VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS

SEPTEMBER 30, 2010
Together With Independent Auditors' Report

BERT SMITH & Co.

Certified Public Accountants and Management Consultants

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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BERT SMITH & Co.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of the Virgin Islands Economic Development Authority (the Authority) as of September 30, 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the year ended September 30, 2010. The Virgin Islands Economic Development Authority is a component unit of the Government of the U.S. Virgin Islands. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of September 30, 2009, were audited by other auditors whose report dated March 8, 2010, expressed a qualified opinion on those statements.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, the financial statements present only the Authority's financial position and the changes in its 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, 2010, and changes in its financial position for the year ended, in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to in the first paragraph presents fairly, in all material respects, the financial position of the Virgin Islands Economic Development Authority as of September 30, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The combining financial statements on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

Bert Smith & Co.

Washington D.C.
June 27, 2011

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2010

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

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

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

As management of the Virgin Islands Economic Development Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP"), and 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 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 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 financial statements report information for all of the Authority's operations. The statement of net assets includes all of the Authority's assets and liabilities. All of the revenues and expenses of the Authority are accounted for in the statements of revenues, expenses and changes in net assets.

The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes describe the nature of the Authority's reporting entity and the relationship to the Government of the U.S. Virgin Islands as a whole, the basis on which the financial statements were prepared, and the methods used for presentation.

Fund financial statements are presented as supplementary schedules. These schedules separate the financial statements and operations for each of the eight major funds.

Financial Highlights

- The Authority's net assets were $15,606,305 in FY 2010, which represents an increase of $1,018,883 or 7% compared to FY 2009.
- Total assets exceeded total liabilities by $15,606,305 in FY 2010 compared to $14,587,422 in FY 2009.
- Operating revenues for the Authority were $1,461,532 in FY 2010, which reflects an increase of $552,058 or 61% over FY 2009.
- Operating expenses were $7,106,892 in FY 2010, which reflects an increase of $1,661,291 or 31% over FY 2009.
- Transfers in (appropriations) totaling $4,780,328 received from the Government of the Virgin Islands in FY 2010 was $268,999 or 6% higher than in FY 2009; in addition, $1,746,700 was received from the Virgin Islands Public Finance Authority pursuant to Act No. 7081 issued by the legislature of the Virgin Islands.

Financial Analysis of Net Assets

The following table presents condensed information of the net assets of the Authority as of September 30, 2010 and 2009.

	2010	2009
Current Assets	$ 3,939,255	$ 4,919,302
Noncurrent Assets	10,738,163	8,429,998
Capital Assets, net	3,302,096	3,740,147
Total Assets	17,979,514	17,089,447
Current Liabilities	770,636	857,630
Noncurrent Liabilities	1,602,573	1,644,395
Total Liabilities	2,373,209	2,502,025
Net Assets		
Invested in Capital Assets, net of related debt	3,222,832	3,740,147
Restricted	9,732,356	3,379,018
Unrestricted	2,651,117	7,468,257
Total Net Assets	$15,606,305	$14,587,422

Current Assets

Current assets decreased by $980,047 or 20% in FY 2010 compared to FY 2009. This was due to a decrease in cash and cash equivalents of $755,609 or 19%, due in part to the Authority reserving funds for its loan programs; an increase of $11,472 or 4% in investments; and an increase in accounts receivable of $141,782 or 52% due to compliance and penalty fees assessed to EDC beneficiary during the year and rental payments due from IPDC lessees. In addition, there was a decrease of $377,692 or 83% in prepaid and other assets.

Noncurrent Assets

Noncurrent assets increased by $2,308,165 or 27% in FY 2010 compared to FY09. This was due to an increase of $1,516,718 or 78% in restricted cash due to the net effect of an appropriation received from the Legislature to implement the Performance Bonding Program and an increase in the loan fund balance as a result of reserves made by the Authority. In addition, restricted investments increased by $626,840 or 25%; while loans receivable increased by $210,210 or 5% primarily due to a slightly higher demand during the fiscal year.

Capital Assets, net
Total capital assets, net decreased by $438,051 or 12% in FY 2010 due mainly to depreciation of the Authority's vehicles and buildings.

Current Liabilities
The Authority's current liabilities decreased in FY 2010 by $86,994 or 10%, compared to FY 2009. The decrease is the net effect of the following:

- Increases in accounts payable and accrued expenses of $86,036 or 590%, and $140,736 or 168%, respectively, as the Authority was slower in paying its vendors in FY 2010;
- A decrease of $77,100 or 29% in the current portion of compensated absences;
- A total increase of $2,167 or 12% in interest payable;
- A decrease of $35,683 or 17% in the amounts due to the Territorial Scholarship, and Workforce Development Funds;
- An increase in the current portion of long term debt of $70,028 or 100%, due to the recognition of amounts due within a year.

Noncurrent Liabilities
Noncurrent liabilities in FY 2010 totaled $1,602,573, a decrease of $41,822 or 3% over FY 2009, primarily as a result of the following:

- An increase of $95,495 or 100% in compensated absences due to annual leave incurred during the year and the recognition of amounts due in over a year;
- A decrease of $137,317 or 23% in long term debt, due to debt payments and the reclassification of amounts due within a year to current liabilities.

Net Assets
The Authority's total net assets increased by $1,018,883 or 7% in FY 2010, as a result of revenues surpassing expenses. The Authority realized increased revenues of $1,618,779 generated as a result of lease income from tour buses in St. Croix, an increase in application and processing fees, interest earned from the various loan programs, transfers in from the Virgin Islands Public Finance Authority, and an increase in allotments from the Government of the Virgin Islands. Expenses increased by $1,671,672 mainly due to increases in personal costs of $407,151 or 13%, and an allowance for uncollectible loans and accounts receivable set up during the year of $1,070,198.

Financial Analysis of Revenues, Expenses and Changes in Net Assets

The following table represents comparative condensed statements of changes in net assets for the Authority as of September 30, 2010 and 2009.

	2010	2009
Operating Revenue	$ 1,461,532	$ 909,474
Operating Expense	(7,106,892)	(5,445,601)
Operating Loss	(5,645,360)	(4,536,127)
Net Non-operating Revenue	137,215	96,574
Loss Before Transfers	(5,508,145)	(4,439,553)
Transfers In – Appropriations	6,527,028	5,511,329
Change in Net Assets	1,018,883	1,071,776
Net Assets, Beginning of the Year	14,587,422	13,515,646
Net Assets, End of the Year	$ 15,606,305	$ 14,587,422

Revenues
Operating revenues are generated principally from application and processing fees, interest generated from loans, lease income from tour buses in St. Croix and rent received from tenants located in the Industrial Parks in St. Thomas and St. Croix. Total operating revenues in FY 2010 was $1,461,532, which was $552,058 or 61% higher than in FY 2009. The improvement was due to increases in the number of loans processed, local contractors taking advantage of the bid and performance bonding program, and the addition of a major tenant at the Industrial Park on St. Croix.

Operating Expenses
Total operating expenses increased $1,661,291 or 31% in FY 2010, due primarily to the allowance for uncollectible loans that were reevaluated and adjusted to reflect the current risk of default; staff salary increases in compliance with the union agreement; and the filling of key vacant positions, necessary to improve the delivery of service.

Non-operating Revenues and Expenses
Total net non-operating revenues increased by $40,641 or 42% in FY 2010, due to an increase in interest income from certificates of deposit of $62,301; a decrease in other income of $11,279; and an increase in interest expense and finance charges of $10,381.

Transfers In
To subsidize operating expenses, transfers in (appropriations) totaling $4,780,328 were received from the Government of the Virgin Islands in FY 2010; this reflects an increase of $268,599 or 6%. In addition, $1,746,700 was received from the Virgin Islands Public Finance Authority, pursuant to Act No. 7081 issued in FY 2009.

Programs

Enterprise Zone Program – This program offers incentives for businesses to invest in severely economically depressed areas in St. Thomas and St. Croix. The program provides tax credits to businesses, which provide employment to residents of the designated areas. During the audit period, extensive promotion was carried out by the Director of this Program in various communities of the territory.

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

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

Performance Bonding Program – As a new initiative of the Lending Unit, this program started towards the latter part of 2010. It secures the link between local contractors, the department of Property and Procurement, local banking institutions and sureties licensed in the Virgin Islands that allows local contractors to participate in capital development projects by providing payment and performance bonding. During the audit period, the program made it possible for three contractors to secure bid bonds totaling $1,113,744.

Tour Bus Program – Cruise lines requested "tour type" buses as a condition to making St. Croix a "port of call." As a result, an advance was received in the amount of $1,000,000 from the Virgin Islands Public Finance Authority to purchase 26 tour buses, some of which have been leased to local tour operators. This initiative was considered an investment in the St. Croix economy.

Energy Loan and Rebate Program – The Authority serves as a loan processing agent for the Virgin Islands Energy Office, in collaboration with the Virgin Islands Water and Power Authority. The Authority processes loan applications, issues loan and rebate checks and maintains customers' loan balances and files. These transactions are not reflected in the financial statements of the Authority, and as of the end of the audit period a total of 312 loans and rebates have been issued valued at $638,006.

Department of Agriculture Loan Program – The Authority serves as a loan processing agent for the Virgin Islands Department of Agriculture pursuant to a memorandum of understanding between the parties. The Authority processes loan applications, issues loan checks and maintains customers' loan balances and files. These transactions are not reflected in the financial statements of the Authority. As of September 30, 2010, the Authority had issued loans valued at $600,000.

REQUEST FOR INFORMATION – This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's operation. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Virgin Islands Economic Development Authority, 5055 Norre Gade, St. Thomas, VI 00802.

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2010

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 3,157,148
Investments	289,770
Receivable, net	414,415
Prepaid and Other Assets	77,922
Total Current Assets	3,939,255
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	3,464,962
Restricted Investments	3,164,974
Restricted Loans Receivable, net	4,108,227
Total Noncurrent Assets	10,738,163
Capital Assets, net	3,302,096
Total Assets	$17,979,514
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 100,629
Accrued Expenses	224,482
Compensated Absences, current	184,891
Interest Payable	20,412
Due to Territorial Scholarship and Workforce Development Funds	170,194
Long-Term Debt, current	70,028
Total Current Liabilities	770,636
Noncurrent Liabilities:	
Compensated Absences	95,495
Security Deposits	34,404
Deferred Revenue	1,000,000
Long-Term Debt	472,674
Total Noncurrent Liabilities	1,602,573
Total Liabilities	2,373,209
Net Assets:	
Invested in Capital Assets, net of related debt	3,222,832
Restricted Net Assets	9,732,356
Unrestricted Net Assets	2,651,117
Total Net Assets	$15,606,305

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Operating Revenues:	
Application and Processing Fees	$ 592,616
Rental Income	535,113
Interest Income from Loans	207,742
Other Operating Income	126,061
Total Operating Revenues	1,461,532
Operating Expenses:	
Personnel Costs	3,476,635
Occupancy	308,312
Advertising	168,369
Professional Services	295,715
Travel	233,674
Other Administrative Expenses	1,037,138
Bad Debt	1,070,198
Depreciation	516,851
Total Operating Expenses	7,106,892
Operating Loss	(5,645,360)
Non-operating Revenues (Expenses):	
Interest Income	129,038
Other Income	22,500
Interest Expenses and Finance Charges	(14,323)
Total Net Non-operating Revenues	137,215
Net Loss Before Transfers	(5,508,145)
Transfers In	6,527,028
Total Transfers	6,527,028
Change In Net Assets	1,018,883
Net Assets Beginning of Year, restated (Note 1)	14,587,422
Net Assets End of Year	$15,606,305

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Cash Flows from Operating Activities	
Cash Received from Application and Processing	$ 419,127
Cash Received from Tenants	483,381
Cash Received from Loan Repayments	761,119
Cash Received from Other Operating Income	126,061
Cash Paid for Goods and Services	(1,711,922)
Cash Paid to Employee for Services	(3,458,240)
Loan Disbursements	(1,704,743)
Net Cash Used in Operating Activities	(5,085,217)
Cash Flows from Non-capital Financing Activities	
Cash Received from Appropriations and Other Transfers In	6,527,028
Trust Fund Payments	(35,683)
Other Income	22,500
Interest Expense and Finance Charges	(14,323)
Net Cash Provided by Non-capital Financing Activities	6,499,522
Cash Flows from Capital Related Financing Activities	
Debt Payments	(67,289)
Net Cash Used in Capital and Related Financing Activities	(67,289)
Cash Flows from Investing Activities	
Interest Income	131,205
Purchase of Investments	(638,312)
Acquisition of Property and Equipment	(78,800)
Net Cash Used in Investing Activities	(585,907)
Net Increase in Cash and Cash Equivalents	761,109
Cash and Cash Equivalents, Beginning of Year	5,861,001
Cash and Cash Equivalents, End of Year	$ 6,622,110
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Loss	$ (5,645,360)
Adjustments to Reconcile Excess of Expenses Over Revenues to Net Cash Used in Operating Activities	
Depreciation	516,851
Bad Debt	1,070,198
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable	(225,220)
Decrease in Prepaid Expenses	377,692
(Increase) in Loans Receivable	(1,151,367)
Increase in Accounts Payable and Accrued Expenses	226,772
Increase in Compensated Absences	18,395
Increase in Due to Other Funds	(273,178)
Net Cash Used in Operating Activities	$ (5,085,217)

The accompanying notes are an integral part of these financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The mission of the Authority is to accelerate the economic development of the Virgin Islands by providing financial and technical assistance to industrial 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'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, 2010, the Authority received transfers in (appropriations) totaling $4,780,328 from the Government of the Virgin Islands, together with $1,746,700 in transfers from the Virgin Islands Public Finance Authority pursuant to Act No. 7081; and 1,598,747 of revenue earned from its various revenue-generating sources.

Basis of Presentation: The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to government units. The Authority uses the economic resources measurement focus and follows the accrual basis of accounting.

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

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing business operations. Operating expenses include costs and losses resulting from services, administrative expenses, and depreciation expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

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, 2010, the Authority maintained eight (8) major funds, or activities which constitute the major transactions of the Authority:

The following is a summary of the nature of these funds:

- **Government Development Bank Fund (GDB)** accounts for the locally funded Micro Loan Program. This fund accounts for interest income from the operating account and certificate of deposit, local government appropriations made to the Authority, 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 and for the local loans of Farmers and Fishermen, Frederiksted Revolving Loan Fund and the SDBA Direct Loan Fund. Appropriations from the central government and administrative costs are also accounted for under this fund. The SBDA legislation does not allow interest earned from its loan portfolio to be used for administrative purposes. The interest income is restricted and is used for issuing new loans.

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

- **Intermediary Relending Program (IRP)** accounts for loans that are funded by the United States Department of Agriculture Rural Development Program. The interests income earned from these loans are 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, and as a result of which, employment opportunities are provided to residents of the areas so designated.

- **Economic Development Authority (EDA)** fund 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.

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

Investments: Investments in marketable securities or other short-term investments of cash with readily determinable fair values, and all 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.

Loan Receivables: These amounts are reported at their unpaid principal balances, net of the allowance for loan losses. The loans bear interest ranging from 4% to 12%.

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

Capital Assets: It is the policy of the Authority to capitalize property and equipment at cost at the time of acquisition. Purchased property and equipment is capitalized at cost and depreciated using the straight line method.

The estimated economic lives of the Authority's property and equipment varied as follows:

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

Compensated Absences: The Authority has recognized the liability for annual leave, which is payable to employees upon separation. Sick leave balances are not paid out upon termination, however, a liability for the balances do exist in the event an employee transfers to another government agency; such liability is recognized at the time of the transfer.

Operating and Nonoperating Revenues: Operating revenues of the Authority consists of revenues generated from the primary activities of each of the Authority's funds. This includes application and compliance fees, rental income, and interest on loans. Nonoperating revenues consist of interest generated from restricted and unrestricted investments in short term investment instruments.

Net Assets: Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contribution of capital and are classified in the following three components:

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

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

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

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restatement: The Authority restated its prior year financial statements due to the reclassification of balances among liability and net asset classifications. The net effect on net assets at September 30, 2010, was an increase of $11,863,882.

Net Assets, as previously reported	$ 2,723,540
Revolving Loan Funds	11,159,361
Due to Other Funds	704,521
Net Assets, as restated	$ 14,587,422

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30, 2010:

	Unrestricted	Restricted	Total
Cash and Cash Equivalents	$3,157,148	$3,464,962	$6,622,110

Custodial Risk

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, 2010, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to $250,000. Cash in excess of this limit is $9,813,968, and is fully collateralized.

Restricted Cash and Cash Equivalents

The restricted cash and cash equivalents at September 30, 2010 consists of the following:

Micro Credit Loan Program	$1,117,330
Farmers and Fishermen Loan Fund	259,345
Frederiksted Revolving Loan Fund	259,341
Performance Bonding Loan Fund	1,240,887
Intermediary Relending Loan Fund	170,018
SBDA Revolving Loan Fund	214,992
SBDA Administration Loan Fund I	40,016
SBDA Administration Loan Fund II	135,308
Territorial Scholarship Fund	17,725
Board Up Grant	10,000
	$3,464,962

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.

Committed Funds

The Authority considers certain income as committed. These funds are set aside by management or the Board of Directors to carry out various mandates or to achieve certain objectives.

Workforce Development Fund – This is a fund authorized by the Board of Directors to implement a training program to assist residents in obtaining the necessary skills to enter the workforce. Receipts from fines imposed for violation of Economic Development Commission (EDC) rules and regulations are committed to this fund.

NOTE 3 INVESTMENTS

Investments at September 30, 2010 were comprised of certificates of deposits and funds held in a money market fund totaling $3,344,768 and $109,976, respectively. Balances in excess of $250,000 maintained in depository institutions are collateralized.

NOTE 4 RESTRICTED NET ASSETS

The restricted net assets at September 30, 2010 consists of the following:

Micro Credit Loan Program	$2,736,301
GDB Funds – Start Up	2,597,404
Farmers and Fishermen Loan Fund	302,626
Frederiksted Revolving Loan Fund	259,319
Performance Bonding Loan Fund	1,749,771
Intermediary Relending Loan Fund	492,094
SBDA Revolving Loan Fund	938,341
SBDA Administration Loan Fund I	282,751
SBDA Administration Loan Fund II	351,831
Territorial Scholarship Fund	17,725
Board Up Grant	4,193
	$9,732,356

NOTE 5 LOANS RECEIVABLE

The net loans receivable totaling $4,108,227 as of September 30, 2010 represent outstanding loans from borrowers in the amount of $11,150,272 net of an allowance for doubtful accounts of $7,042,045. The allowance includes majority of the SBDA loans which were assumed by the Authority at its inception; additional allowances established in FY 2010 was $986,759.

NOTE 6 RECEIVABLES

The receivable balances as of September 30, 2010.

	Receivables	Allowance	Receivables, net
Due from Vendor	$ 8,636	$ -	$ 8,636
Interest Receivable	8,753	-	8,753
Rent Receivable	204,728	111,781	92,947
EDC Fees & Charges	442,424	168,360	274,064
Tax Increment Financing Fund	30,015	-	30,015
Total	$ 694,556	$ 280,141	$ 414,415

Total provision for uncollectible accounts during FY 2010 was $83,439.

NOTE 7 CAPITAL ASSETS

As of September 30, 2010, capital assets are composed of the following:

	Beginning Balance	Additions	Disposals	Ending Balance
Building and Building Improvements	$9,148,427	$ -	$ -	$ 9,148,427
Leasehold Improvements	428,431	-	-	428,431
Equipment	555,658	76,624	-	632,282
Furniture and Fixtures	368,057	2,173	-	370,230
Vehicles	1,135,018	-	-	1,135,018
Leasehold Equipment	20,585	-	-	20,585
Total Capital Assets	11,656,176	78,797	-	11,734,973
Less Accumulated Depreciation:				
Building and Building Improvements	(6,777,527)	(232,987)	-	(7,010,514)
Leasehold Improvements	(95,301)	(14,761)	-	(110,062)
Equipment	(597,883)	(46,406)	-	(644,289)
Furniture and Fixtures	(152,067)	(15,404)	-	(167,471)
Vehicles	(272,663)	(207,293)	-	(479,956)
Leasehold Equipment	(20,585)	-	-	(20,585)
Total Accumulated Depreciation	(7,916,026)	(516,851)	-	(8,432,877)
Capital Assets, net	$3,740,150	$ (438,054)	$ -	$ 3,302,096

The related depreciation expense for the year ended September 30, 2010 totaled $516,851.

NOTE 8 LONG TERM DEBT

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, 2010, the balance of the debt for USDA IRP was $463,439.

Also, the Industrial Park Development Corporation (IPDC) through the Virgin Islands Economic Development Authority issued a note in the amount of $350,000, on May 22, 2002, with an interest rate of 8% to Blak Corporation. The loan is to be repaid in 120 equal monthly installment of $4,246. At September 30, 2010, the outstanding principal balance on the note was $79,263.

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Loan Payable	$ 487,986	$ -	$ (24,547)	$ 463,439	$ 23,739
Note Payable	122,005	-	(42,742)	79,263	46,289
	$ 609,991	$ -	$ (67,289)	$ 542,702	$ 70,028

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

2011	$ 70,028
2012	55,466
2013	22,717
2014	22,944
2015	23,173
2016 - 2020	119,389
2021 - 2025	125,479
2026 - 2029	103,506
Total	$542,702

NOTE 9 COMPENSATED ABSENCES

Compensated absences balance as of September 30, 2010 was $280,386, of which $184,891 is due within a year. The Authority accrued balances attributed to sick leave for the first time during the year, due to the liability that exists in the event the employee transfers to another governmental agency. The changes in the balance are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Compensated Absences	$ 261,991	$ 122,980	$ (104,585)	$ 280,386

NOTE 10 LEASES

Lessor

The Authority leased a total of ten buses to two tour bus operators on the island of St. Croix during the year. These leases are for two-year terms, with monthly payments dependent on revenues earned from the operation of the buses. The tour bus operators pay the Authority 20% of earned revenue in the months less than four cruise ships dock at the Frederiksted Pier and 30% when more than four cruise ships dock.

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

2011	$293,041
2012	187,313
2013	112,770
Total	$593,124

Lessee

The Authority leases office space on a month to month basis for $17,568 per month. In addition, the Industrial Park buildings are located on parcels of leased land. The land is rented under a 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, 2010 was $308,312.

At September 30, 2010, minimum lease payments September 30, for each of the remaining three succeeding fiscal years of the original term of the lease are as follows:

2011	$ 36,984
2012	36,984
2013	24,656
Total	$98,624

NOTE 11 DEFERRED REVENUE

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

NOTE 12 RETIREMENT PLAN

The Government Employees Retirement System of the Virgin Islands (GERS) is a cost sharing, multiple employer public employee retirement system, established by the Government of the Virgin Islands to provide retirement, death and disability benefits to its employees. The Authority's part-time employees who at the time of employment are under age 55 years with one year of government service are eligible to participate in the system. The Authority's required contribution for the fiscal year ended September 30, 2010, 2009 and 2008 were 17.5%, 17.5% and 14.5%, respectively, of the member's annual salary. Member contributions were 8% of annual salary for the fiscal year 2010, 2009 and 2008. The Authority's contribution to the retirement plan over the past three fiscal years was $439,444 in fiscal year 2010, $351,302 in fiscal year 2009, and $288,320 in fiscal years 2008. The financial report of the retirement system can be obtained from the Government Employees' Retirement System, 3438 Kronprindens Gade, Saint Thomas, Virgin Islands, 00802.

NOTE 13 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Authority has various outstanding commitments at September 30, 2010 which includes outstanding loan commitments in the process of being approved by the Board of Directors which are not reflected on the statement of net assets. The Authority asserts that there have not been any material claims, suits or complaints filed nor are any pending against the Authority. In the opinion of management, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations if they were disposed of unfavorably.

NOTE 14 RISK MANAGEMENT

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

SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	GDB	EDC	SBDA	IPDC	IRP	EZC	EDA	TIF	Eliminations	2010
ASSETS										
Current Assets:										
Cash and Cash Equivalents	$ 2,092,362	$ 732,609	$ 99,334	$ 226,707	$ -	$ -	$ -	$ 6,136	$ -	$ 3,157,148
Investments	-	-	-	289,770	-	-	-	-	-	289,770
Accounts Receivable, net	17,389	274,064	-	92,947	-	-	-	30,015	-	414,415
Due from Other Fund	140,167	5,119	-	3,079	-	-	-	-	(148,365)	-
Prepaid and Other Assets	63,870	181	6,726	7,145	-	-	-	-	-	77,922
Total Current Assets	2,313,788	1,011,973	106,060	619,648	-	-	-	36,151	(148,365)	3,939,255
Noncurrent Assets:										
Restricted Cash and Cash Equivalents	2,358,217	17,725	733,678	-	170,018	10,000	175,324	-	-	3,464,962
Restricted Investments	3,164,974	-	-	-	-	-	-	-	-	3,164,974
Restricted Loan Receivable, net	2,560,285	-	766,608	-	322,076	-	459,258	-	-	4,108,227
Total Noncurrent Assets	8,083,476	17,725	1,500,286	-	492,094	10,000	634,582	-	-	10,738,163
Capital Assets, net	896,850	73,085	150,633	2,180,514	-	1,014	-	-	-	3,302,096
Total Assets	$11,294,114	$1,102,783	$1,756,979	$2,800,162	$492,094	$11,014	$634,582	$36,151	$ (148,365)	$17,979,514

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

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF NET ASSETS *(Continued)*
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	GDB	EDC	SBDA	IPDC	IRP	EZC	EDA	TIF	Eliminations	2010
LIABILITIES										
Current Liabilities:										
Accounts Payable	$ 38,735	$ 32,383	$ 6,556	$17,148	$ -	$ 5,807	$ -	$ -	$ -	$ 100,629
Accrued Expenses	10,637	135,417	39,344	15,515	589	22,980	-	-	-	224,482
Compensated Absences, current	8,165	92,345	36,814	22,853	-	24,714	-	-	-	184,891
Interest Payable	18,245	-	-	-	2,167	-	-	-	-	20,412
Due to Other Fund	560	1,934	586	139,991	-	5,294	-	-	(148,365)	-
Due to Territorial Scholarship and Workforce Development Fund	-	170,194	-	-	-	-	-	-	-	170,194
Long-Term Debt, current	-	-	-	46,289	23,739	-	-	-	-	70,028
Total Current Liabilities	76,342	432,273	83,300	241,796	26,495	58,795	-	-	(148,365)	770,636
Noncurrent Liabilities:										
Compensated Absences	4,368	53,642	9,654	15,523	-	12,308	-	-	-	95,495
Security Deposit	-	-	-	34,404	-	-	-	-	-	34,404
Deferred Revenue	1,000,000	-	-	-	-	-	-	-	-	1,000,000
Long-Term Debt	-	-	-	32,974	439,700	-	-	-	-	472,674
Total Non-Current Liabilities	1,004,368	53,642	9,654	82,901	439,700	12,308	-	-	-	1,602,573
Total Liabilities	1,080,710	485,915	92,954	324,697	466,195	71,103	-	-	(148,365)	2,373,209
NET ASSETS										
Invested in Capital Assets, net of related assets	896,850	73,085	150,633	2,101,250	-	1,014	-	-	-	3,222,832
Restricted Net Assets	7,083,476	17,725	1,500,286	-	492,094	4,193	634,582	-	-	9,732,356
Unrestricted Net Assets	2,233,078	526,058	13,106	374,215	(466,195)	(65,296)	-	36,151	-	2,651,117
Total Net Assets	$10,213,404	$ 616,868	$1,664,025	$2,475,465	$25,899	$ (60,089)	$634,582	$36,151	$ -	$15,606,305

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	GDB	EDC	SBDA	IPDC	IRP	EZC	EDA	TIF	2010
Operating Revenues:									
Application and Processing Fees	$ 51,295	$ 538,271	$ 2,050	$ -	$ -	$ -	$ 1,000	$ -	$592,616
Rental Income	-	-	-	535,113	-	-	-	-	535,113
Interest from Loans	87,418	-	59,381	-	24,789	-	36,154	-	207,742
Other Operating Revenue	54,967	-	-	68,643	2,451	-	-	-	126,061
Total Operating Revenue	193,680	538,271	61,431	603,756	27,240	-	37,154	-	1,461,532
Operating Expenses:									
Personnel Costs	341,359	1,712,973	579,297	386,091	18,599	438,316	-	-	3,476,635
Occupancy	21,364	124,765	68,278	48,181	-	45,724	-	-	308,312
Advertising	7,699	158,026	1,664	-	-	980	-	-	168,369
Professional	9,417	225,625	18,385	765	-	12,799	-	28,724	295,715
Travel	35,610	178,614	6,976	4,161	-	7,438	-	875	233,674
Other Administrative Expenses	341,955	340,044	102,676	181,458	-	70,818	187	-	1,037,138
Bad Debt	1,107,878	83,440	(47,644)	-	(94,010)	-	20,534	-	1,070,198
Depreciation	233,362	17,936	13,549	250,767	-	1,237	-	-	516,851
Total Operating Expenses	2,098,644	2,841,423	743,181	871,423	(75,411)	577,312	20,721	29,599	7,106,892
Operating Profit (Loss)	(1,904,964)	(2,303,152)	(681,750)	(267,667)	102,651	(577,312)	16,433	(29,599)	(5,645,360)
Non-operating Revenues (Expenses):									
Interest Income	105,607	-	10,359	13,072	-	-	-	-	129,038
Other Income	-	12,500	-	-	-	10,000	-	-	22,500
Interest Expense and Finance Charges	-	-	-	(8,216)	(6,084)	-	(23)	-	(14,323)
Total Non-operating Revenues (Expenses)	105,607	12,500	10,359	4,856	(6,084)	10,000	(23)	-	137,215
Net Loss Before Transfers	(1,799,357)	(2,290,652)	(671,391)	(262,811)	96,567	(567,312)	16,410	(29,599)	(5,508,145)
Transfers In	3,198,977	2,161,430	593,111	-	18,010	535,796	-	19,704	6,527,028
Changes in Net Asset	1,399,620	(129,222)	(78,280)	(262,811)	114,577	(31,516)	16,410	(9,895)	1,018,883
Net Assets, Beginning of Year	8,813,784	746,090	1,742,305	2,738,276	(88,678)	(28,573)	618,172	46,046	14,587,422
Net Assets, End of Year	$10,213,404	$ 616,868	$1,664,025	$2,475,465	$ 25,899	$ (60,089)	$634,582	$36,151	$15,606,305