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**REPORT TO  
THE CONGRESS OF THE UNITED STATES**

**EXAMINATION OF  
FINANCIAL STATEMENTS  
FISCAL YEAR 1965**

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**VIRGIN ISLANDS CORPORATION  
DEPARTMENT OF THE INTERIOR**



**BY  
THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

**FEBRUARY 1966**

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

MAR 2 1966

B-114822

To the President of the Senate and the  
Speaker of the House of Representatives

Herewith is our report on the examination of the financial statements of the Virgin Islands Corporation for the fiscal year ended June 30, 1965. We are reporting on the results of our examination as required by section 106 of the Government Corporation Control Act (31 U.S.C. 851).

Our report for fiscal year 1964 disclosed that the President of the Virgin Islands Corporation was planning to use funds aggregating about \$257,000 at June 30, 1964, which had been derived from the management of certain properties on the island of St. Thomas for the Department of the Navy, to make extensive improvements and repairs to these properties. In view of the pending transfer to the Government of the Virgin Islands of these properties, which include that portion of the former Marine Corps Air Facility being used as a public airport, we recommended that the President of the Virgin Islands Corporation authorize only those expenditures of Federal funds required for normal operation and maintenance of the properties. The President of the Virgin Islands Corporation advised us that, other than emergency expenditures required to protect the traveling public, no further expenditures would be made with respect to these properties except for normal operation and maintenance. Written instructions to implement this policy were issued to the responsible Corporation operating officials.

Our examination of the accompanying financial statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that we did not confirm the accounts receivable and observe the physical inventory. However, we satisfied ourselves by other auditing procedures as to the fairness of the accounts receivable at June 30, 1965, and the fairness of the physical inventory, as reflected in the determination of the net income from electric power operations and salt water distillation operations and the net loss on the sale of Corporation assets.

On May 28, 1965, the Corporation sold its electric power and salt water distillation facilities to the Government of the Virgin Islands pursuant to section 4(f) of the Virgin Islands Corporation Act (48 U.S.C. 1407c(f)) at a net loss of \$2,861,119. (See schedule 2.) In our opinion, this sale was an unauthorized disposal of corporate assets because section 4(f) authorizes the Corporation to acquire and dispose of property in the ordinary and normal course of conducting its business affairs and cannot be considered as authority for the Corporation to sell assets when the sale results in the termination of an authorized corporate activity, such as resulted from the sale of the electric power and salt water distillation facilities.

Section 4(a) of the Virgin Islands Corporation Act, as amended (48 U.S.C. 1407c(a)), provides specific authority for the Corporation to dispose of assets when authorized corporate activities are terminated. Section 4(a) provides, among other things, that the sale of any property valued at \$500 or more shall be made only after public advertisement and by sealed competitive bids or public auction and shall be subject to the right of the Government of the Virgin Islands to purchase the property at a price not greater than that offered by the highest responsible bidder. The legislative history of this section of the act indicates that it was intended to give the Government of the Virgin Islands the right of first refusal after an acceptable bid is made by an intending purchaser. The financial effects of the disposal of the electric power and salt water distillation facilities under section 4(f) rather than under section 4(a) are not now determinable.

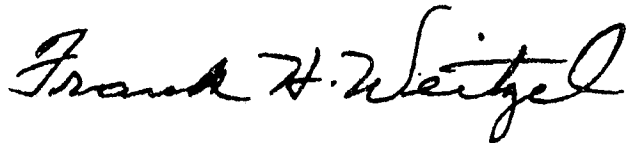
In commenting on this matter, the Department of the Interior referred us to a letter dated August 6, 1965, from the Board of Directors to this Office and to an opinion dated November 24, 1965, rendered by the Acting General Counsel of the Virgin Islands Corporation. This letter discussed the disposal of the facilities under section 4(f) of the Virgin Islands Corporation Act and concluded that the Corporation was within its rights in using section 4(f) as authority for the disposal. The Acting General Counsel stated in his legal opinion his view that section 4(f) was and is sufficient legal authority for a sale such as that which took place on May 28, 1965.

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We have considered the views set forth in the Board of Directors' letter and in the Acting General Counsel's opinion and find no reasons presented therein for changing our view that the sale of the Corporation's electric power and salt water distillation facilities was an unauthorized disposal of corporate assets. Thus, in accordance with our responsibilities under the Budget and Accounting Act, 1921 (31 U.S.C. 53), we are planning a separate report to bring the detailed information concerning the disposal of the Corporation's electric power and salt water distillation facilities to the attention of the Congress for whatever action the Congress may believe appropriate.

In our opinion, subject to any adjustments resulting from action which may be taken concerning the above-described sale of the electric power and salt water distillation facilities, the accompanying financial statements of the Virgin Islands Corporation (schedules 1 through 6) present fairly the financial position of the Corporation at June 30, 1965, and the results of its operations, the sale of its assets, and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Copies of this report are being sent to the President of the United States and to the members of the Board of Directors and the President of the Virgin Islands Corporation.



Acting Comptroller General  
of the United States

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**FINANCIAL STATEMENTS**

V I R G I N   I S L A N D S   C O R P O R A T I O N

[A Corporation wholly owned by the United States of America]

STATEMENT OF ASSETS AND LIABILITIES--JUNE 30, 1965 AND 1964 (note 1)

	<u>1965</u>	<u>1964</u>
A S S E T S		
CASH IN U.S. TREASURY AND ON HAND	\$ 375,060	\$ 277,910
ACCOUNTS RECEIVABLE:		
General, less estimated uncollectibles of \$1,887 and \$17,411, respectively (note 2)	1,041,427	638,284
Estimated amount due from Social Security Administration for erroneous employer's and employees' contributions (note 3)	124,896	-
ANTICIPATED INCOME FROM UNSOLD PORTION OF PRODUCTION (note 2):		
Sugar	-	1,901,960
Molasses	-	67,958
ACCRUED ELECTRIC REVENUE	-	129,090
INVENTORIES OF COMMODITIES, SUPPLIES AND MATERIALS (note 2):		
Sugarcane	-	42,600
Materials and supplies at average cost	-	1,165,921
DEFERRED CHARGES AND OTHER ASSETS	<u>15</u>	<u>1,094</u>
Total current assets	<u>1,541,398</u>	<u>4,224,817</u>
LAND, STRUCTURES, AND EQUIPMENT (notes 2 and 4):		
Land and buildings	366,037	1,379,189
Machinery and equipment	60,439	3,358,332
Electric plant	-	8,974,375
Salt water distillation plant	-	1,014,782
Furniture and fixtures	2,906	114,351
Livestock	-	<u>2,301</u>
	429,382	14,843,330
Less accumulated depreciation	<u>231,358</u>	<u>4,204,629</u>
Total land, structures, and equipment less accumulated depreciation	<u>198,024</u>	<u>10,638,701</u>
LONG-TERM RECEIVABLES	<u>9,155,653</u>	<u>220,223</u>
Total assets	<u>\$10,895,075</u>	<u>\$15,083,741</u>

The notes on pages 13 to 16 are an integral part of this statement.

	<u>1965</u>	<u>1964</u>
L I A B I L I T I E S		
ACCOUNTS PAYABLE	\$ 92,598	\$ 363,461
ACCRUED INTEREST, U.S. TREASURY (note 5)	400,362	358,154
LIABILITY TO CIVIL SERVICE COMMISSION FOR PRIOR PERIODS' EMPLOYER RETIREMENT AND GROUP LIFE INSURANCE CONTRIBUTIONS (note 3)	713,345	-
ESTIMATED LIABILITY TO EMPLOYEES FOR ERRONEOUS PRIOR PERIODS' SOCIAL SECURITY TAX DEDUCTIONS (note 3)	62,448	-
OTHER ACCRUED LIABILITIES	77,961	683,506
TRUST AND DEPOSIT LIABILITIES	<u>282,204</u>	<u>190,686</u>
Total current liabilities	<u>1,628,918</u>	<u>1,595,807</u>
INVESTMENT OF THE U.S. GOVERNMENT:		
Interest-bearing investment (note 5):		
Advances from revolving fund	8,132,000	10,132,000
Borrowings from the U.S. Treasury	1,225,000	1,225,000
Transfers from the Department of the Interior and predecessor corporation	938,436	938,436
Transfer from the Department of the Navy	300,883	300,883
Materials and equipment transferred from other agencies	<u>51,068</u>	<u>51,068</u>
Total interest-bearing investment	<u>10,647,387</u>	<u>12,647,387</u>
Non-interest-bearing investment:		
Grant for repayment of predecessor corporation's notes payable to U.S. Treasury at June 30, 1949	750,000	750,000
Grants for reimbursement of losses from revenue-producing activities (note 6)	<u>4,426,970</u>	<u>4,426,970</u>
Total non-interest-bearing investment	<u>5,176,970</u>	<u>5,176,970</u>
Gross investment of the U.S. Government	15,824,357	17,824,357
Less accumulated deficit from revenue-producing activities (schedule 2) (note 7)	<u>-6,558,200</u>	<u>-4,336,423</u>
Net investment of the U.S. Government	<u>9,266,157</u>	<u>13,487,934</u>
Total liabilities and investment of the U.S. Government	<u>\$10,895,075</u>	<u>\$15,083,741</u>





## VIRGIN ISLANDS CORPORATION

## INCOME AND DEFICIT STATEMENT

FOR THE FISCAL YEARS ENDED JUNE 30, 1965 AND 1964 (note 1)

	<u>1965</u>	<u>1964</u>
INCOME OR LOSS (—) FROM OPERATIONS:		
Sugar operations (note 2)	\$ -	\$ -371,488
Power operations (schedule 3)	626,545	448,837
Salt water distillation operations (schedule 4)	19,247	20,984
Miscellaneous activities (schedule 5)	<u>-255,745</u>	<u>-51,825</u>
Net income from operations	<u>390,047</u>	<u>46,508</u>
NON-OPERATING INCOME AND EXPENSES (—):		
Net gain from sale of 2,333 acres of land with sugar mill and other im- provements thereon (note 2)	914,288	-
Net loss from sale of electric power and salt water distillation facil- ities (note 4)	-2,861,119	-
Adjustments applicable to prior years:		
Employees' civil service retirement and life insurance costs (note 3)	-650,897	-
Other adjustments applicable to prior years	<u>-14,096</u>	<u>7,661</u>
Net non-operating income and expenses	<u>-2,611,824</u>	<u>7,661</u>
NET INCREASE OR DECREASE (—) IN DEFICIT FOR THE YEAR	-2,221,777	54,169
CUMULATIVE DEFICIT (—) FROM REVENUE- PRODUCING ACTIVITIES AT BEGINNING OF YEAR	<u>-4,336,423</u>	<u>-4,390,592</u>
CUMULATIVE DEFICIT (—) FROM REVENUE- PRODUCING ACTIVITIES AT END OF YEAR (schedule 1)	<u>-\$6,558,200</u>	<u>-\$4,336,423</u>

The notes on pages 13 to 16 are an integral part of this statement.

V I R G I N    I S L A N D S    C O R P O R A T I O N

STATEMENT OF POWER OPERATIONS

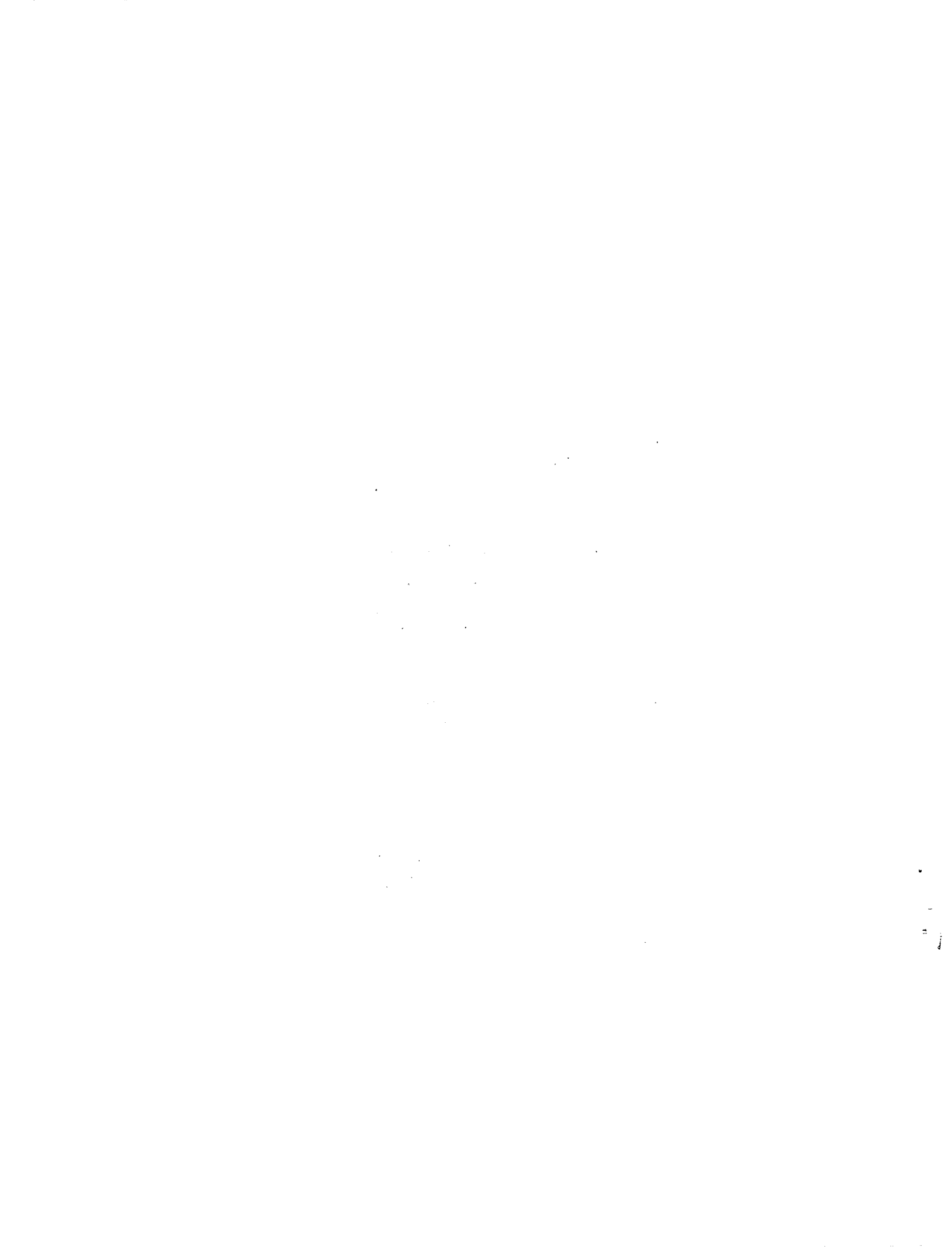
FOR THE ELEVEN MONTH PERIOD ENDED MAY 31, 1965 AND

FOR THE FISCAL YEAR ENDED JUNE 30, 1964 (note 4)

	Eleven month period ended May 31, 1965		
	Total	St. Thomas	St. Croix
<b>REVENUES:</b>			
Electric sales	\$2,677,165	\$1,622,961	\$1,054,204
Other income	83,831	52,833	30,998
Total revenues	2,760,996	1,675,794	1,085,202
<b>OPERATING EXPENSES:</b>			
Production:			
Generation	597,994	365,030	232,964
Maintenance	357,962	291,634	66,328
Distribution	214,296	120,016	94,280
Administrative expenses (note 8)	45,974	27,632	18,342
Other administrative and gen- eral expenses	367,970	209,413	158,557
Depreciation	315,919	197,882	118,037
Interest on investment	234,336	144,114	90,222
Total operating ex- penses	2,134,451	1,355,721	778,730
<b>NET INCOME (schedule 2)</b>	<b>\$ 626,545</b>	<b>\$ 320,073</b>	<b>\$ 306,472</b>

The notes on pages 13 to 16 are an integral part of this statement.

<u>Fiscal year 1964</u>		
<u>Total</u>	<u>St. Thomas</u>	<u>St. Croix</u>
\$2,580,219	\$1,591,446	\$ 988,773
<u>70,954</u>	<u>48,474</u>	<u>22,480</u>
<u>2,651,173</u>	<u>1,639,920</u>	<u>1,011,253</u>
631,275	371,675	259,600
448,310	368,175	80,135
214,438	120,097	94,341
57,843	35,998	21,845
319,820	192,394	127,426
301,382	192,874	108,508
<u>229,268</u>	<u>146,378</u>	<u>82,890</u>
<u>2,202,336</u>	<u>1,427,591</u>	<u>774,745</u>
<u>\$ 448,837</u>	<u>\$ 212,329</u>	<u>\$ 236,508</u>



## VIRGIN ISLANDS CORPORATION

## STATEMENT OF SALT WATER DISTILLATION OPERATIONS

FOR THE ELEVEN MONTH PERIOD ENDED MAY 31, 1965

AND FOR THE FISCAL YEAR ENDED JUNE 30, 1964 (notes 4 and 9)

	Eleven month period ended <u>May 31, 1965</u>	Fiscal year <u>1964</u>
REVENUES:		
Water deliveries to Government of the Virgin Islands	<u>\$255,696</u>	<u>\$294,785</u>
OPERATING EXPENSES:		
Production expense:		
Steam expense (allocated) (note 9)	111,029	101,938
Electric power (allocated) (note 9)	43,604	46,877
Station labor	18,305	17,697
Maintenance	6,213	41,536
Other	2,078	4,538
Administrative expenses (note 8)	2,707	3,336
Depreciation	29,550	32,000
Interest on investment	<u>24,764</u>	<u>26,820</u>
Total operating expenses	238,250	274,742
Less water deliveries for station use	<u>1,801</u>	<u>941</u>
NET COSTS RECOVERED	<u>236,449</u>	<u>273,801</u>
NET INCOME (schedule 2)	<u>\$ 19,247</u>	<u>\$ 20,984</u>

The notes on pages 13 to 16 are an integral part of this statement.

V I R G I N      I S L A N D S      C O R P O R A T I O N

OPERATING STATEMENT OF MISCELLANEOUS ACTIVITIES  
FOR THE FISCAL YEARS ENDED JUNE 30, 1965 AND 1964

	1965		
	Income	Expenses (note a)	Net income or loss (-)
LEASE INCOME AND EXPENSES:			
Houses occupied by officers and supervisory employees	\$ 3,810	\$ 22,839	\$-19,029
Villages occupied by factory and field laborers	6,563	22,722	-16,159
Commercial, industrial, and other Land	1,325	340	985
	<u>6,640</u>	<u>9,516</u>	<u>-2,876</u>
Total lease income and ex- penses	<u>18,338</u>	<u>55,417</u>	<u>-37,079</u>
OTHER INCOME AND EXPENSES:			
Interest	165,589	195,868	-30,279
Sale of storeroom supplies	3,702	5,027	-1,325
Rental of equipment	744	4,625	-3,881
Other	130	486	-356
	<u>170,165</u>	<u>206,006</u>	<u>-35,841</u>
OTHER ADMINISTRATIVE AND GENERAL EX- PENSES	<u>-</u>	<u>182,825</u>	<u>-182,825</u>
NET LOSS (schedule 2)	<u>\$188,503</u>	<u>\$444,248</u>	<u>-\$255,745</u>

a

Includes allocated administrative and general expenses, depreciation, and interest.

<u>1964</u>		
<u>Income</u>	<u>Expenses</u> <u>(note a)</u>	<u>Net income</u> <u>or loss (-)</u>
\$ 3,618	\$ 22,647	-\$19,029
14,458	50,633	-36,175
3,512	778	2,734
<u>-</u>	<u>-</u>	<u>-</u>
<u>21,588</u>	<u>74,058</u>	<u>-52,470</u>
9,687	-	9,687
13,720	15,717	-1,997
23,295	29,620	-6,325
<u>14,638</u>	<u>15,358</u>	<u>-720</u>
<u>61,340</u>	<u>60,695</u>	<u>645</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$82,928</u>	<u>\$134,753</u>	<u>-\$51,825</u>



## VIRGIN ISLANDS CORPORATION

## STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1965

	Power and salt water distillation <u>operations</u>	Miscellaneous <u>activities</u>	<u>Total</u>
<b>SOURCES OF FUNDS:</b>			
Operating revenues	\$3,016,692	\$ 188,503	\$3,205,195
Collection of long-term receivables	-	25,787	25,787
Proceeds from sale of fixed assets, net	-	426,380	426,380
Decrease in working capital	<u>771,976</u>	<u>1,944,554</u>	<u>2,716,530</u>
Total funds provided	<u>\$3,788,668</u>	<u>\$2,585,224</u>	<u>\$6,373,892</u>
<b>APPLICATION OF FUNDS:</b>			
Operating expenses (excluding de- preciation)	\$2,025,431	\$ 407,602	\$2,433,033
Additions to fixed assets, net	667,714	12,629	680,343
Adjustments applicable to prior years operations	-	664,993	664,993
Conversion of working capital items to long-term receivables	595,523 <sup>a</sup>	-	595,523
Repayment to revolving fund	<u>500,000</u>	<u>1,500,000</u>	<u>2,000,000</u>
Total funds applied	<u>\$3,788,668</u>	<u>\$2,585,224</u>	<u>\$6,373,892</u>

<sup>a</sup>GAO note: The proceeds of \$7,296,765 (see note 4) from the sale of the electric power and salt water distillation facilities less long term receivables of \$6,276,710 and less liabilities of \$171,350 assumed by the purchaser have been offset against working capital items.

## NOTES TO FINANCIAL STATEMENTS

1. The statement of assets and liabilities (schedule 1) and the income and deficit statement (schedule 2) do not include activities of the Development Department, which have been accounted for separately by the Corporation. Since July 1, 1954, the Corporation has managed the former Marine Corps Air Facility and the Naval Submarine Base on the Island of St. Thomas and the income derived therefrom has been used solely for the operation and rehabilitation of the facilities. Effective June 1, 1965, management of these properties, with the exception of certain commercial leases, was turned over to the Government of the Virgin Islands pending the transfer to that agency of the former Marine Corps Air Facility and Naval Submarine Base under provisions of 50 U.S.C. 1622(g) and 40 U.S.C. 484(e), respectively.
2. During fiscal year 1965, the Corporation sold about 2,333 acres of land and improvements thereon to four successful bidders. This sale resulted in the following net gain:

Proceeds from sale	\$3,683,498
Less net book value	<u>2,769,210</u>
Net gain on sale (schedule 2)	\$ <u>914,288</u>

The major portion of the property, consisting of 2,044 acres with the sugar mill and other improvements thereon, was transferred to the successful bidder on August 3, 1964. This effectively terminated the Corporation's sugar operations. Although title to the 2,044 acres had not been passed to the successful bidder as of June 30, 1965, the Corporation's acting general counsel, on June 15, 1965, ruled that, under the interpretation of the agreement transferring the property, it is proper to treat the transfer as a consummated sale on August 3, 1964. Accordingly, on June 30, 1965, principal and interest totaling \$455,507 was due from the successful bidder.

3. On September 10, 1964, the United States Civil Service Commission notified the Corporation that United States citizens and resident aliens hired on regular full-time hourly basis were covered by the Civil Service Retirement Act and that the Corporation's administrative determination to the contrary was in error. Accordingly, the Corporation is liable for the employer's contributions required under the Civil Service

Retirement Act for all its full-time hourly employees employed since July 1, 1949. In addition, the Corporation is liable for the employer's contributions for Federal group life insurance for all its full-time hourly employees employed since August 29, 1954. It also was determined that, since the full-time hourly employees were covered under the Civil Service Retirement Act, social security taxes should not have been withheld from their wages and, consequently, the Corporation should not have paid the employer's social security taxes. The Social Security Act, as amended (26 U.S.C. 6511(b)) permits refund of employer's and employees' taxes only for 3 years 3 months and 15 days. The net effect of these actions on the Corporation's liability is as follows:

Liability for civil service retirement contributions		\$680,166
Liability for group life insurance		23,819
Liability for additional administrative costs to Civil Service Commission		9,360
Liability to employees for social security tax refunds		<u>62,448</u>
		775,793
Less amount due from Social Security Administration:		
Employer's taxes	\$62,448	
Employees' taxes	<u>62,448</u>	<u>124,896</u>
Net adjustment to prior years' operations (schedule 2)		<u>\$650,897</u>

4. Effective June 1, 1965, the electric power and salt water distillation facilities were sold to the Government of the Virgin Islands. The sale resulted in the following net loss:

Net book value	\$10,157,884
Less proceeds from sale	<u>7,296,765</u>
Net loss from sale (schedule 2)	<u>\$ 2,861,119</u>

5. The Corporation is required by law to pay interest to the United States Treasury on (1) withdrawals from its revolving fund in the United States Treasury, (2) its borrowings totaling

\$1,225,000 authorized for the construction of salt water distillation facilities on the Island of St. Thomas, and (3) the value of properties and other net assets transferred to the Corporation from its predecessor at June 30, 1949. The Corporation is also required to pay interest to the United States Treasury on the appraised value of assets transferred from other Federal agencies without cost or for consideration clearly not commensurate with value received.

6. Federal grants totaling \$4,426,970 have been provided to the Corporation for reimbursement of operating losses from prior years' revenue-producing activities. The grants included \$1,019,000 appropriated from the net internal revenue collections on products of the Virgin Islands imported into the United States; these collections were otherwise payable to the Government of the Virgin Islands, pursuant to section 28(b) of the Revised Organic Act of the Virgin Islands (26 U.S.C. 7652(b)).
7. The accumulated deficit of \$6,558,200 at June 30, 1965, includes losses totaling \$82,855 applicable to its predecessor Corporation.
8. Administrative expenses of \$149,469 (which have been allocated to power operations, salt water distillation operations, miscellaneous activities, and to the Corporation's management of the Development Department properties on St. Thomas) are subject to the limitation of \$156,000 established by the Department of the Interior and Related Agencies Appropriation Act, 1965 (78 Stat. 279).
9. On January 16, 1959, the Government of the Virgin Islands agreed to purchase for 20 years the net potable water produced by the Corporation's salt water distillation facilities and to pay all production costs, including depreciation, interest, and a reasonable rate of return on the investment. The billings for water deliveries resulted in a net income of \$19,247 (schedule 4) representing a return of 2.1 percent on the Corporation's investment. The average interest charge on funds borrowed from the United States Treasury to construct the facilities is 3.9 percent. Consequently, the Corporation realized an overall return of 6 percent on its investment. The salt water distillation plant was installed for integrated operation with a steam turbine generating unit and boiler plant at the St. Thomas power

plant. Accordingly, steam and electric power production costs resulting from the combined operation of these units are allocated to electric power operations and salt water distillation operations based on a proration of the steam and electric power used by each operation.

EXHIBITS



V I R G I N     I S L A N D S     C O R P O R A T I O N  
DEVELOPMENT DEPARTMENT

BALANCE SHEET--JUNE 30, 1965 AND 1964 (note a)

	<u>1965</u>	<u>1964</u>
ASSETS		
Cash	\$232,862	\$256,827
Accounts receivable less estimated uncol- lectibles of \$5,293 and \$1,000 respectively	26,324	19,827
Materials and supplies in transit	106	113
Deferred charges	<u>242</u>	<u>275</u>
Total assets	<u>\$259,534</u>	<u>\$277,042</u>
LIABILITIES AND RETAINED EARNINGS		
Accounts payable	\$ 21,020	\$ 13,849
Accrued liabilities	16,922	23,362
Trust and deposit liabilities	98,744	100,963
Retained earnings (exhibit B)	<u>122,848</u>	<u>138,868</u>
Total liabilities and retained earnings	<u>\$259,534</u>	<u>\$277,042</u>

<sup>a</sup>Because the Corporation, through its Development Department, has since July 1, 1954, managed the Naval properties on St. Thomas under the authority of 30-day revocable permits, the Development Department has adopted a modified cash basis of accounting which does not show materials and supplies, and the depreciated value of furniture and fixtures, and machinery and equipment. Therefore, this balance sheet does not purport to show the financial position as do statements prepared on an accrual basis of accounting.



## EXHIBIT B

## V I R G I N I S L A N D S C O R P O R A T I O N

## DEVELOPMENT DEPARTMENT

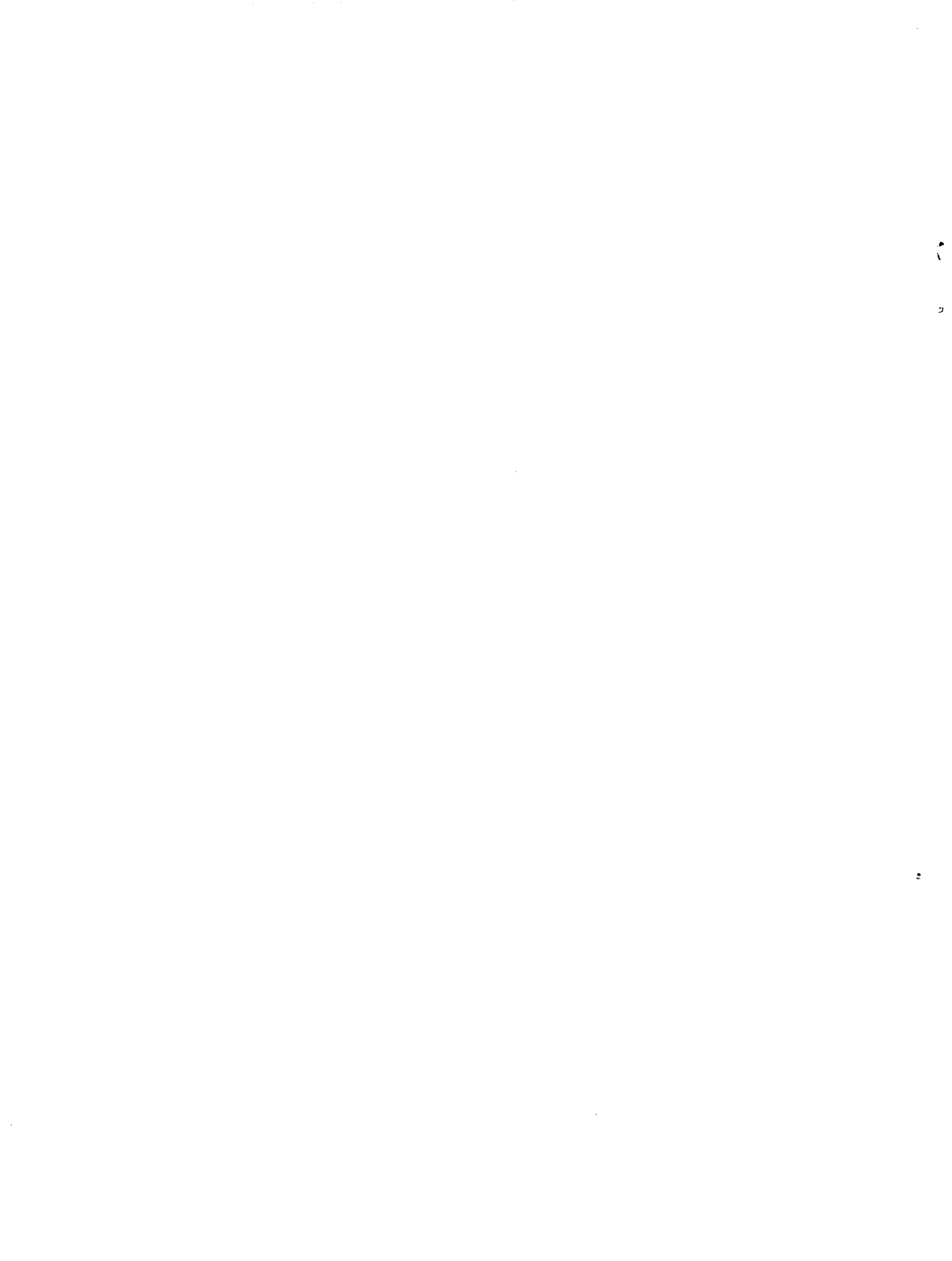
## STATEMENT OF OPERATIONS

FOR THE FISCAL YEARS ENDED JUNE 30, 1965 AND 1964 (note a)

	<u>1965</u>	<u>1964</u>
INCOME:		
Rentals:		
Housing	\$ 49,393	\$ 67,424
Commercial leases	179,214	194,914
Fees and concessions	158,292	130,175
Sales and potable water	20,058	19,029
Other	<u>17,306</u>	<u>24,082</u>
Total income	<u>424,263</u>	<u>435,624</u>
EXPENSES:		
Salaries and wages	202,652	202,602
Materials and supplies	87,081	111,307
Machinery and equipment	99,709	8,081
Administrative expenses	18,411	18,697
Electricity, general overhead, and other	<u>32,430</u>	<u>32,028</u>
Total expenses	<u>440,283</u>	<u>372,715</u>
NET PROFIT OR LOSS (-) FOR THE YEAR	-16,020	62,909
CUMULATIVE RETAINED EARNINGS AT BEGINNING OF YEAR	<u>138,868</u>	<u>75,959</u>
CUMULATIVE RETAINED EARNINGS AT END OF YEAR (exhibit A)	<u>\$122,848</u>	<u>\$138,868</u>

<sup>a</sup>Because the Corporation, through its Development Department, has since July 1, 1954, managed the Naval properties on St. Thomas under the authority of 30 day revocable permits, the Development Department has adopted a modified cash basis of accounting under which materials and supplies, furniture and fixtures, and machinery and equipment are recorded as expenses when acquired. Therefore, this statement does not purport to show the results of operations as do statements prepared on an accrual basis of accounting.

APPENDIX



PRINCIPAL OFFICIALS RESPONSIBLE FOR AFFAIRS  
OF THE VIRGIN ISLANDS CORPORATION

The management of the Corporation is vested in a seven-member Board of Directors and is under the general direction of the Secretary of the Interior. The Board of Directors consists of three businessmen who are appointed for terms of 6 years by the President of the United States and four Federal officials. A list of the members of the Board and other policy-making officials responsible for activities of the Corporation during fiscal year 1965 and the subsequent period follows.

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b>BOARD OF DIRECTORS:</b>		
Secretary of the Interior:		
Stewart L. Udall (Chairman)	Jan. 1961	Present
Secretary of Agriculture:		
Orville L. Freeman	Jan. 1961	Present
Administrator, Small Business Administration:		
Eugene P. Foley	Aug. 1963	Sept. 1965
John E. Horne	Jan. 1961	Aug. 1963
Governor of the Virgin Islands:		
Ralph M. Paiewonsky	Apr. 1961	Present
Businessmen:		
Ward M. Canaday	June 1949	Present
Robert F. Dwyer	Oct. 1963	Present
Neil C. Hurley, Jr.	Apr. 1964	Feb. 1965
<b>OTHER POLICY-MAKING OFFICIALS:</b>		
Assistant Secretary--Public Land Management, Department of the Interior:		
Harry R. Anderson	July 1965	Present
John A. Carver, Jr.	Jan. 1961	Dec. 1964
Assistant Secretary for Administration, Department of the Interior:		
D. Otis Beasley	Sept. 1952	Dec. 1965

APPENDIX

PRINCIPAL OFFICIALS RESPONSIBLE FOR AFFAIRS

OF THE VIRGIN ISLANDS CORPORATION (continued)

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
OTHER POLICY-MAKING OFFICIALS (continued):		
Director, Office of Territories, Department of the Interior:		
Ruth G. Van Cleve	Apr. 1964	Present
President, Virgin Islands Corporation:		
Robert P. Cramer	Nov. 1962	Present