FINANCIAL STATEMENTS

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)
Years Ended September 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

The West Indian Company Limited

(A Component Unit of the Virgin Islands Public Finance Authority)

Financial Statements

Years Ended September 30, 2014 and 2013

Contents

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Report of Independent Auditors

The Board of Directors
The West Indian Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The West Indian Company Limited (the Company), a component unit of the Virgin Islands Public Finance Authority, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The West Indian Company Limited as of September 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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Adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*

As discussed in Notes l to the financial statements, the Company changed its method of accounting for bond issue costs and the presentation of deferred losses related to bond refundings as a result of the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective October 1, 2012. Our opinion is not modified with respect to this matter."

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2015, on our consideration of the Company'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Ernst & Young LLP

June 10, 2015

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The Management and Board of Directors of The West Indian Company Limited (the Company) are pleased to present the following discussion and analysis of the Company's financial performance for the fiscal years ended September 30, 2014, 2013 and 2012.

This information should be read in conjunction with the Company's financial statements, which begin on page 9.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Company's basic financial statements. The Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows, and the Notes to Financial Statements presented on pages 9 through 24 provide information about the activities of the Company as a whole.

The Statements of Net Position presents information on all of the Company's assets and liabilities, with the difference between the two reported as net position. The Statements of Revenues, Expenses and Changes in Net Position provide information showing how the Company's net position changed during the fiscal year. The Notes to Financial Statements provide additional information regarding the financial statements.

New Accounting Standards Adopted

The Company implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB Statement No. 65") in fiscal year 2014. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the GASB in authoritative pronouncements that are established after applicable due process. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources and limiting the use of the term deferred in financial statement presentations.

At transition, the impact of GASB Statement No. 65 was as follows:

- **Debt Issuance Costs—** Required to be recognized as an expense in the period incurred. The net position of the Company as of October 1, 2011 was decreased by approximately $81,700 reflecting the cumulative retrospective effect of derecognizing the issuance costs which had previously been deferred in the statements of net position. In addition, the issuance cost amortization expense of the Company of approximately $15,487 in fiscal years ended September 30, 2013 and 2012, included as interest expense on the statements of revenues, expenses and changes in net position, were derecognized.

FINANCIAL HIGHLIGHTS

Total assets of the Company amounted to $50.5 million, $45.9 million, and $42.9 million at September 30, 2014, 2013 and 2012, respectively, of which $44.2 million, $40.4 million and $38.5 million were capital assets in 2014, 2013 and 2012, respectively. The small increase in the Company's total assets is mainly driven by a $0.8 million increase in total current assets, and a $3.8 million increase in capital assets. Total liabilities amounted to $34.6 million at September 30, 2014 of which $28.1 million were for loans outstanding and $6.5 million for other liabilities. Total liabilities amounted to $28.7 million at September 30, 2013 of which $21.2 million were for loans outstanding and $7.5 million for other liabilities. The increase in the total liabilities during 2014 is mainly driven by a $1 million decrease in total current liabilities, and a $6.9 million increase in long-term debt. Total assets of the Company exceeded its total liabilities as of September 30, 2014, 2013 and 2012 by $15.9 million, $17.2 million and $15.6 million (net position), respectively.

The Company's net position decreased by approximately $1.3 million or 8% during the fiscal year ended September 30, 2014 and increased by approximately $1.6 million or 10% during the fiscal year ended September 30, 2013.

Analysis of Overall Financial Position and Results of Operations

Following is condensed financial information of the Company for years 2014, 2013 and 2012:

Condensed Summary of Net Position	**2014**	**2013**	**2012**
		(As Adjusted)	*(As Adjusted)*
Assets			
Current and other assets	**$ 6,254,868**	$ 5,466,493	$ 4,464,996
Capital assets	**44,275,118**	40,436,130	38,450,654
Total assets	**50,529,986**	45,902,623	42,915,650
Liabilities			
Long-term debt outstanding	**28,065,614**	21,239,326	21,231,149
Other liabilities	**6,519,123**	7,471,926	6,070,847
Total liabilities	**34,584,737**	28,711,252	27,301,996
Net position			
Invested in capital assets	**15,757,727**	19,196,804	16,752,730
Restricted for debt service	**2,712,350**	1,957,115	1,950,528
Unrestricted	**(2,524,828)**	(3,962,548)	(3,089,604)
Total net position	**$ 15,945,249**	$ 17,191,371	$ 15,613,654

Condensed Summary of Changes in Net Position	**2014**	**2013**	**2012**
		(As Adjusted)	*(As Adjusted)*
Operating revenues	**$ 9,506,870**	$ 9,111,669	$ 8,573,657
Operating expenses	**(8,860,509)**	(8,469,487)	(7,544,425)
Operating income	**646,361**	642,182	1,029,232
Non-operating revenues	**910,859**	2,970,165	72,397
Non-operating expenses	**(2,803,342)**	(2,034,630)	(2,122,416)
Changes in net position	**(1,246,122)**	1,577,717	(1,020,787)
Net Position			
Beginning of year	**17,191,371**	15,679,867	16,716,141
Adjustment of beginning net position	**–**	(66,213)	(81,700)
End of year	**$ 15,945,249**	$ 17,191,371	$ 15,613,654

WICO generates its revenue from the operation of its cruise ship port and rental of its land and warehouses. On October 24, 2013 the Company passed a budget for the fiscal year 2014, in which it projected income from operations before debt service of $4,130,431.

From an overall industry standpoint, St. Thomas continues to be a key component of the Eastern Caribbean itinerary for the major cruise lines. The "Homeland Cruising" scheme currently employed by the cruise lines continues to be a major factor in the success of St. Thomas as a cruise destination. In spite of the severe downturn in the U.S. economy, St. Thomas still ranks third in most categories for cruise ship economic activity. Total cruise tourism expenditures in St. Thomas for the most recent period were $339.8 million, the Bahamas was first at $393.8 million, and St. Maarten was second at total expenditures of $356.2 million.

Arrivals at our facility increased in 2014, a total of 1,335,591 passengers utilized our facility in this fiscal year as compared to 1,229,824 passengers for the fiscal year ended September 30, 2013 and 1,169,125 passengers for the fiscal year ended September 30, 2012. As reported in prior years, 10-year berthing agreements that the Virgin Islands Port Authority entered into with Princess and Holland America cruise lines in 2006 and 2007 severely reduced the passenger arrival numbers at the WICO facility.

WICO secured financing for additional development of its port facilities. The Phase II projects include replacement of the Company's 60-ton bollards, with 150-ton bollards, along with the refurbishment of the bulkhead to allow the dock facility to handle larger ships securely, totaling approximately $3.75 million in November, 2014. During fiscal year 2014, WICO finalized an agreement to refinance the existing Banco Popular loan, stated at $28.5 million.

The extension of WICO's dock allows the company to accommodate larger cruise ships for the 2014/2015 cruise ship season and strengthens the integrity of the dock as a whole. The Phase I projects were completed during January, 2014. The Phase II project, includes replacement of 32 older 60-ton bollards with newer, larger 150-ton bollards, as well as replacement of 750 feet of dock bulkhead. The Long Bay Landing portion of the Phase II project, which includes plans to construct a new dock, with 2 new unrestricted berths, is being reassessed. The new dock will accommodate the larger ships, with passenger capacity of 4,000+ guests. Estimated projections determine that construction of the new dock facilities will provide at least 100 additional calls, as major cruise lines have expressed interest in the proposed berthing opportunities.

The West Indian Company Limited continues to operate with an approved Facility Security Plan and meets any additional requirements contained in the Title 33 CFR Part 105.

CAPITAL ASSETS

The Company owns 9+ acres of land at Estate Liverpool that it has been attempting to develop for some time. Previously RFP's were not responsive and not accepted. The Board hopes to develop some portion of this property in the future. The Company also owns a large building and surrounding acreage located in the central part of the city and known as Estate Catherineberg.

The Company has also managed the Havensight Shopping Mall for its owners, the Government Employees Retirement System (GERS) since they acquired it in 1993. A management fee of 6% of the mall gross receipts is currently charged to generate additional revenue of approximately $329,045 and $319,264 in fiscal years 2014 and 2013, respectively. The Company and the GERS finalized negotiations on September 29, 2014, during which the management fee arrangement was increased from 4.5% to 6% of mall gross receipts.

LONG-TERM DEBT

On November 20, 2002, the Company consolidated and refinanced its two outstanding loans to a maximum of $22,500,000. Favorable interest rates were obtained and debt service costs were reduced by over $500,000 annually. Additional capital of $2,000,000 was obtained in this transaction, which was used for further infrastructure encapsulation work on the dock during the fiscal year 2003. On June 6, 2006, the Company once again refinanced the outstanding loan back to the maximum of $22,500,000 at an effective interest rate of 6.20% per annum, to be effective on November 20, 2006. This refinancing created additional working capital of approximately $2.7 million, which was used to further upgrade the pier for the Freedom of the Seas class of mega cruise ships. The pier was made to be even more user friendly and capable of handling three large vessels simultaneously with combined passenger capacity of over 11,000 persons, including the new Freedom class.

Phase 3 of the encapsulation infrastructure upgrade was undertaken during the summer of 2008. The Company, once again, refinanced its loan, now to a maximum of $23,500,000 and used the proceeds for the work.

In October, 2013, WICO finalized an agreement to refinance the existing Banco Popular loan, stated at $28.5 million, for the end of fiscal year 2014. The refinanced loan, created additional working capital of approximately $7.3 million to complete Phase I projects.

CONTACTING THE COMPANY

This financial report is designed to provide users with a general overview of the Company's finances. If you have questions about this report or need additional financial information, contact the Company:

The West Indian Company Limited
PO Box 7660 Charlotte Amalie
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Financial Statements

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Net Position

	September 30 2014	September 30 2013 *(As adjusted)*
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,298,522**	$ 2,013,038
Restricted cash	**2,712,350**	1,957,115
Trade accounts receivable, less allowance for doubtful accounts of $51,883 and $57,368 in 2014 and 2013, respectively	**681,622**	678,188
Other accounts receivable	**876,483**	193,467
Prepaid expenses and other current assets	**685,891**	624,685
Total current assets	**6,254,868**	5,466,493
Capital assets, net	**44,275,118**	40,436,130
Total assets	**50,529,986**	45,902,623
Liabilities		
Current liabilities:		
Accounts payable	**202,049**	125,607
Accrued expenses	**357,642**	1,638,664
Customer deposits	**107,655**	1,007,655
Payable to USVI Government	**5,400,000**	4,700,000
Loan payable, current portion	**451,777**	–
Total current liabilities	**6,519,123**	7,471,926
Loan payable, less current portion	**28,065,614**	21,239,326
Total liabilities	**34,584,737**	28,711,252
Net assets (deficit)		
Invested in capital assets, net of related debt	**15,757,727**	19,196,804
Restricted for debt service	**2,712,350**	1,957,115
Unrestricted (deficit)	**(2,524,828)**	(3,962,548)
Total net assets	**$ 15,945,249**	$ 17,191,371

$1,558,105

$50,726 debt origination costs removed for GASB 65

$6,067,346

See accompanying notes.

$50,726 adjustment for GASB 65

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Revenues, Expenses and Changes in Net Position

		Year Ended September 30 2014	2013 (As adjusted)
Operating revenues:			
Fees for services		**$ 9,506,870**	$ 9,111,669
Operating expenses:			
Cost of services and operating expenses	$ 6,853,678	**6,194,640**	5,854,761
General and administrative expenses		**659,038**	644,961
Depreciation		**2,006,831**	1,969,765
Total operating expenses		**8,860,509**	8,469,487
Income from operations		**646,361**	642,182
Nonoperating revenues (expenses):			
Proceeds from settlement		**–**	2,950,000
Interest expense	$15,487 change for GASB 65	**(2,103,342)**	(1,334,630)
Gain on sale of fixed assets		**4,600**	12,773
Interest and dividends		**6,259**	7,392
Other income		**900,000**	–
Contribution to the USVI Government		**(700,000)**	(700,000)
Total nonoperating revenues (expenses)		**(1,892,483)**	935,535
Changes in net assets		**(1,246,122)**	1,577,717
Net assets at beginning of year		**17,191,371**	15,679,867
Adjustement of beginning net position	expensed in FY2012 or prior	**–**	(66,213)
Net assets at end of year		**$ 15,945,249**	$ 17,191,371

See accompanying notes.

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Cash Flows

Allocating $45,216 to principal payment per Notes disclosure, pg 20

	Year Ended September 30 2014	2013 (As adjusted)
Operating activities		
Cash received from customers	**$ 8,817,202**	$ 9,011,780
Cash received from settlement	**–**	2,950,000
Cash paid to suppliers	**(5,347,296)**	(2,259,551)
Cash payments to employees for services	**(2,768,950)**	(3,011,151)
Net cash provided by operating activities	**700,956**	6,691,078
Capital and related financing activities		
Proceeds from loan issuance	**7,323,281**	–
Acquisition of property and equipment	**(5,845,819)**	(3,926,984)
Payment of long-term debt, including interest	**(2,143,957)**	(1,859,441)
Net cash used in capital and related financing activities	**(666,495)**	(5,786,425)
Investing activities		
Interest received	**6,258**	7,392
Net cash provided by investing activities	**6,258**	7,392
Net increase in cash and cash equivalents	**40,719**	912,045
Cash, cash equivalents and restrcited cash equivalents at beginning of year	**3,970,153**	3,058,108
Cash and cash equivalents at end of year	**$ 4,010,872**	$ 3,970,153
For purposes of the statement of cash flows, cash and cash equivalents include:		
Unrestricted	**$ 1,298,522**	$ 2,013,038
Restricted:		
Cash segregated for payment of principal and interest on loan payable	**2,712,350**	1,957,115
	$ 4,010,872	$ 3,970,153
Noncash capital and related financing activities		
Gain on disposition of capital assets	**$ 4,600**	$ 12,773

(Continued)

The West Indian Company Limited
(A Component Unit of the Virgin Islands Public Finance Authority)

Statements of Cash Flows (continued)

	Year Ended September 30	
	2014	**2013**
		(As adjusted)
Reconciliation of income from operations to net cash provided by operating activities		
Income from operations	**$ 646,361**	$ 642,182
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Provision for doubtful accounts	**(21,541)**	(22,772)
Depreciation	**2,006,831**	1,969,765
Proceeds from settlement	**–**	2,950,000
Changes in operating assets and liabilities that increase (decrease) cash:		
Trade accounts receivable	**18,107**	(233,076)
Other accounts receivable	**(683,016)**	133,187
Prepaid expenses and other current assets	**(61,206)**	17,725
Accounts payable	**76,442**	(170,028)
Accrued expenses	**(1,281,022)**	1,404,095
Total adjustments	**54,595**	6,048,896
Net cash provided by operating activities	**$ 700,956**	$ 6,691,078

See accompanying notes.

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The West Indian Company Limited (the Company), incorporated in the United States Virgin Islands (USVI), is owned by the Government of the USVI (the Government) through the Virgin Islands Public Finance Authority (PFA). The Company's operations consist primarily of servicing cruise ships owned by established shipping lines.

The significant accounting policies used by management in the preparation of its financial statements follow:

Basis of Accounting

The accounting and reporting policies of the Company conform to the accounting rules prescribed by the Governmental Accounting Standards Board (GASB). The Company follows GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB*, and AICPA pronouncement effective July 1, 2012. The Company functions as an enterprise fund and maintains its accounting records on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

The Company implemented GASB Statement No. 63, *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The implementation of this statement updated the titles of certain basic financial statements and captions within the statements.

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Basic Financial Statements

Standards for external financial reporting for state and local governments require that resources be classified for accounting and reporting purposes into net position categories and to report the changes in net position. Net position represents the residual interest in the Company's assets after liabilities are deducted and consist of the following categories:

- *Invested in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The portion of debt attributed to the unspent debt proceeds is included in the same net asset component as the unspent proceeds.

- *Restricted:* These result when constraints, on the use of net position, are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted:* Net position that is not subject to externally imposed stipulations.

The Company distinguishes operating revenues and expenses from non-operating items. Operation revenues and expenses generally result from providing services in connection with the Company's principal ongoing operations. The principal operating revenues of the Company are charges to customers for fees, dues and rent. Operating expenses for the Company's include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Company's policy to use restricted resources first, then unrestricted resources as they are needed.

Sources of Income

The Company generates its revenue from the operation of its cruise ship port, related agency activities and rental of its land and warehouse facilities.

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers non-negotiable certificates of deposit and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents in the accompanying statement of net position.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is established based upon a review of individual accounts, loss experience, economic conditions and other factors. Losses are recorded as offsets to revenue in the period incurred and recoveries are credited to the allowance for doubtful accounts.

Capital Assets

Capital assets are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the asset. Expenses for maintenance, repairs, and renewals are charged to expense as incurred, whereas major improvements are capitalized.

Accounting for impairment of Long-Lived Assets

The Company, following the guidance of GASB Statement No. 42, *Accounting and Financial Reporting of Capital Assets and for Insurance Recoveries*, assesses the recoverability of the carrying values of its capital assets for possible impairments whenever events or changes in circumstances indicate that the carrying amount may be impaired. During the year ended September 30, 2014, the Company experienced no asset impairments.

Investments

Under GASB Statement No. 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investments Pools,* the Company reports investments at fair value in the statement of net position. Changes in the fair value are reported in the statement of income. No investments were held at September 30, 2014 or 2013.

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

Taxes

The Company is exempt from the payment of USVI income and property taxes as well as from U.S. federal income taxes.

In December 1999, the Legislature of the United States Virgin Islands (the Legislature) approved Bill No. 23-0178, which amended Bill No. 22-0216 dated May 1998. The old bill required the Company to contribute ten percent of net revenues, as defined, to the General Fund of the Virgin Islands. The new bill, which became effective in year 2000, required the Company to contribute the greater of ten percent of net revenues, as defined, or $500,000 to the General Fund of the Virgin Islands. In June 2003, the Legislature approved Bill No. 25-0038 to amend the annual contribution to the greater of ten percent of net revenues, as defined, or $1,000,000. Such amendment was effective for fiscal year 2003 and thereafter. On October 10, 2007, the Legislature approved Bill No. 27-0151 to require an annual in lieu of tax payment of the greater of ten percent of net revenues or $700,000 retroactive to fiscal year 2006 and thereafter.

The liability for contribution to the Government of the USVI as of September 30, 2013 represents the payments in lieu of taxes (PILOT) due for fiscal year 2006 and for fiscal years 2008 through 2014.

The Company is negotiating with the Government of the USVI to resolve the outstanding tax liability and to reduce future PILOT obligations.

Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Reporting Entity and Summary of Significant Accounting Policies (continued)

New Accounting Standards Adopted

In fiscal year 2014, the Company adopted the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board ("GASB"):

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB Statement No. 65).

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement No. 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the GASB in authoritative pronouncements that are established after applicable due process. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement No. 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources and limiting the use of the term deferred in financial statement presentations. At transition, the impact of GASB Statement No. 65 was as follows:

- **Debt Issuance Costs—** Required to be recognized as an expense in the period incurred. The net position of the Company as of October 1, 2012 were decreased by approximately $66,213 reflecting the cumulative retrospective effect of derecognizing the issuance costs which had previously been deferred in the statements of net position. In addition, the issuance cost amortization expense of the Company of approximately $15,487 in fiscal year ended September 30, 2013, included as interest expense on the statements of revenues, expenses and changes in net position, was derecognized.

2. Cash and Cash Equivalents

At September 30, 2014 and 2013, cash and cash equivalents consist of deposits in banks. By law, banks or trust companies designated as depository to public funds of the Government are to maintain corporate surety bond or pledge collateral satisfactory to the Commissioner of Finance to secure all governmental funds deposited. At September 30, 2014 and 2013, the cash and cash equivalents held by the Company were fully collateralized.

Cash and cash equivalents, segregated by category at September 30, 2014 and 2013, are as follows:

	2014		**2013**	
	Bank Balance	**Carrying Amount**	**Bank Balance**	**Carrying Amount**
Restricted	**$2,712,349**	**$2,712,350**	$1,957,115	$1,957,115
Unrestricted	**1,645,165**	**1,298,522**	2,200,225	2,013,038
	$4,357,514	**$4,010,872**	$4,157,340	$3,970,153

Restricted cash represents cash segregated for debt service due under the Company's loan agreements.

3. Capital Assets

Capital assets at September 30, 2014 and 2013, are as follows:

	Useful Lives *(In years)*	Balance 9/30/2013	Additions	Disposal	Transfers	Balance 9/30/2014
Land	–	$ 5,147,278	$ –	$ –	$ –	$ 5,147,278
Personal property and equipment	3 - 25	3,595,508	424,751	(15,901)	29,192	4,033,550
Buildings and building improvements	5 - 40	51,134,438	5,902	–	8,260,647	59,400,987
Construction in progress	–	4,563,080	5,415,167	–	(8,289,839)	1,688,408
Total		–	–	–	–	–
		64,440,304	5,845,820	(15,901)	–	70,270,223
Less accumulated depreciation		(24,004,174)	(2,006,831)	15,901	–	(25,995,104)
Total capital assets, net		$ 40,436,130	$ 3,838,989	$ –	$ –	$ 44,275,119

	Useful Lives *(In years)*	Balance 9/30/2012	Additions	Disposal	Transfers	Balance 9/30/2013
Land	–	$ 5,147,278	$ –	$ –	$ –	$ 5,147,278
Personal property and equipment	3 - 25	3,556,136	112,616	(73,244)	–	3,595,508
Buildings and building improvements	5 - 40	51,072,863	32,736	–	28,839	51,134,438
Construction in progress	–	782,030	3,809,889	–	(28,839)	4,563,080
Total		60,558,307	3,955,242	(73,244)	–	64,440,304
Less accumulated depreciation		(22,107,653)	(1,969,765)	73,244	–	(24,004,174)
Total capital assets, net		$ 38,450,654	$ 1,985,477	$ –	$ –	$ 40,436,130

4. Loan Payable

Loan payable activity for the years ended September 30, 2014 and 2013, was as follows:

Balance at September 30, 2013	New Issuances	Principal Payments	Balance at September 30, 2014
$21,239,326	$7,323,281	$ 45,216	$28,517,391

Balance at September 30, 2012	New Issuances	Principal Payments	Balance at September 30, 2013
$21,764,137	$ –	$ 524,811	$21,239,326

On June 1, 2008, the Company refinanced its outstanding loans and obtained additional financial for $2.3 million, increasing the loan facility to $23,500,000. The loan bears interest at 6.2% and will be repaid in 120 consecutive monthly installments of $154,953 (representing principal and interest). A final payment of the outstanding principal balance plus any unpaid interest is due on 2018. The loan may be prepaid, in whole or in part, at any time without penalty.

The refinanced loans were originally obtained by PFA for the acquisition of the Company. PFA remains the primary obligor on the loan.

The Company has pledged all its leases and revenues to secure the loan. Pursuant to the provisions set forth by the Loan Agreement, the Company maintains restricted cash in a debt service reserve account controlled by PFA, and a debt service coverage ratio account, controlled by WICO, for the payment of principal and interest equal to a one year debt service requirement. As of September 30, 2014 and 2013, the Company has funded 100% of this amount, which is presented in the statements of net position as restricted cash in the amount of $2,712,350 and $1,957,115, respectively.

4. Loan Payable (continued)

Over the last three years the Company's operations have been negatively affected by the reduction in cruise ship traffic in its facilities caused in part by the economic recession and also by the relocation of cruise ships from its facilities to the nearby Crown Bay facility owned by the Virgin Islands Ports Authority. This situation is compounded by a minimum contribution in lieu of taxes payable to the Government of the US Virgin Islands of $700,000, regardless of the operating results. These situations have resulted in a deficit in working capital (current assets less current liabilities) of approximately $1.2 million and approximately $2.0 million for the years ended September 30, 2014 and 2013, respectively. Furthermore, these situations also caused a deficit in unrestricted net position of approximately $3.4 million and approximately $4.0 million for the years ended September 30, 2014 and 2013, respectively. During the years ended September 30, 2014 and 2013, the Company complied with the debt service coverage and debt service reserve requirements, which requires that the Company meet certain debt service coverage targets and maintain sufficient cash for one year's debt service requirements.

As part of the loan agreements, no dividends may be declared and no additional equity interests may be granted during the term of the loans without the lenders approval.

On October 18, 2013, WICO finalized an agreement to refinance the existing Banco Popular loan to $28,517,391 at the effective interest rate of 6.18% per annum. The loan has an interest only repayment period of twelve months from issue date. Additionally, the payments are based on a 25-year amortization, with a final maturity in 6 years. The final loan payment is a balloon payment of the outstanding principal balance, plus unpaid interest accrued and fees to the date of final payment. WICO's intent is to refinance the remaining outstanding debt prior to maturity of the note.

4. Loan Payable (continued)

Principal payments for long-term debt for the five years subsequent to September 30, 2014, and thereafter, in the aggregate, are as follows:

	Interest	Principal	Total
2015	$ 1,752,971	$ 409,643	$ 2,162,614
2016	1,722,488	520,172	2,242,660
2017	1,689,416	553,246	2,242,662
2018	1,654,240	588,422	2,242,662
2019	1,616,828	625,834	2,242,662
Total	$ 8,435,943	$ 2,697,317	$ 11,133,260

5. Employee Benefit Plans

The West Indian Company Limited Employee Retirement Plan (the Plan) is a defined contribution retirement and savings plan sponsored by the Company, covering the Company's employees not governed by a collectible bargaining agreement. The Plan is administered by Weber Shapiro & Co. LLP. Under the provisions of the Plan, the employees must contribute at least 3% of their gross compensation and may contribute up to 7% of their compensation. The Company matches 3% of the employees' contribution plus a non-elective distribution at the discretion of the Company, which is divided among eligible employees, proportionate compensation.

Required contributions to the pension and savings plan made and charged to operations were approximately $117,000 and approximately $106,000 for the years ended September 30, 2014 and 2013, respectively. Total contribution made to the Plan by the covered employee during 2014 and 2013 amounted to approximately $117,600 and approximately $98,000, respectively. The Company does not offer other post-retirement benefits to its employees.

6. Related Party Transactions

On September 29, 2014 The Company renewed the management agreement with the Government Employees Retirement System (GERS) under which the Company administers the real estate operations sold to GERS in consideration of rent for office buildings used by the Company. The Company charges 6% of gross rent receipt for the administration of GERS' properties. The agreement also provides that certain payroll costs be allocated between the Company and GERS. During the years ended September 30, 2014 and 2013, payroll costs allocated to GERS were approximately $2,005,000 and $1,981,000, respectively.

The amount due from GERS in connection with these allocations amounted to approximately $852,000 and $182,000 at September 30, 2014 and 2013, respectively, and is included in other accounts receivable in the accompanying statements of net position.

In prior periods, the Company used to collect passenger fees on behalf of the Virgin Islands Port Authority (VIPA). During the fiscal year ended September 30, 2012, this arrangement was modified and VIPA opted to collect fees directly from the cruise lines. The related payable to VIPA for passenger fees previously collected amounted to approximately $39,600 as of September 30, 2014 and 2013.

7. Concentration of Risk

During the years ended September 30, 2014 and 2013, customers representing more than 10% of total revenues are as follows:

	2014	**2013**
Carnival Cruise Line	**42%**	45%
Royal Caribbean Cruise Line	**29%**	29%
Norwegian Cruise Line	**21%**	15%

8. Recently Issued Accounting Pronouncements

The GASB has issued the following accounting standards that the Company has not yet adopted:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 27*, which is effective for periods beginning after June 15, 2014.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is effective for periods beginning after December 15, 2013.
- GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which is effective for periods beginning after June 15, 2014.

Management is evaluating the impact that these statements will have on the Company's financial statements.

9. Commitments and Contingencies

The Company is a defendant in various litigations, claims or assessments arising during the normal course of business. It is Management's opinion, based on the advice of legal counsel, that the final disposition of these matters will not have a material adverse effect on the Company's financial position or results of operations.

On May 1, 2013, the Company and a former tenant (Former Tenant) executed an agreement (Settlement Agreement) in order to resolve all claims that have been asserted or could be asserted by the Company against the Former Tenant or by the Former Tenant against the Company related to the environmental conditions on, under or migrating from a Company's property. The Company contended those environmental conditions were caused by the Former Tenant's operations while such property was leased to the Former Tenant.

The Settlement Agreement required an initial payment to the Company in the amount of $2,700,000, plus an additional $250,000 in connection with an execution of an Environmental Covenant. Furthermore, the Settlement Agreement contained a provision for a final payment to the Company in the amount $250,000 contingent upon the Company's completion of certain activities that were fulfilled in March, 2014.

9. Commitments and Contingencies (continued)

Income recognized by the Company pursuant to provisions set forth by the Settlement Agreement amounted to $2,950,000 during the year ended September 30, 2013 and is included as other non-operating revenues and expenses in the accompanying statements of revenues, expenses and changes in net position.

10. Subsequent Events

On November 12, 2014, the Company finalized an interim financing agreement to procure a loan payable to Banco Popular de Puerto Rico. The agreement provides for Banco Popular de Puerto Rico to extend a loan to WICO in the amount of approximately of $3,750,000 bearing interest at 6.75% per annum. The loan has an interest-only repayment period of twelve (12) months from issue date. Additionally, the payments are based on a 25-year amortization, with a final maturity in six (6) years. This interim financing provides additional funding to initiate Phase II WICO pier construction projects.

On March 11, 2015, the Board of the West Indian Company Ltd. initiated a press release to announce their decision to suspend the Company’s plans for a new cruise ship pier in downtown St. Thomas. The WICO Chairman of the Board, members of the board and executive staff will work diligently and expeditiously with the Virgin Islands Port Authority, members of the legislature, our community and our cruise partners to identify a more feasible location for this new pier.

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Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors of
The West Indian Company Limited

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The West Indian Company Limited (the Company), which comprise the statement of financial position as of September 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

June 10, 2015

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