
*(With Comparative Totals for 2017)*

| | 2018 | 2017 |
|---|---|---|
| **ASSETS AND DEFERRED OUTFLOWS OF RESOURCES** | | |
| **Current Assets:** | | |
| Cash and Cash Equivalents | $ 9,854,539 | $ 9,077,101 |
| Investments | 935,389 | 928,886 |
| Other Receivables, net | 550,661 | 1,208,910 |
| Prepaid and Other Assets | 71,777 | 61,393 |
| Total Current Assets | 11,412,366 | 11,276,290 |
| **Noncurrent Restricted Assets:** | | |
| Restricted Cash and Cash Equivalents | 9,587,525 | 8,858,425 |
| Restricted Investments | 5,352,065 | 5,321,089 |
| Restricted Loans Receivable, net | 2,835,443 | 3,419,294 |
| Total Noncurrent Restricted Assets | 17,775,033 | 17,598,808 |
| **Capital Assets, net** | 1,242,328 | 1,480,227 |
| **Total Assets** | 30,429,727 | 30,355,325 |
| **Deferred Outflows of Resources** | 6,554,797 | 8,005,594 |
| **Total Assets and Deferred Outflows of Resources** | $ 36,984,524 | $ 38,360,919 |
| **LIABILITIES AND DEFERRED INFLOWS OF RESOURCES** | | |
| **Current Liabilities:** | | |
| Accounts Payable | $ 1,230,057 | $ 718,558 |
| Accrued Expenses | 63,300 | 64,567 |
| Compensated Absences | 190,884 | 188,057 |
| Interest Payable | 20,790 | 20,116 |
| Deferred Revenue | 13,058,155 | 12,962,700 |
| Loan Payable, current | 25,983 | 25,378 |
| Total Current Liabilities | 14,589,169 | 13,979,376 |
| **Noncurrent Liabilities:** | | |
| Compensated Absences | 206,406 | 211,231 |
| Security Deposits | 72,458 | 47,457 |
| Deferred Revenue | 939,405 | 939,405 |
| Relief Revolving Funds | 400,000 | - |
| Loan Payable | 238,924 | 266,413 |
| Net Pension Liability | 26,256,361 | 27,147,208 |
| Total Noncurrent Liabilities | 28,113,554 | 28,611,714 |
| **Total Liabilities** | 42,702,723 | 42,591,090 |
| **Deferred Inflows of Resources** | 2,349,697 | 630,725 |
| **Total Liabilities and Deferred Inflows of Resources** | $ 45,052,420 | $ 43,221,815 |
| **NET POSITION** | | |
| **Net Position:** | | |
| Net Investment in Capital Assets | $ 1,242,328 | $ 1,480,227 |
| Restricted Net Position | 16,570,721 | 16,722,958 |
| Unrestricted Net Position | (25,880,945) | (23,064,081) |
| **Total Net Position** | $ (8,067,896) | $ (4,860,896) |

*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, 2018
*(With Comparative Totals for 2017)*

| | 2018 | 2017 |
|---|---|---|
| **Operating Revenues:** | | |
| Allocation of Bond Proceeds | $ - | $ 5,165 |
| Application and Processing Fees | 490,650 | 655,308 |
| Rental Income | 584,982 | 440,130 |
| Interest Income from Loans | 180,650 | 143,631 |
| Grant Revenue | 85,282 | 63,180 |
| Fees and Fines | 292,568 | 321,138 |
| Other Operating Revenue | 361,477 | 105,166 |
| Total Operating Revenues | 1,995,609 | 1,733,718 |
| **Operating Expenses:** | | |
| Personnel Costs | 6,202,940 | 5,947,223 |
| General and Administrative | 1,176,603 | 785,623 |
| Occupancy | 288,148 | 289,156 |
| Advertising | 322,565 | 306,586 |
| Professional Services | 776,849 | 916,776 |
| Travel | 69,559 | 94,830 |
| Grant Expenditures | 85,282 | 63,180 |
| Loan Losses | 672,807 | 71,726 |
| Uncollectible Receivables | 232,456 | 50,928 |
| Total Operating Expenses | 9,827,209 | 8,526,028 |
| Operating Loss Before Depreciation | (7,831,600) | (6,792,310) |
| Depreciation | (389,702) | (413,435) |
| **Operating Loss** | (8,221,302) | (7,205,745) |
| **Nonoperating Revenues (Expenses):** | | |
| Government Appropriations | 4,797,507 | 5,455,163 |
| Interest Income | 77,279 | 65,075 |
| Other Income | 141,770 | 164,207 |
| Interest Expenses and Finance Charges | (2,254) | (1,584) |
| Total Nonoperating Revenues | 5,014,302 | 5,682,861 |
| **Changes in Net Position** | (3,207,000) | (1,522,884) |
| **Net Position, Beginning of the Year** | (4,860,896) | (3,338,012) |
| **Net Position, End of Year** | $ (8,067,896) | $ (4,860,896) |

*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, 2018
*(With Comparative Totals for 2017)*

| | 2018 | 2017 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash Received from Application and Processing Fees | $ 490,650 | $ 504,122 |
| Cash Received from Tenants | 581,218 | 414,883 |
| Cash Received from Loan Repayments | 445,961 | 921,475 |
| Cash Received from Other Operating Income | 690,852 | 561,478 |
| Cash Received from Federal Government | 85,282 | 94,230 |
| Cash Paid for Grant Programs | (85,282) | (63,180) |
| Cash Paid for Goods and Services | (2,058,626) | (1,934,861) |
| Cash Paid to Employees for Services | (3,926,018) | (4,197,126) |
| Loan Disbursements | (29,158) | (937,735) |
| **Net Cash (Used in) Provided by Operating Activities** | (3,805,121) | (4,636,714) |
| **Cash Flows from Noncapital Financing Activities** | | |
| Cash Received from Primary Government | 4,840,735 | 4,980,786 |
| Other Income | 212,065 | 99,198 |
| Interest Expense and Finance Charges | (2,254) | (1,584) |
| **Net Cash Provided by Noncapital Financing Activities** | 5,050,546 | 5,078,400 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Note Principal Payments | (26,884) | (27,326) |
| Acquisition of Property and Equipment | (151,803) | (294,510) |
| **Net Cash Used in Capital and Related Financing Activities** | (178,687) | (321,836) |
| **Cash Flows from Investing Activities** | | |
| Interest Income | 77,279 | 61,364 |
| Return of Relief Revolving Funds | 400,000 | (400,000) |
| Net Sale of Investments | (37,479) | 844,230 |
| **Net Cash Provided by (Used in) Investing Activities** | 439,800 | 505,594 |
| **Net Increase in Cash and Cash Equivalents** | 1,506,538 | 625,444 |
| **Cash and Cash Equivalents, Beginning of Year** | 17,935,526 | 17,310,082 |
| **Cash and Cash Equivalents, End of Year** | $ 19,442,064 | $ 17,935,526 |
| **Operating Loss** | $ (8,221,302) | $ (7,205,745) |
| *Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:* | | |
| Depreciation Expense | 389,702 | 413,435 |
| Bad Debt Expense | 905,263 | 122,654 |
| Decrease (Increase) in Deferred Outflows of Resources | 1,450,797 | (1,351,208) |
| (Decrease) Increase in Net Pension Liability | (890,847) | 2,537,713 |
| Decrease (Increase) in Accounts Receivable | 659,927 | (165,304) |
| (Increase) in Prepaid Expenses | (10,384) | (7,268) |
| Decrease (Increase) in Loans Receivable | 583,851 | (8,457) |
| (Decrease) Increase in Accounts Payable and Accrued Expenses | (510,232) | 448,658 |
| (Decrease) Increase in Compensated Absences | (1,998) | 76,854 |
| Increase (Decrease) in Deferred Revenue | 95,455 | (31,050) |
| Increase in Security Deposit | 25,001 | 16,274 |
| Increase in Deferred Inflows of Resources | 1,718,972 | 516,284 |
| Increase in Interest Payable | 674 | 446 |
| **Net Cash (Used in) Provided by Operating Activities** | $ (3,805,121) | $ (4,636,714) |

*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, 2018

### 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, 2018, the Authority received appropriations totaling $4,797,507 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, 2018, 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-Midsized Enterprises Incubator Program** – The Authority was awarded a Federal grant in the amount of $1,000,000 that is matched with $200,000 of local funding for the establishment of an incubator program on the island of St. Croix. The program promotes resource collaborations between the local government and other community based institutions to create an avenue to spark economic viability and sustainability.

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

- ***Investments:*** Investments in marketable securities or other short-term investments of cash with readily determinable fair values and investments in debt securities are reported at their fair values in the Authority's statement of net 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, 2018.

- ***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 2018.

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, 2018, 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, 2018:

| | Unrestricted | Restricted | Total |
|---|---|---|---|
| Cash and Cash Equivalents | $ 9,854,539 | $9,587,525 | $19,442,064 |

Custodial Risk is the risk that in the event of bank failure the Authority's deposits may not be returned to it. Cash consists of cash on handheld by depository institutions and trustees in the Authority's name. During the fiscal year, including the final date of the period, September 30, 2018, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in excess of this limit are $23,437,427 and are fully collateralized.

**Restricted Cash and Cash Equivalents:** The restricted cash and cash equivalents at September 30, 2018 consisted of the following:

| | |
|---|---|
| Micro Credit Loan Program | $ 1,729,970 |
| Farmers and Fishermen Loan Fund | 292,135 |
| Frederiksted Revolving Loan Fund | 271,304 |
| Performance Bonding Loan Fund | 1,924,002 |
| Intermediary Relending Loan Fund | 131,390 |
| SBDA Revolving Loan Fund | 828,170 |
| SBDA Administration Loan Fund I | 157,017 |
| SBDA Administration Loan Fund II | 288,610 |
| SSBCI Grant | 3,964,927 |
| | $ 9,587,525 |

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

## NOTE 4 INVESTMENTS

The Authority categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other than observables inputs; Level 3 inputs are significant observable inputs. At September 30, 2018, the Authority's investments consisted of certificate of deposits which had a recurring fair value of $6,287,454 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.

| | | Investment Maturities | |
|---|---|---|---|
| **Investment Type** | **Fair Value** | **Less than 1 Year** | **1-5 Years** |
| Certificates of Deposits | $ 6,287,454 | $ 935,389 | $5,352,065 |

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

The restricted net position at September 30, 2018, consists of the following:

| | |
|---|---|
| Micro Credit Loan Program | $ 3,677,645 |
| Farmers and Fishermen Loan Fund | 312,806 |
| Frederiksted Revolving Loan Fund | 271,304 |
| Performance Bonding Loan Fund | 3,870,535 |
| Intermediary Relending Loan Fund | (48,731) |
| SBDA Revolving Loan Fund | 1,341,989 |
| SBDA Administration Loan Fund I | 134,101 |
| SBDA Administration Loan Fund II | 407,608 |
| SSBCI Grant | 6,603,464 |
| | $16,570,721 |

## NOTE 6 LOANS RECEIVABLE

Restricted Loans receivable as of September 30, 2018 was as follows:

| | |
|---|---|
| Loan Principal | $ 3,324,335 |
| Allowance for Doubtful Accounts | (488,892) |
| Net Loans Receivable | $ 2,835,443 |

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 2018.

## NOTE 7 OTHER RECEIVABLES

The other receivables balance as of September 30, 2018:

| | Other Receivables | Allowance | Other Receivables, net |
|---|---|---|---|
| Interest Receivable | $ 12,061 | $ - | $ 12,061 |
| Performance Bonding Receivable | - | - | - |
| GDB Receivable | 22,035 | - | 22,035 |
| EDC Fees & Charges | 50,600 | - | 50,600 |
| SBDA Receivable | 1,765 | - | 1,765 |
| Rent Receivable | 78,625 | (45,417) | 33,208 |
| Grant Receivable-Board Up & Scrape and Paint Program | 40 | - | 40 |
| EZC Compliance Receivable | - | - | - |
| Tax Increment Financing Fund | 30,015 | (30,015) | - |
| Economic Development Management | 500,640 | (69,478) | 431,162 |
| Receivable - Taxi-Tour Bus | (210) | - | (210) |
| Total | $ 695,571 | $ (144,910) | $ 550,661 |

Provision for uncollectible accounts was $144,909 in fiscal year 2018.

## NOTE 8 CAPITAL ASSETS

Capital assets are composed of the following at September 30, 2018:

| | Beginning Balance | Additions | Retirement | Ending Balance |
|---|---|---|---|---|
| **Capital Assets** | | | | |
| Building and Building Improvements | $ 9,344,682 | $ 10,725 | $ - | $ 9,355,407 |
| Leasehold Improvements | 867,890 | - | - | 867,890 |
| Equipment | 1,239,937 | 88,679 | - | 1,328,616 |
| Furniture and Fixtures | 370,393 | 1,880 | - | 372,273 |
| Vehicles | 418,625 | 50,520 | - | 469,145 |
| Leasehold Equipment | 20,585 | - | - | 20,585 |
| Total Capital Assets | 12,262,112 | 151,804 | - | 12,413,916 |
| **Accumulated Depreciation** | | | | |
| Building and Building Improvements | (8,591,816) | (200,000) | - | (8,791,816) |
| Leasehold Improvements | (377,500) | (77,008) | - | (454,508) |
| Equipment | (1,252,295) | (43,193) | - | (1,295,488) |
| Furniture and Fixtures | (265,159) | (21,432) | - | (286,591) |
| Vehicles | (274,529) | (48,071) | - | (322,600) |
| Leasehold Equipment | (20,585) | - | - | (20,585) |
| Total Accumulated Depreciation | (10,781,884) | (389,704) | - | (11,171,588) |
| Capital Assets, net | $ 1,480,228 | $ (237,900) | $ - | $ 1,242,328 |

Depreciation expense for the year ended September 30, 2018 totaled $389,702.

During 2018, 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, 2018.

## 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, 2018, the outstanding loan balance was $264,907.

As of September 30, 2018, the outstanding loan balance is comprised of the following:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Loan Payable | $ 291,791 | $ - | $ (26,884) | $ 264,907 | $ 25,983 |

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

| | |
|---|---|
| 2019 | $ 25,983 |
| 2020 | 25,889 |
| 2021 | 26,148 |
| 2022 | 26,409 |
| 2023-2028 | 160,478 |
| Total | $ 264,907 |

## NOTE 10 COMPENSATED ABSENCES

Compensated absences balance as of September 30, 2018 was $397,290 of which $190,884 is due within a year.

## NOTE 11 LEASES

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

**Lessee ---** The Authority leases office space, under a five year lease term, from January 1, 2018 through December 31, 2022, for office and common area spaces with increases in rent on the 2nd and 4th anniversaries equal to the percentage of the cost of living increase for the preceding year, based upon the Consumer Price Index (CPI-U) as published by the U.S. Department of Labor Bureau of Labor Statistics. In addition, the Industrial Park buildings are located on parcels of leased land. The land is rented under a two year term, from January 1, 2017 – December 31, 2019.

Rent expense for the year ending September 30, 2018 was $288,148. The aggregate lease commitment for the Authority is as follows as of September 30, 2018:

| | |
|---|---|
| 2019 | $ 102,842 |
| 2020 | 10,635 |
| Total | $ 113,477 |

## NOTE 12 DEFERRED REVENUE

**Current Deferred Revenue:** Out of $13,058,155 reflected in the financial statements $12,920,121 represents the amount not expended as of September 30, 2018 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, 2017, member contributions were 11and 11.5% for Tier I and Tier II employees. Prior to that, member contributions were 10 and 10.5% for Tier I and Tier II employees respectively. Total amount of the Authority's covered payroll for the year ended September 30, 2018 was $2,617,909.

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, 2018. 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 provlslons of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources.

### Plan Description and Benefits

Full time employees of the Authority are members of the Government Employees' Retirement System of the Virgin Islands (GERS), a cost sharing multiple-employer, defined benefit pension plan (the plan) established as of October1,1959 in accordance with Title 3, Chapter 27 of the Virgin Islands Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members. The plan covers all employees of the Government, including the Entity, except employees compensated on a contract fee basis, casual, per diem or provisional and part time employees who work less than 20 hours per week. Persons over the age of 55 may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after 10 years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

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

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

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for Tier I members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service.

Average compensation for Tier II members is determined by averaging the most recent five years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation is $65,000, except for senators and judges, whose annual salary is used.

### Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required employer contribution for Tier I and Tier II members was 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.

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

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

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

| | |
|---|---|
| Valuation Date: | October 1, 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 $415,001 for the Plan's fiscal year ended September 30, 2017.

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

As of September 30, 2018, the actuarial calculated net pension liability for the Authority's proportionate share of the net pension liability of the Plan was $26,256,361. The net pension liability of the Plan is measured as of September 30, 2017, 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, 2017. 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, 2017, the Authority's proportion was .5516 percent, which was a decrease of .0352 from its proportion measured as of September 30, 2016.

For the year ended September 30, 2018, the Authority recognized $478,037 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:

| | Deferred Outflows by Resources | Deferred Inflows of Resources |
|---|---|---|
| Change in assumptions | $ 4,330,458 | $ - |
| Difference between expected and actual experience | 794,378 | - |
| Net difference between projected and actual earnings on pension plan investments | 148,957 | - |
| Change in proportionate share | 761,877 | 2,349,697 |
| Contributions made subsequent to measurement date | 519,127 | - |
| | $ 6,554,797 | $ 2,349,697 |

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

| Year ending September 30, | |
|---|---|
| 2019 | $ 713,326 |
| 2020 | 630,670 |
| 2021 | (136,587) |
| 2022 | (123,550) |
| 2023 | (497,501) |
| Thereafter | (234,765) |

### Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2017, is provided below, including any assumptions that differ from those used in the October 1, 2017 actuarial valuation. Refer to October 1, 2017 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: | 3.64% |
| Discount Rate: | 3.74% |
| 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, 2017, are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic equity | 29% | 6.21% |
| International equity | 12% | 7.21% |
| Fixed income | 27% | 1.56% |
| Cash | 2% | 0.91% |
| Alternative | 30% | 5.50% |

### Discount Rate

The discount rate used to measure the total pension liability was 3.74% as of September 30, 2017 and 3.20% as of September 30, 2016. 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 3.64% and 3.06% at September 30, 2017 and 2016, 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% (2.74%) lower or 1% (4.74%) higher than the current rate.

| 1% Decrease Share of NPL @ 2.74% | Share of NPL @ 3.74% | 1% Increase Share of NPL @ 4.74% |
|---|---|---|
| $30,460,518 | $26,256,361 | $22,787,151 |

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

## NOTE 15 OTHER POSTEMPLOYMENT BENEFITS

The Government provides other postemployment benefits (OPEB) of healthcare, prescription, dental and life insurance coverage. These benefits are provided in accordance with Title 3, Chapter 25, Subchapter VIII of the V.I. Code as part of a cost-sharing, multiple employer defined benefit OPEB plan, in which most component units of the Participating Government participate. As part of the code, the primary government pays 100% of the cost of the benefits constituting a special funding situation under GASB Statement No. 75 for the Authority. All employees who retire from government service after attaining age fifty-five (55) with at least thirty (30) years of service, except for policemen and firemen who can retire with at least twenty (20) years of service, are eligible for these benefits.

Healthcare, prescription, and dental insurance is provided through negotiated contracts with private insurance companies. Participants in the plan may elect coverage for their spouses and dependent children. Participants are required to contribute 35% of medical, prescription, and dental premiums. Effective October 1, 2013, separate medical premiums for non-Medicare retirees and Medicare retirees are being used to determine contribution requirements, instead of a premium blended with active costs. The contribution requirements of plan members and the Participating Government are legislated within the V.I. Code, and may be amended, by the Virgin Islands Legislature. The plan is a non-funded pay-as-you-go plan, and expenditures are paid as they become due.

In 2018, the Authority recognized revenue and related expenses of $143,843 related to the on-behalf OPEB costs paid by the primary government. Based on census data included in the October 1, 2017 actuarial valuation of OPEB, 7 active employees, meet the eligibility requirements of OPEB.

At September 30, 2018, the Authority reported a liability for its proportionate share of the net OPEB liability that reflects a reduction in the primary government's support provided to the Authority. The amount recognized by the Authority for its proportionate share, the related primary government proportion and the total were as follows:

| | 2018 |
|---|---|
| The Authority's proportionate share of net OPEB liability | $ - |
| Primary Government's share of the net OPEB liability associated with the Authority | 1,647,094 |
| Total net OPEB liability | $ 1,647,094 |

The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and amortize any unfunded actuarial liabilities over a period not to exceed an open thirty (30) year period.

### Actuarial Accrued Liability and Funding Status

| | |
|---|---|
| Actuarial Valuation and Measurement Date | October 1, 2017 |
| Actuarial Accrued Liability (AAL) | $819,360,938 |
| Unfunded AAL | $819,360,938 |
| Funded Ratio | 0% |

The Participating Government's obligation to provide health insurance to retirees is an unfunded plan. The actuarial valuation of the amount required to fund the plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Estimated annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the PG and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Covered health care and dental care expenses were assumed to increase in future years based on the claims experience for fiscal year 2018, and a trend assumption beginning at 7.0% for pre-Medicare retirees, 5.5% for post-Medicare retirees, 5.5% for dental benefits, and grading down to an ultimate rate of 4.5% in fiscal year 2023 and after. The entry age normal actuarial cost method with costs on a level percentage of payroll basis was used to determine the annual required cost of OPEB benefits to retirees. Amortization is over an open thirty (30) year period as a level percentage of payroll. Payroll growth is assumed to be 3.25% per year for purposes of amortization. This method is consistent with the cost method used by GERS and typically produces the most level annual required contribution each subsequent year as a percentage of payroll. The normal cost was rolled back using the ultimate trend rate. A discount rate of 3.35% per annum was used, compounded annually.

<u>Medical and Prescription Drugs</u> – The valuation assumed that the annual unit cost per covered individual (i.e., retiree or spouse) for medical, and prescription drugs for the fiscal year September 30, 2018 for retirees and spouses 65 and over was $2,447 and $11,311 and $8,905 for retirees and spouses under the age of 65 respectively.

<u>Dental</u> – The valuation assumed that the annual unit cost per covered individual (i.e., retiree or spouse) for dental care for the fiscal year ended September 30, 2018, was $204 for both members under and over the age of 65.

The health care reform legislation (the Patient Protection and Affordable Care Act or ACA) is likely to have an impact on the cost of delivering the Government's benefits. The following items were considered:

- In setting trend assumptions used, the following elements of ACA were considered:
  - Further cost shifting from Medicare and Medicaid to employer plans due to cutbacks in future Medicare and Medicaid reimbursement
  - PCORI fees and transitional reinsurance program
  - Expected impact of the supply chain taxes (i.e., health and pharmaceutical industry taxes).
- The impact of available alternatives in the open market (Exchanges and current Medicare markets) was considered in setting participation assumptions.

The normal cost reflects the average age of the covered population and is based on claims experience for the fiscal year ended September 30, 2018, with a two-thirds weighting applied to the more recent year. Combined experience and a combined cost were used for the pre-65 and post-65 populations. A composite cost was developed for retirees and spouses by combining their claim experience. Dependent children claims were included in developing the composite retiree and spouse cost. Costs were adjusted to reflect the anticipated lag in claim payment. An administrative loading was added as well.

**Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the Authority's allocation of its proportionate share of the net pension liability (NPL) for the plan, calculated using the healthcare cost trend Rate, and what the allocation of the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (4.50%) or 1% higher (6.50%) than the current rate.

| 1% Decrease Share of NPL @ 4.50% | Share of NPL @ 5.50% | 1% Increase Share of NPL @ 6.50% |
|---|---|---|
| $1,355,897 | $1,647,094 | $2,035,022 |

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

The following presents the Authority's allocation of its proportionate share of the net pension liability (NPL) for the plan, calculated using the municipal bond 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% (4.50%) lower or 1% (6.50%) higher than the current rate.

| 1% Decrease Share of NPL @ 1.89% | Share of NPL @ 2.89% | 1% Increase Share of NPL @ 3.89% |
|---|---|---|
| $1,960,530 | $1,647,094 | $1,398,641 |

## NOTE 16 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority has various outstanding commitments at September 30, 2018, 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 17 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 18 INSURANCE RECOVERIES

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

## NOTE 19 SUBSEQUENT EVENTS

The Authority's management has evaluated subsequent events through October 28, 2019, 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.

The U.S. Virgin Islands has been impacted by the Coronavirus Disease (COVID-19), an aggressive and potent pandemic. This pandemic is considered a non-recognized subsequent event, that is, an event that did not exist at the date of the statement of position. No adjustment has been recorded in the financial statements.

# *REQUIRED SUPPLEMENTARY INFORMATION*

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

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

### LAST 10 FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Proportion Share of the Net Pension Liability | 0.5994% | 0.5868% | 0.6044% | 0.05569% |
| Proportionate Share of the Net Pension Liability | $26,256,361 | $27,147,208 | $24,609,495 | $18,803,107 |
| Covered-Employee Payroll | $ 2,404,022 | $ 2,130,222 | $ 2,149,268 | $ 2,106,050 |
| Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 1092% | 1274% | 1145% | 892% |
| Plan Fiduciary Net Position as Percentage of the Total Pension Liability | 16.18% | 16.54% | 19.58% | 27.02% |

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

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

## SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

### LAST 10 FISCAL YEARS

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Contractually Required Contributions | $1,604,852 | $1,450,324 | $ 1,209,343 | $ 1,056,524 |
| Contributions in Relation to the Contractually Required Contribution | 450,946 | 528,992 | 437,513 | 388,619 |
| Annual Contribution Deficiency (Excess) | $1,153,906 | $ 921,332 | $ 771,830 | $ 677,905 |
| Covered Employee Payroll | $2,404,022 | $2,130,222 | $ 2,149,268 | $ 2,106,050 |
| Contributions as a Percentage of Covered Employee Payroll | 18.76% | 24.83% | 20.36% | 18.45% |

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

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

## SCHEDULE OF THE AUTHORITY'S PRORPORTIONATE SHARE OF NET OPEB LIABILITIY

### LAST 10 FISCAL YEARS

| | 2018 | 2017 |
|---|---|---|
| Proportion Share of the Net OPEB Liability | 0.0% | 0.0% |
| Proportionate Share of the Net OPEB Liability | $ 1,647,094 | $ 1,644,302 |
| Covered-Employee Payroll | $ 2,404,022 | $ 2,130,222 |
| Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll | 68.51% | 68.40% |

# *OTHER SUPPLEMENTARY INFORMATION*

## VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
## COMBINING STATEMENT OF NET POSITION
### AS OF SEPTEMBER 30, 2018
### (With Comparative Totals for 2017)

| | EDM | IPDC | Eliminations | 2018 | 2017 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current Assets:** | | | | | |
| Cash and Cash Equivalents | $ 9,729,063 | $ 125,476 | $ - | $ 9,854,539 | $ 9,077,101 |
| Investments | 935,389 | - | - | 935,389 | 928,886 |
| Receivable, net | 517,268 | 33,393 | - | 550,661 | 1,208,910 |
| Due from Other Fund | 5,948,492 | 10 | (5,948,502) | - | - |
| Prepaid & Other Assets | 57,624 | 14,153 | - | 71,777 | 61,393 |
| Total Current Assets | 17,187,836 | 173,032 | (5,948,502) | 11,412,366 | 11,276,290 |
| **Non-Current Restricted Assets:** | | | | | |
| Restricted Cash & Cash Equivalents | 9,587,525 | - | - | 9,587,525 | 8,858,425 |
| Restricted Investments | 5,352,065 | - | - | 5,352,065 | 5,321,089 |
| Restricted Loan Receivable, net | 2,835,443 | - | - | 2,835,443 | 3,419,294 |
| Total Noncurrent Restricted Assets | 17,775,033 | - | - | 17,775,033 | 17,598,808 |
| **Capital Assets, net** | 667,566 | 574,762 | - | 1,242,328 | 1,480,227 |
| **Total Assets** | 35,630,435 | 747,794 | (5,948,502) | 30,429,727 | 30,355,325 |
| **Deferred Outflows of Resources** | 6,053,330 | 501,467 | - | 6,554,797 | 8,005,594 |
| **Total Assets and Deferred Outflows of Resources** | $ 41,683,765 | $ 1,249,261 | $ (5,948,502) | $ 36,984,524 | $ 38,360,919 |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Accounts Payable | $ 1,187,097 | $ 42,960 | $ - | $ 1,230,057 | $ 718,558 |
| Accrued Expenses | 59,702 | 3,598 | - | 63,300 | 64,567 |
| Compensated Absences - Current | 189,793 | 1,091 | - | 190,884 | 188,057 |
| Interest Payable | 20,790 | - | - | 20,790 | 20,116 |
| Due to Other Fund | 5,566,317 | 382,185 | (5,948,502) | - | - |
| Deferred Revenue | 13,040,700 | 17,455 | - | 13,058,155 | 12,962,700 |
| Loan Payable - Current | 25,983 | - | - | 25,983 | 25,378 |
| Total Current Liabilities | 20,090,382 | 447,289 | (5,948,502) | 14,589,169 | 13,979,376 |
| **Non-Current Liabilities** | | | | | |
| Compensated Absences | 175,157 | 31,249 | - | 206,406 | 211,231 |
| Security Deposit | - | 72,458 | - | 72,458 | 47,457 |
| Deferred Revenue | 939,405 | - | - | 939,405 | 939,405 |
| Relief Revolving Funds | 400,000 | - | - | 400,000 | - |
| Loan Payable | 238,924 | - | - | 238,924 | 266,413 |
| Net Pension Liability | 24,163,386 | 2,092,975 | - | 26,256,361 | 27,147,208 |
| Total Non-Current Liabilities | 25,916,872 | 2,196,682 | - | 28,113,554 | 28,611,714 |
| **Total Liabilities** | 46,007,254 | 2,643,971 | (5,948,502) | 42,702,723 | 42,591,090 |
| **Deferred Inflows of Resources** | 2,118,041 | 231,656 | - | 2,349,697 | 630,725 |
| **Total Liabilities and Deferred Inflows of Resources** | 48,125,295 | 2,875,627 | (5,948,502) | 45,052,420 | 43,221,815 |
| **NET POSITION** | | | | | |
| Invested in Capital Assets, net of related debt | 667,566 | 574,762 | - | 1,242,328 | 1,480,227 |
| Restricted Net Position | 16,570,721 | - | - | 16,570,721 | 16,722,958 |
| Unrestricted Net Positon | (23,679,818) | (2,201,128) | - | (25,880,945) | (23,064,081) |
| **Total Net Position** | $ (6,441,531) | $ (1,626,366) | $ - | $ (8,067,896) | $ (4,860,896) |

## VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
## COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**
**(With Comparative Totals for 2017)**

| | EDM | IPDC | 2018 | 2017 |
|---|---|---|---|---|
| **Operating Revenues** | | | | |
| Allocation of Bond Proceeds | $ - | $ - | $ - | $ 5,165 |
| Application and Processing Fees | 490,650 | - | 490,650 | 655,308 |
| Rental Income | - | 584,982 | 584,982 | 440,130 |
| Interest Income from Loans | 180,650 | - | 180,650 | 143,631 |
| Grant Revenue | 85,282 | - | 85,282 | 63,180 |
| Fees and Fines | 292,568 | - | 292,568 | 321,138 |
| Other Operating Income | 314,716 | 46,761 | 361,477 | 105,166 |
| Total Operating Revenue | 1,363,866 | 631,743 | 1,995,609 | 1,733,718 |
| **Operating Expenses** | | | | |
| Personnel Costs | 5,740,444 | 462,496 | 6,202,940 | 5,947,223 |
| General and Administrative | 864,304 | 312,299 | 1,176,603 | 785,623 |
| Occupancy | 266,874 | 21,274 | 288,148 | 289,156 |
| Advertising | 322,565 | - | 322,565 | 306,586 |
| Professional Services | 739,949 | 36,900 | 776,849 | 916,776 |
| Travel | 65,863 | 3,696 | 69,559 | 94,830 |
| Grant Expenditure | 85,282 | - | 85,282 | 63,180 |
| Loan Losses | 672,807 | - | 672,807 | 71,726 |
| Uncollectible Receivables | 222,539 | 9,917 | 232,456 | 50,928 |
| Total Operating Expenses | 8,980,627 | 846,582 | 9,827,209 | 8,526,028 |
| Operating Loss Before Depreciation | (7,616,761) | (214,839) | (7,831,600) | (6,792,310) |
| Depreciation | 179,431 | 210,271 | 389,702 | 413,435 |
| **Operating Loss** | (7,796,192) | (425,110) | (8,221,303) | (7,205,745) |
| NonOperating Revenues (Expenses) | | | | |
| Government Appropriation | 4,797,507 | - | 4,797,507 | 5,455,163 |
| Interest Income | 77,105 | 174 | 77,279 | 65,075 |
| Other Income | 141,770 | - | 141,770 | 164,207 |
| Interest Expense & Finance Charges | (2,254) | - | (2,254) | (1,584) |
| Total Non-Operating Revenues | 5,014,128 | 174 | 5,014,302 | 5,682,861 |
| Changes in Net Position | (2,782,064) | (424,936) | (3,207,000) | (1,522,884) |
| Net Position, Beginning of Year | (3,659,466) | (1,201,430) | (4,860,896) | (3,338,012) |
| Net Position, End of Year | $ (6,441,531) | $ (1,626,366) | $ (8,067,896) | $ (4,860,896) |