Delaware Economic Development Authority
Dover, Delaware

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FINANCIAL STATEMENTS
AND
ACCOUNTANTS' COMPILATION REPORT
For the Fiscal Year Ended June 30, 2007

DELAWARE ECONOMIC DEVELOPMENT AUTHORITY

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STATE OF DELAWARE
OFFICE OF AUDITOR OF ACCOUNTS

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ACCOUNTANTS' COMPILATION REPORT

To the Delaware Economic Development Authority
Dover, Delaware

We have compiled the accompanying statement of net assets of the Delaware Economic Development Authority as of June 30, 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

R. Thomas Wagner, Jr., CFE, CGFM, CICA
Auditor of Accounts
Office of Auditor of Accounts

May 29, 2008

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DELAWARE ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	67,067,228
Notes Receivable – Current Portion		849,508
Investments		4,932,000
TOTAL CURRENT ASSETS		72,848,736
NON-CURRENT ASSETS		
Notes Receivable – Long-Term Portion		8,781,360
TOTAL ASSETS	$	81,630,096
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$	158
NET ASSETS		
Unrestricted		81,629,938
TOTAL LIABILITIES AND NET ASSETS	$	81,630,096

See accompanying Accountants' Compilation Report.

DELAWARE ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007

OPERATING REVENUES		
Interest Income from Notes	$	366,370
Fee Income from Notes		321,651
TOTAL OPERATING REVENUES		688,021
OPERATING EXPENSES		
Economic Development Grants		6,278,715
Administrative Expenses		
General and Administrative		33,620
Travel		2,394
TOTAL OPERATING EXPENSES		6,314,729
OPERATING LOSS		(5,626,708)
NON-OPERATING REVENUES		
State Appropriations		32,001,331
Interest Income from Deposits		3,002,201
TOTAL NON-OPERATING REVENUES		35,003,532
INCOME BEFORE TRANSFERS OUT		29,376,824
TRANSFERS OUT		(1,468,761)
CHANGE IN NET ASSETS		27,908,063
NET ASSETS AT BEGINNING OF YEAR		53,721,875
NET ASSETS AT END OF YEAR	$	81,629,938

See accompanying Accountants' Compilation Report.

DELAWARE ECONOMIC DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007

OPERATING ACTIVITIES		
Interest Received from Notes	$	366,370
Fee Income Received from Notes		321,651
Cash Paid for Economic Development Grants		(6,278,715)
Cash Paid for Program Administration		(125,265)
Note Disbursements		(2,850,000)
Principal Repayments on Notes		430,433
NET CASH USED IN OPERATING ACTIVITIES		(8,135,526)
NON-CAPITAL FINANCING ACTIVITIES		
State Appropriations		32,001,331
Transfers Out		(1,468,761)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES		30,532,570
INVESTING ACTIVITIES		
Interest Received from Deposits		3,002,201
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,399,245
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		41,667,983
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	67,067,228

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating Loss	$	(5,626,708)
Adjustments to reconcile operating loss to net cash used in operating activities		
Changes in assets and liabilities		
Increase in Notes Receivable		(2,419,567)
Decrease in Accounts Payable		(89,251)
Net Cash Used in Operating Activities	$	(8,135,526)

See accompanying Accountants' Compilation Report.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Delaware Economic Development Authority (DEDA) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of DEDA are described below.

Nature of Operations and Reporting Entity

Title 29, Chapter 50, Subchapter IV of the Delaware Code established DEDA to assist the State of Delaware and its citizens in matters such as stable employment, protection of public health and welfare, and the construction, acquisition, rehabilitation, modernization, and renovation of facilities related to industrial, commercial, and agricultural businesses. In addition, DEDA is tasked with encouraging the development of the State as a banking and financial center and assisting in the financing of facilities and activities of exempt persons in order to contribute to the prosperity, health, and general welfare of the citizens of the State.

Basis of Accounting

DEDA accounts for its operations as a proprietary enterprise fund in accordance with accounting principles generally accepted in the United States of America. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, which requires recognition of revenues when earned and expenses when incurred. DEDA has elected not to apply all Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, in accordance with Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*.

Cash And Cash Equivalents

A portion of DEDA's unrestricted cash and cash equivalents is controlled by the State Treasurer's Office in Dover, Delaware. The remaining portion of unrestricted cash and cash equivalents, which consist of the Delaware Access Program account and reserve accounts at PNC, Wachovia, and WSFS, are controlled by DEDA.

Notes Receivable

DEDA is authorized to make loans to entities via the Competitiveness Fund, Strategic Fund, Tech Based Seed Fund I and Tech Based Seed Fund II. The entities pay principal and interest to DEDA based on the loan terms. The current portion of notes receivable includes the portion of principal to be collected during the next fiscal year. The long-term portion of notes receivable includes the remainder of principal that is expected to be collected over the lives of the loans.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenues and Expenses

Operating revenues consist of interest and fee income received through DEDA's loan programs. DEDA also recognizes as interest income the interest received during the year on notes receivable. Operating expenses include both program and support services. Program services include economic development grants. Support services include all other operating expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires 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.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2007, DEDA has a cash and cash equivalents balance of $67,067,228. Of that amount, $65,420,000 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for DEDA, but the credit risk cannot be categorized. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

The Delaware Access Program account and the reserve accounts at PNC, Wachovia, and WSFS are in the custody of DEDA officials. The book and bank balance of these funds is $1,647,228 as of June 30, 2007. Of this balance, $300,000 is insured by the Federal Deposit Insurance Corporation (FDIC); $1,347,228 is uninsured.

NOTE C – NOTES RECEIVABLE

Notes receivable activity for the year ended June 30, 2007 follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Notes Receivable	$ 7,211,301	$ 2,850,000	$ 430,433	$ 9,630,868

NOTE D – CONDUIT DEBT OBLIGATIONS

DEDA provides statewide financial assistance to new or expanding businesses, governmental units and certain organizations that are exempt from federal income taxation (collectively, "assisted persons") by issuing tax exempt bonds and lending the proceeds of such bonds to these assisted persons. Tax exempt bonds bear lower interest rates than comparable taxable bonds, because the interest paid to bond holders is exempt from federal and Delaware income taxes. DEDA is able to pass on this lower interest rate to the assisted persons. The tax-exempt bonds that DEDA issues are revenue bonds. DEDA does not guarantee the payment of principal or interest on the bonds, and the bonds do not constitute a debt or pledge of the full faith and credit of the State of Delaware. Neither DEDA nor the State is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The aggregate principal amount payable of Industrial Revenue Bonds outstanding was $1,480,863,416 as of June 30, 2007.

NOTE E – COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. DEDA does not anticipate losses from these transactions.