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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
Together With Independent Auditor's Report

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(A Component Unit of the Virgin Islands Government)
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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BSC
BERT SMITH & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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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 Industrial Park Development Corporation, a component unit of the Government of the U.S. Virgin Islands, as of and for the year ended September 30, 2016 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

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 depends 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 of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, based our audit the consolidated financial statements referred to above presents fairly, in all material respects, the financial position of the Authority as of September 30, 2016, 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, 2016 and changes in the financial position of the Government of the U.S. Virgin Islands for the years 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, 2015 consolidated financial statements, and our report dated, March 28, 2016, expressed an unmodified opinion thereon. In our opinion, the comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America 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 Government 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 29 and 30 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.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records 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 April 13, 2017 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 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 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
April 13, 2017

INTRODUCTION

The Virgin Islands Economic Development Authority (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 and Commercial Zone Commission ("ECZC").

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 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, 2016. 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.

2016 FINANCIAL HIGHLIGHTS

- The Authority's net position (deficit) increased by $1,107,939 or 50% compared to fiscal year 2015.
- The Authority's total assets and deferred outflow of resources increased by $13,004,819 or 55% and total liabilities increased by $13,998,317 or 54% compared to fiscal year 2015.
- The Authority's operating revenues decreased by $175,505 or 9% and operating expenses decreased by $1,852,805 or 19% compared to fiscal year 2015.
- Government appropriations increased by $132,480 or 3% compared to fiscal year 2015.

Condensed Consolidated Statements of Net Position as of September 30, 2016 and 2015

	2016	2015	Variance	% Variance
Assets				
Current Assets	$ 5,961,209	$ 4,655,257	$ 1,305,952	28%
Noncurrent Assets	22,529,698	14,953,767	7,575,931	51%
Capital Assets, net	1,599,152	1,874,918	(275,766)	-15%
Total Assets	30,090,059	21,483,942	8,606,117	40%
Deferred Outflows of Resources	6,654,386	2,255,684	4,398,702	195%
Total Assets and Deferred Outflows of Resources	$36,744,445	$23,739,626	$13,004,819	55%
Liabilities				
Current Liabilities	$13,477,681	$ 5,102,252	$8,375,429	164%
Noncurrent Liabilities	26,490,335	20,867,447	5,622,888	27%
Total Liabilities	$39,968,016	$25,969,699	$13,998,317	54%
Deferred Inflows of Resources	$ 114,441	-	$ 114,441	100%
Total Liabilities and Deferred Inflows of Resources	$40,082,457	$25,969,699	$14,112,758	54%
Net Position				
Net Investment in Capital Assets	$ 1,599,152	$1,874,918	$ (275,766)	-15%
Restricted	21,210,583	12,914,073	8,296,510	64%
Unrestricted	(26,147,747)	(17,019,064)	(9,128,683)	54%
Total Net Position	$(3,338,012)	$(2,230,073)	$ (1,107,939)	50%

Current Assets

- Current assets increased by $1,305,952 or 28% compared to last fiscal year. This total includes an increase in cash and cash equivalents of $501,945 or 14% due to an increase in government allotments of $132,750 or 28%; collections improved within the EDC program by $92,949 or 19%. There was also an increase of $129,000 or 14% in State Small Business Credit (SSBCI) funds, which are funds used as collateral to support business loans for bank customers. For the Intermediary Relending (IRP) program, $217,769 that was recorded in the non-current section last fiscal year was re-classified to the current section of the balance sheet this fiscal year to reflect the short-term use of these funds. However, within the Industrial Park Development Corporation (IPDC), cash decreased by $108,897 or 57%. These funds were used to repair the roofs for two of the buildings. The cash in the Small Business Development Agency (SBDA) decreased by $126,477 or 90%. The reduction was due to the reimbursement made to the Economic Development Management (EDM) for expenses incurred on behalf of the Incubator program. The short-term investments increased by $923,167 or 498% due to a reclassification of funds from non-current-restricted cash & cash equivalents to investments in the current section of the balance sheet.

Noncurrent Assets

- Noncurrent assets increased by $7,575,931 or 51% compared to last fiscal year. This was due mainly to an increase of $7,499,679 or 133% in restricted cash and cash equivalents. The cash increase was due to the final draw down of funds for the SSBCI program. These funds are used to provide collateral support for loans made to participating commercial bank customers. Similarly, restricted investments increased by $229,811 or 4% due to SSBCI funds being used as collateral invested into certificate of deposits. Loan receivable, net of allowance for doubtful accounts, decreased by $153,559 or 4% which is attributable to the net effect of increasing the number and the individual amounts of loans to businesses, payment received from borrowers and write off loans.

Capital Assets

- Capital assets, net of accumulated depreciation, decreased by $275,766 or 15% compared to last fiscal year. Additions to capital assets include new vehicle purchases costing $124,576 to replace an aging fleet already fully depreciated, and $29,822 in computer and equipment, $2,400 in furniture and fixtures, and $1,868 in building improvements. On the other hand, the overall decrease in capital assets was due to this year's total depreciation of $434,432 on these assets.

Current Liabilities

- Current liabilities increased by $8,375,429 or 164% compared to last fiscal year. Deferred revenues increased by $8,750,103 or 209 % of SSBCI funds. These funds are fully committed in support of approved bank loans that were not closed by the end of the fiscal year. Additionally, accrued expenses went up by $3,436 or 7% due to increases in payroll liabilities, contractual, and other obligations. Accounts payable decreased by $493,537 or 64% due to the close out of the Incubator program and an overall reduction in vendor obligations.

Noncurrent Liabilities

- Noncurrent liabilities increased by $5,622,888 or 27% compared to last fiscal year. The net pension liability increased by $5,806,388 or 31%. This amount is recorded to recognize the Authority's share of the Government Employees' Retirement System's (GERS) total unfunded liability obligation for this fiscal year based on GASB 68. However, the amount for compensated absences decreased by $144,786 or 48% as the Authority paid out lump-sum amounts owing to individuals no longer working for the Authority and the reclassification of $114,481 as current obligation. The amount in security deposits was decreased by $14,000 or 31% due to tenants' security deposit being applied against outstanding rent. The amount owing on the Intermediary Relending program (IRP) loan was reduced by $24,714 or 8% as the Authority continues to pay down on this debt.

Net Position

- Net position represents residual interest in the Authority's assets and deferred outflows of resources after all liabilities and deferred in flows 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 $1,107,939 or 50% compared to last year. This increase is mainly attributable to an increase in restricted net position of $8,296,510 or 64% due to the SSBCI funds committed as collateral support. Capital assets, net of related depreciation, decreased by $275,766 or 15% due to depreciation; and unrestricted net position deficit increased by $9,128,683 or 54% due to the net effect of the restricted net position between FY 2016 and 2015.

Condensed Consolidated Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2016 and 2015

	2016	2015	Variance	% Variance
Operating Revenues	$ 1,812,415	$ 1,987,920	$ 175,505	-9%
Operating Expenses *(including Depreciation)*	(7,849,297)	(9,702,102)	1,852,805	19%
Operating Loss	(6,036,882)	(7,714,182)	1,677,300	22%
Net Nonoperating Revenues	4,928,943	4,897,356	31,587	1%
Changes in Net Position	(1,107,939)	(2,816,826)	1,708,887	61%
Net Position, Beginning of Year	(2,230,073)	586,753	(2,816,826)	-480%
Net Position, End of Year	$(3,338,012)	$(2,230,073)	$(1,107,939)	50%

Revenues

- Operating revenues decreased by $175,505 or 9% compared to last fiscal year. This includes $47,596 or 366% increase in revenues from the allocation of bond proceeds. Revenue also increased by $58,347 or 84% in the other operating revenue due to payments received from borrowers whose loans were previously written off. Additionally, application and processing fees went up by $92,949 or 19% due to both an increase in the payment of non-compliance fees and the number of EDB loans and EDC beneficiary applications received. However, rental income decreased by $48,462 or 10% due to one tenant reducing its leased space and another tenant vacating the premises at the Industrial Park. Interest income from loans increased by $10,748 or 8%. Grant revenues decreased by $227,773 or 43% due mainly to the expiration of the incubator grant; and revenues from penalties declined by $ 108,910 or 38% due to a decreased in the number of fines and the amount of assessments made against EDC beneficiaries.

Operating Expenses

- Operating expenses decreased by $1,844,165 or 20% compared to last fiscal year. This reduction includes a decrease of $211,393 or 4% in personnel service costs due to certain positions that were either partially filled or remained vacant during the year and decrease in retirement expense due to changes in net pension liability. General and administrative expenses decreased by $320,250 or 31%; professional services decreased by $605,392 or 52%; advertising decreased by $10,389 or 4%. These decreases were due largely to reductions of incubator expenses and a lesser extent to the Authority's efforts in controlling costs and improving efficiency. Inter-island travel costs decreased by $38,055 or 38% due to the Authority using video conferencing to conduct its meetings; grant expenditures decreased by $227,773 or 43% due to the close out of STEP, EZC and Incubator grants; and bad debt decreased by $436,603 or 74% due to the Authority taking steps in reducing the level of bad debt through restructuring and other flexible loan payment options.

Nonoperating Revenues and Expenses

- Nonoperating revenues increased by $31,587 or 1% compared to last year. The change is due to increase in $132,480 or 3% in government allotment offset by a decrease in borrowers paid on time not to paid penalties and NSF check fees during the year. Conversely, interest expense and finance charges increased by $993 or 79% reflecting interest amounts and finance charges on the (IRP) loan from the U.S. Department of Agriculture.

CAPITAL ASSETS

The Authority's capital assets as of September 30, 2016 (net of accumulated depreciation) decreased by $275,766 or 15% compared to last year. This difference is the cumulative effect of $158,666. Though there were new acquisitions to the assets, the overall decrease was $434,432 due to depreciation.

	2016	2015
Building & Building Improvements	$ 9,160,848	$ 9,158,980
Leasehold Improvements	867,889	867,889
Equipment	1,190,689	1,160,867
Furniture & Fixture	370,393	367,993
Vehicles	357,197	232,621
Leasehold Equipment	20,585	20,585
Total Costs	11,967,601	11,808,935
Less: Accumulated Depreciation	(10,368,449)	(9,934,017)
Net Capital Assets	$ 1,599,152	$ 1,874,918

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, 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, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets:		
Cash and Cash Equivalents	$ 4,176,702	$ 3,674,757
Investments	1,108,725	185,558
Other Receivables, net	621,657	748,550
Prepaid and Other Assets	54,125	46,392
Total Current Assets	5,961,209	4,655,257
Noncurrent Restricted Assets:		
Restricted Cash and Cash Equivalents	13,133,380	5,633,701
Restricted Investments	5,985,480	5,755,669
Restricted Loans Receivable, net	3,410,838	3,564,397
Total Noncurrent Restricted Assets	22,529,698	14,953,767
Capital Assets, net	1,599,152	1,874,918
Total Assets	30,090,059	21,483,942
Deferred Outflows of Resources	6,654,386	2,255,684
Total Assets and Deferred Outflows of Resources	$ 36,744,445	$ 23,739,626
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current Liabilities:		
Accounts Payable	$ 279,128	$ 772,665
Accrued Expenses	55,339	51,903
Compensated Absences	166,767	52,286
Interest Payable	19,670	19,280
Deferred Revenue	12,931,650	4,181,547
Loan Payable, current	25,127	24,571
Total Current Liabilities	13,477,681	5,102,252
Noncurrent Liabilities:		
Compensated Absences	155,667	300,453
Security Deposits	31,183	45,183
Deferred Revenue	1,000,000	1,000,000
Relief Revolving Funds	400,000	400,000
Loan Payable	293,990	318,704
Net Pension Liability	24,609,495	18,803,107
Total Noncurrent Liabilities	26,490,335	20,867,447
Total Liabilities	39,968,016	25,969,699
Deferred Inflows of Resources	114,441	-
Total Liabilities and Deferred Inflows of Resources	40,082,457	25,969,699
NET POSITION		
Net Position:		
Net Investment in Capital Assets	1,599,152	1,874,918
Restricted Net Position	21,210,583	12,914,073
Unrestricted Net Position	(26,147,747)	(17,019,064)
Total Net Position	$ (3,338,012)	$ (2,230,073)

The accompanying notes are an integral part of these 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, 2016
(With Comparative Totals for 2015)

	2016	2015
Operating Revenues:		
Allocation of Bond Proceeds	$ 60,595	$ 12,999
Application and Processing Fees	580,467	487,518
Rental Income	425,649	474,111
Interest Income from Loans	141,177	130,429
Grant Revenue	301,677	529,450
Penalties	175,381	284,291
Other Operating Revenue	127,469	69,122
Total Operating Revenues	1,812,415	1,987,920
Operating Expenses:		
Personnel Costs	5,106,732	5,318,125
General and Administrative	713,820	1,034,070
Occupancy	282,655	276,965
Advertising	221,627	232,016
Professional Services	570,114	1,175,506
Travel	63,280	101,335
Grant Expenditures	301,677	529,450
Bad Debt	154,960	591,563
Total Operating Expenses	7,414,865	9,259,030
Deficiency of Revenues from Operations Before Depreciation	(5,602,450)	(7,271,110)
Depreciation	(434,432)	(443,072)
Operating Loss	(6,036,882)	(7,714,182)
Nonoperating Revenues:		
Government Appropriation	4,800,000	4,667,520
Interest Income	65,696	51,384
Other Income	65,493	179,705
Interest Expenses and Finance Charges	(2,246)	(1,253)
Total Nonoperating Revenues	4,928,943	4,897,356
Changes in Net Position	(1,107,939)	(2,816,826)
Net Position, Beginning of the Year (restated)	(2,230,073)	586,753
Net Position, End of Year	$ (3,338,012)	$ (2,230,073)

The accompanying notes are an integral part of these 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, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash Flows from Operating Activities		
Cash Received from Allocation of Bond Proceeds	$ 65,925	$ 12,999
Cash Received from Application and Processing	470,452	1,013,778
Cash Received from Tenants	383,809	350,858
Cash Received from Loan Repayments	697,740	535,508
Cash Received from Other Operating Income	597,587	189,698
Cash Received from Federal Government	9,051,780	749,349
Cash Paid for Grant Program	(301,677)	(529,450)
Cash Paid for Goods and Services	(2,362,940)	(2,667,629)
Cash Paid to Employee for Services	(3,614,911)	(3,504,406)
Loan Disbursements	(598,912)	(779,599)
Net Cash Provided by (Used in) Operating Activities	4,388,853	(4,628,894)
Cash Flows from Noncapital Financing Activities		
Cash Received from Primary Government	$ 4,800,000	$ 4,667,250
Other Income	78,922	179,705
Interest Expense and Finance Charges	(2,246)	(1,253)
Net Cash Provided by Noncapital Financing Activities	4,876,676	4,845,702
Cash Flows from Capital and Related Financing Activities		
Note Principal Payments	(24,158)	(23,510)
Acquisition of Property and Equipment	(158,666)	(58,336)
Net Cash Used in Capital and Related Financing Activities	(182,824)	(81,846)
Cash Flows from Investing Activities		
Interest Income	71,897	51,384
Net Sale of Investments	(1,152,978)	(1,038,568)
Net Cash Used in Investing Activities	(1,081,081)	(987,184)
Net Increase (Decrease) in Cash and Cash Equivalents	8,001,624	(852,222)
Cash and Cash Equivalents, Beginning of Year	9,308,458	10,160,680
Cash and Cash Equivalents, End of Year	$ 17,310,082	$ 9,308,458
Reconciliation of Loss to Net Cash Provided by (Used In) Operating Activities:		
Operating Loss	$ (6,036,882)	$ (7,714,182)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	434,432	443,072
Bad Debt Expense	154,960	591,563
Increase in Deferred Outflows of Resources	(4,398,702)	(1,902,620)
Increase in Net Pension Liability	5,806,388	3,788,139
Decrease in Accounts Receivable	107,264	503,947
(Increase) Decrease in Prepaid Expenses	(7,733)	15,434
(Increase) in Loans Receivable	(1,401)	(411,866)
(Decrease) Increase in Accounts Payable and Accrued Expenses	(490,101)	138,188
(Decrease) in Compensated Absences	(30,305)	(71,800)
Increase (Decrease) in Deferred Revenue	8,750,103	(8,765)
(Decrease) Increase in Security Deposit	(14,000)	1,084
Increase in Deferred Inflows of Resources	114,440	-
Increase (Decrease) in Interest Payable	390	(1,088)
Net Cash Provided by (Used in) Operating Activities	$ 4,388,853	$ (4,628,894)

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

- ***Economic Dependency:*** The Authority's sustainability depends primarily on appropriations from the Government of the Virgin Islands. In addition, it earns income from application fees, processing fees, compliance fees, and rental income from its Industrial Park facilities. During fiscal year ended September 30, 2016, the Authority received appropriations totaling $4,800,000 from the Government of the Virgin Islands, which approximates 97% 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.

  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.

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

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

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

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

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

  - **Tour Bus Program –** Financing was obtained in the amount of $1,000,000 from the PFA to purchase twenty-six (26) tour buses to provide ground transportation for cruise passengers on the island of St. Croix. The buses were sold in August of 2014 and local taxi operators are now providing this service.

- **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 are considered to be cash or cash equivalents.

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

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

- ***Allowance for Uncollectible Accounts (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 asset or materially extends the asset life are not capitalized.

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

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

- ***Compensated Absences:*** The Authority has recognized the liability for annual leave, which is payable to employees upon separation. Sick leave balances are not paid out upon termination, however 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 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.

- ***Newly Adopted GASB Statements:*** In fiscal year 2016, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application.* This statement provides guidance for determining a fair value measurement for financial reporting purposes. It also provides guidance for applying fair value to certain investments and disclosure related to all fair value investment.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30, 2016:

	Unrestricted	Restricted	Total
Cash and Cash Equivalents	$4,176,702	$13,133,380	$17,310,082

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, 2016, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in excess of this limit are $25,126,675 and are fully collateralized.

Restricted Cash and Cash Equivalents: The restricted cash and cash equivalents at September 30, 2016 consisted of the following:

Micro Credit Loan Program	$1,639,575
Farmers and Fishermen Loan Fund	310,976
Frederiksted Revolving Loan Fund	270,166
Performance Bonding Loan Fund	1,241,205
SBDA Revolving Loan Fund	703,855
SBDA Administration Loan Fund I	139,292
SBDA Administration Loan Fund II	152,332
SSBCI Grant	8,675,979
	$ 13,133,380

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

NOTE 3 INVESTMENTS

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 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, 2016, the Authority's investments consisted of certificate of deposits which had a recurring fair value of $7,094,205 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	$7,094,205	$1,108,725	$5,985,480

NOTE 4 RESTRICTED NET POSITION FOR LOAN PROGRAMS AND OTHER FUNDS

The restricted net position at September 30, 2016, consists of the following:

Micro Credit Loan Program	$ 4,662,084
Farmers and Fishermen Loan Fund	310,976
Frederiksted Revolving Loan Fund	270,166
Performance Bonding Loan Fund	2,452,246
Intermediary Relending Loan Fund	(298,706)
SBDA Revolving Loan Fund	1,280,706
SBDA Administration Loan Fund I	317,246
SBDA Administration Loan Fund II	296,029
SSBCI Grant	11,919,836
	$21,210,583

NOTE 5 LOANS RECEIVABLE

Loans receivable as of September 30, 2016 was as follows:

Loan Principal	$ 4,299,018
Allowance for Doubtful Accounts	(888,180)
Net Loans Receivable	$ 3,410,838

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 2016.

NOTE 6 OTHER RECEIVABLES

The other receivables balance as of September 30, 2016:

	Other Receivables	Allowance	Other Receivables, net
Interest Receivable	$ 11,675	$ -	$ 11,675
Performance Bonding Receivable	412,646	-	412,646
GDB Receivable	82,644	-	82,644
EDC Fees & Charges	412,748	(340,040)	72,708
SBDA Receivable	1,785	-	1,785
Rent Receivable	156,655	(134,355)	22,300
Grant Receivable - Board Up & Scrap	40	-	40
EZC Compliance Receivable	5,330	-	5,330
Tax Increment Financing Fund	30,015	(30,015)	-
Economic Development Management	8,339	-	8,339
Incubator Grant	4,400	-	4,400
Receivable - Taxi-Tour Bus	(210)	-	(210)
Total	$ 1,126,067	$ (504,410)	$ 621,657

Allowance for uncollectible accounts was $504,410 in fiscal year 2016.

NOTE 7 CAPITAL ASSETS

Capital assets are composed of the following at September 30, 2016:

	Beginning Balance	Additions	Retirement	Ending Balance
Capital Assets				
Building and Building Improvements	$ 9,158,980	$ 1,868	$ -	$ 9,160,848
Leasehold Improvements	867,889	-	-	867,889
Equipment	1,160,867	29,822	-	1,190,689
Furniture and Fixtures	367,993	2,400	-	370,393
Vehicles	232,621	124,576	-	357,197
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	11,808,935	158,666		11,967,601
Accumulated Depreciation				
Building and Building Improvements	(8,149,851)	(219,837)	-	(8,369,688)
Leasehold Improvements	(221,915)	(78,252)	-	(300,167)
Equipment	(1,101,687)	(77,680)	-	(1,179,367)
Furniture and Fixtures	(227,456)	(30,270)	-	(257,726)
Vehicles	(212,523)	(28,393)	-	(240,916)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(9,934,017)	(434,432)	-	(10,368,449)
Capital Assets, net	$ 1,874,918	$ (275,766)	$ -	$ 1,599,152

Depreciation expense for the year ended September 30, 2016 totaled $434,432.

NOTE 8 LOANS PAYABLE

The Authority entered into an Intermediary Relending Program loan agreement (IRP) with the United States Department of Agriculture Rural Business Cooperative Services on April 21, 1998. This agreement requires the repayment of the approved loan principal of $670,530 to begin after three (3) years in twenty-seven (27) equal annual installments. An interest rate of 1% accrues on the outstanding balance. As of September 30, 2016, the outstanding loan balance was $319,117.

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 343,275	$ -	$ (24,158)	$ 319,117	$ 25,127

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

2017	$ 25,127
2018	25,378
2019	25,632
2020	25,889
2021-2028	217,091
Total	$ 319,117

NOTE 9 COMPENSATED ABSENCES

Compensated absences balance as of September 30, 2016 was $322,434 of which $166,767 is due within a year.

NOTE 10 LEASES

Lessor --- The Authority leases office properties from the Industrial Park Development Corporation, wholly owned component unit of the Virgin Islands Economic Development Park 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 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 thirty (30) year term lease which expires May 2013. Two additional ten year option periods are available to the Industrial Park with the rental amounts based upon the Bureau of Labor Statistics' Consumer Price Index.

Rent expense for the year ending September 30, 2016 was $282,655. The aggregate lease commitment for the Authority is as follows as of September 30, 2016:

2017	$ 166,600
October – December 2017	41,650
Total	$ 208,250

NOTE 11 DEFERRED REVENUE

Current Deferred Revenue: Represent grant funds received in fiscal year 2012 from the United States Department of Treasury for the State Small Business Credit Initiative. The amount not expended as of the fiscal year end has been reflected in the financial statement as current deferred revenue in the amount of $12,931,650 for fiscal year 2016.

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 $1,000,000 represents advanced funds received from VIPFA in fiscal year 2009. The deferred revenue will be relieved as additional loans are made in the future.

NOTE 12 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 employees are members of the Employees' Retirement System of the Government of the U.S. Virgin Islands ("GERS"), cost sharing single 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, 2016 was $2,149,268.

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, 2016. 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 financial 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 13 NET PENSION LIABILITY

Net Pension Liability

Effective July 1, 2014, the Entity implemented the provision 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 through December 31, 2015 was 20.5% of the member's annual salary.

Effective January 1, 2016, Tier I member contributions increased by 1% to 10% of annual salary for regular employees. Member contributions will increase an additional 1% on January 1, 2017, and January 1, 2018.

Effective January 1, 2016, Tier II member contributions increased by 1% to 10.5% of annual salary for regular employees, and will increase an additional 1% on January 1, 2017, and 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, 2015
Measurement Date:	September 30, 2015
Measurement Period:	October 1, 2014 – September 30, 2015

The Authority's proportionate share of employer contributions recognized by GERS was $413,049 for the Plan's fiscal year ended September 30, 2015.

Pension Liabilities and Expense and Deferred Outflows/Inflows of Resources

As of September 30, 2016, the actuarial calculated net pension liability for the Authority's proportionate share of the net pension liability of the Plan was $24,609,495. The net pension liability of the Plan is measured as of September 30, 2015, 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, 2015. For the measurement date September 30, 2015, there was a change in assumptions for calculating the proportionate share. Actuarially determined proportionate share information from GERS was estimated by management based on an average three-year respective share of Authority's contributions to the Plan relative to all contributions to the Plan. For the measurement date September 30, 2014, proportionate share information from GERS was estimated by management based on the respective single year contributions. At September 30, 2015, the Authority's proportion was .6044 percent, which was an increase of .00475 from its proportion measured as of September 30, 2014.

For the year ended September 30, 2016, the Authority recognized $425,789 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	$ 4,562,759	$ -
Difference between expected and actual experience	624,828	-
Net difference between projected and actual earnings on pension plan investments	459,444	-
Change in proportionate share	1,007,355	114,441
	$ 6,654,386	$ 114,441

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,	
2016	$ 1,294,630
2017	1,294,630
2018	1,294,630
2019	926,777
2020	836,276

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of September 30, 2015, is provided below, including any assumptions that differ from those used in the October 1, 2015 actuarial valuation. Refer to October 1, 2015 actuarial valuation report for a complete description of all other assumptions, which can be found on GERS' website

Inflation Rate:	2.55%
Salary Increases:	2.25% including inflation
Actuarial Cost Method:	Entry Age Normal
Expected Rate of Return:	7.00%
Municipal Bond Yield:	3.71%
Discount Rate:	3.84%
Mortality Table:	RP-2014 Blue Collar

Investment Rate of Return

The long-term expected rate of return of 7.5% 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, 2015, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28%	6.82%
International equity	10%	8.44%
Fixed income	26%	1.72%
Alternative	32%	6.50%
Cash	4%	1.12%

Discount Rate

The discount rate used to measure the total pension liability was 3.84% as of September 30, 2015 and 4.87% as of September 30, 2014. 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 3.71% and 4.11% at September 30, 2015 and 2014, 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% higher than the current rate.

1% Decrease Share of NPL @ 2.84%	Share of NPL @3.84%	1% Increase Share of NPL @4.84%
$28,762,938	$24,609,495	$21,183,611

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

NOTE 14 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority has various outstanding commitments at September 30, 2016, 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 15 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 16 SUBSEQUENT EVENTS

The Authority's management has evaluated subsequent events through April 13, 2017, 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 VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
CONSOLIDATED SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COMPONENT UNIT OF THE GOVERNMENT OF THE U.S. VIRGIN ISLANDS
EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE U.S. VIRGIN ISLANDS

Last 10 Fiscal Years

	2016	**2015**
Proportion Share of the Net Pension Liability	.6044%	0.5569%
Proportionate Share of the Net Pension Liability	$24,609,495	$18,803,107
Covered-Employee Payroll	$ 2,149,268	$ 2,106,050
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	1145%	892%
Plan Fiduciary Net Position as Percentage of the Total Pension Liability	19.58%	27.03%

The schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

Measurement date – September 30, 2015 and 2014

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
CONSOLIDATED SCHEDULE OF CONTRIBUTIONS
COMPONENT UNIT OF THE GOVERNMENT OF THE U.S. VIRGIN ISLANDS
EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF THE U.S. VIRGIN ISLANDS

LAST 10 FISCAL YEARS

	2016	**2015**
Contractually Required Contributions	$ 1,209,343	$ 1,056,524
Contributions in Relation to the Contractually Required Contribution	(437,513)	(388,619)
Annual Contribution Deficiency (Excess)	$ 771,830	$ 677,905
Covered Employee Payroll	$ 2,149,268	$ 2,106,050
Contributions as a Percentage of Covered Employee Payroll	20.33%	18.45%

The schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

OTHER SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMEN TAUTHORITY
CONSOLIDATED COMBINING SCHEDULE OF NET POSITION
AS OF SEPTEMBER 30, 2016
(With Comparative Totals for 2015)

ASSETS	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	USE	TIF	SSBCI	STEP	INCUBATOR	Tour Bus	Eliminations	2016	2015	Variance
Current Assets:																	
Cash and Cash Equivalents	-	$ 1,291,870	$ 1,461,396	$ 461	$ 32,216	$ 217,769	$ 16,443	$ -	$ 1	$ 1,070,212	$ 2,575	$ 23,163	$ 60,596	$ -	$ 4,176,702	$ 3,674,757	$ 501,945
Investments	-	922,427	-	-	186,298	-	-	-	-	-	-	-	-	-	1,108,725	185,558	923,167
Receivable, net	497,629	8,339	72,708	1,785	22,300	-	5,370	-	-	9,336	-	4,400	(210)	-	621,657	748,550	(126,893)
Due from Other Fund	2,352,132	583,234	1,861,423	274,359	10	-	-	-	-	-	21,797	-	-	5,092,955	-	-	-
Prepaid & Other Assets	-	44,267	-	-	9,858	-	-	-	-	-	-	-	-	-	54,125	46,392	7,733
Total Current Assets	2,849,761	2,850,137	3,395,527	276,605	250,682	217,769	21,813	-	1	1,079,548	24,372	27,563	60,386	5,092,955	5,961,209	4,655,257	1,305,952
Non-Current Assets:																	
Restricted Cash & Cash Equivalents	2,880,780	-	-	1,284,997	-	-	-	291,624	-	8,675,979	-	-	-	-	13,133,380	5,633,701	7,499,679
Restricted Investments	2,689,323	-	-	-	-	-	-	52,300	-	3,243,857	-	-	-	-	5,985,480	5,755,669	229,811
Restricted Loan Receivable, net	2,544,226	-	-	576,850	-	20,411	-	269,351	-	-	-	-	-	-	3,410,838	3,564,397	(153,559)
Total Non-Current Assets	8,114,329	-	-	1,861,847	-	20,411	-	613,275	-	11,919,836	-	-	-	-	22,529,698	14,953,767	7,575,931
Capital Assets, net	10,814	683,325	325	96,937	807,751	-	-	-	-	-	-	-	-	-	1,599,152	1,874,918	(275,766)
Total Assets	10,974,904	3,533,462	3,395,852	2,235,389	1,058,433	238,180	21,813	613,275	1	12,999,384	24,372	27,563	60,386	5,092,955	30,090,059	21,483,942	8,606,117
Deferred Outflows of Resources	-	6,141,125	-	-	513,261	-	-	-	-	-	-	-	-	-	6,654,386	2,255,684	4,398,702
Total Assets and Deferred Outflows of Resources	10,974,904	9,674,587	3,395,852	2,235,389	1,571,694	238,180	21,813	613,275	1	12,999,384	24,372	27,563	60,386	5,092,955	36,744,445	23,739,626	13,004,819
LIABILITIES																	
Current Liabilities																	
Accounts Payable	210	210,309	47,500	2,790	18,250	-	-	69	-	-	-	-	-	-	279,128	772,665	(493,537)
Accrued Expenses	-	55,339	-	-	-	-	-	-	-	-	-	-	-	-	55,339	51,903	3,436
Compensated Absences - Current	-	152,304	-	-	14,463	-	-	-	-	-	-	-	-	-	166,767	52,286	114,481
Interest Payable	18,245	-	-	-	-	1,425	-	-	-	-	-	-	-	-	19,670	19,280	390
Due to Other Fund	-	4,374,477	10	-	187,309	-	-	-	7,596	12,780	-	444,808	65,975	5,092,955	-	-	-
Deferred Revenue	-	-	-	-	-	-	21,767	-	-	12,901,740	8,143	-	-	-	12,931,650	4,181,547	8,750,103
Long Payable - Current	-	-	-	-	-	25,127	-	-	-	-	-	-	-	-	25,127	24,571	556
Total Current Liabilities	18,455	4,792,429	47,510	2,790	220,022	26,552	21,767	69	7,596	12,914,520	8,143	444,808	65,975	5,092,955	13,477,681	5,102,252	8,375,429
Non-Current Liabilities																	
Compensated Absences	-	142,080	-	-	13,587	-	-	-	-	-	-	-	-	-	155,667	300,453	(144,786)
Security Deposit	-	-	-	-	31,183	-	-	-	-	-	-	-	-	-	31,183	45,183	(14,000)
Deferred Revenue	1,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	1,000,000	-
Relief Revolving Funds	-	-	-	400,000	-	-	-	-	-	-	-	-	-	-	400,000	400,000	-
Loan Payable	-	-	-	-	-	293,990	-	-	-	-	-	-	-	-	293,990	318,704	(24,714)
Net Pension Liability	-	22,651,693	-	-	1,957,802	-	-	-	-	-	-	-	-	-	24,609,495	18,803,107	5,806,388
Total Non-Current Liabilities	1,000,000	22,793,773	-	400,000	2,002,572	293,990	-	-	-	-	-	-	-	-	26,490,335	20,867,447	5,622,888
Total Liabilities	1,018,455	27,586,202	47,510	402,790	2,222,594	320,542	21,767	69	7,596	12,914,520	8,143	444,808	65,975	5,092,955	39,968,016	25,969,699	13,998,317
Deferred Inflows of Resources	-	13,078	-	-	101,363	-	-	-	-	-	-	-	-	-	114,441	-	114,441
Total Liabilities and Deferred Inflows of Resources	1,018,455	27,599,280	47,510	402,790	2,323,957	320,542	21,767	69	7,596	12,914,520	8,143	444,808	65,975	5,092,955	40,082,457	25,969,699	14,112,758
NET POSITION																	
Invested in Capital Assets, net of related debt	10,814	683,325	325	96,937	807,751	-	-	-	-	-	-	-	-	-	1,599,152	1,874,918	(275,766)
Restricted Net Position	7,114,329	-	-	1,861,848	-	(298,706)	-	613,275	-	11,919,836	-	-	-	-	21,210,583	12,914,073	8,296,510
Unrestricted Net Positon	2,831,307	(18,608,018)	3,348,017	(126,187)	(1,560,014)	216,344	46	(69)	(7,595)	(11,834,972)	16,229	(417,245)	(5,589)	-	(26,147,746)	(17,019,064)	(9,128,682)
Total Net Position	$ 9,956,449	$ (17,924,693)	$ 3,348,342	$ 1,832,599	$ (752,263)	$ (82,362)	$ 46	$ 613,206	$ (7,595)	$ 84,864	$ 16,229	$ (417,245)	$ (5,589)	$ -	$ (3,338,012)	$ (2,230,073)	$ (1,107,939)

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
CONSOLIDATED COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016
(With Comparative Totals for 2015)

	GDB	EDM	EDC	SBDA	IPDC	IRP	EZC	USE	TIF	SSBCI	STEP	INCUBATOR	Tour Bus	2016	2015
Operating Revenues															
Allocation of Bond Proceeds	$ 60,595	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 60,595	$ 12,999
Application and Processing Fees	-	35,467	545,000	-	-	-	-	-	-	-	-	-	-	580,467	487,518
Rental Income	-	-	-	-	411,249	-	-	-	-	-	-	14,400	-	425,649	474,111
Interest Income from Loans	107,891	-	-	21,830	-	2,076	-	9,380	-	-	-	-	-	141,177	130,429
Grant Revenue	-	-	-	-	-	-	-	-	-	53,021	-	248,656	-	301,677	529,450
Penalties	-	-	175,381	-	-	-	-	-	-	-	-	-	-	175,381	284,291
Other Operating Income	79,446	-	-	2,017	45,912	94	-	-	-	-	-	-	-	127,469	69,122
Total Revenue	247,932	35,467	720,381	23,847	457,161	2,170	-	9,380	-	53,021	-	263,056	-	1,812,415	1,987,920
Operating Expenses															
Personnel Costs	-	4,713,195	-	-	390,664	-	-	-	-	-	-	2,874	-	5,106,732	5,318,125
General and Administrative	(551)	570,429	292	(282)	137,800	-	(4)	509	-	-	-	5,627	-	713,820	1,034,070
Occupancy	-	241,670	-	-	40,985	-	-	-	-	-	-	-	-	282,655	276,965
Advertising	-	221,627	-	-	-	-	-	-	-	-	-	-	-	221,627	232,016
Professional Services	-	566,670	-	-	977	-	-	-	-	-	-	2,467	-	570,114	1,175,506
Travel	-	57,808	-	-	5,472	-	-	-	-	-	-	-	-	63,280	101,335
Grant Expenditure	-	-	-	-	-	-	-	-	-	53,021	-	248,656	-	301,677	529,450
Bad Debt	-	-	73,381	-	63,911	-	-	17,668	-	-	-	-	-	154,960	591,563
Total Operating Expenses	(551)	6,371,399	73,673	(282)	639,809	-	(4)	18,177	-	53,021	-	259,624	-	7,414,865	9,259,030
Excess (Deficiency) of Revenues from Operations Before Depreciation and Other Assets	248,483	(6,335,932)	646,708	24,129	(182,648)	2,170	4	(8,797)	-	-	-	3,432	-	(5,602,451)	(7,271,110)
Depreciation	2,679	181,259	16,077	5,960	227,859	-	-	-	-	-	598	-	-	434,432	443,072
Operating Income (Loss)	245,804	(6,517,191)	630,631	18,169	(410,507)	2,170	4	(8,797)	-	-	(598)	3,432	-	(6,036,883)	(7,714,182)
NonOperating Revenues (Expenses)															
Government Appropriation	-	4,800,000	-	-	-	-	-	-	-	-	-	-	-	4,800,000	4,667,520
Interest Income	13,329	10,251	-	161	883	-	-	-	-	41,073	-	-	-	65,697	51,384
Other Income	-	29,531	-	9,209	-	23.00	-	26,730	-	-	-	-	-	65,493	179,705
Interest Expense & Finance Charges	-	-	-	-	-	(4,696)	-	2,450	-	-	-	-	-	(2,246)	(1,253)
Total Non-Operating Revenues	13,329	4,839,782	-	9,370	883	(4,673)	-	29,180	-	41,073	-	-	-	4,928,944	4,897,356
Changes in Net Assets	259,133	(1,677,409)	630,631	27,539	(409,624)	(2,503)	4	20,383	-	41,073	(598)	3,432	-	(1,107,939)	(2,816,826)
Net Assets, Beginning of Year	9,697,316	(16,247,284)	2,717,711	1,805,060	(342,639)	(79,859)	42	592,823	(7,595)	43,791	16,827	(420,677)	(5,589)	(2,230,073)	586,753
Net Assets, End of Year	$ 9,956,449	$ (17,924,693)	$ 3,348,342	$ 1,832,599	$ (752,263)	$ (82,362)	$ 46	$ 613,206	$ (7,595)	$ 84,864	$ 16,229	$ (417,245)	$ (5,589)	$ (3,338,012)	$ (2,230,073)