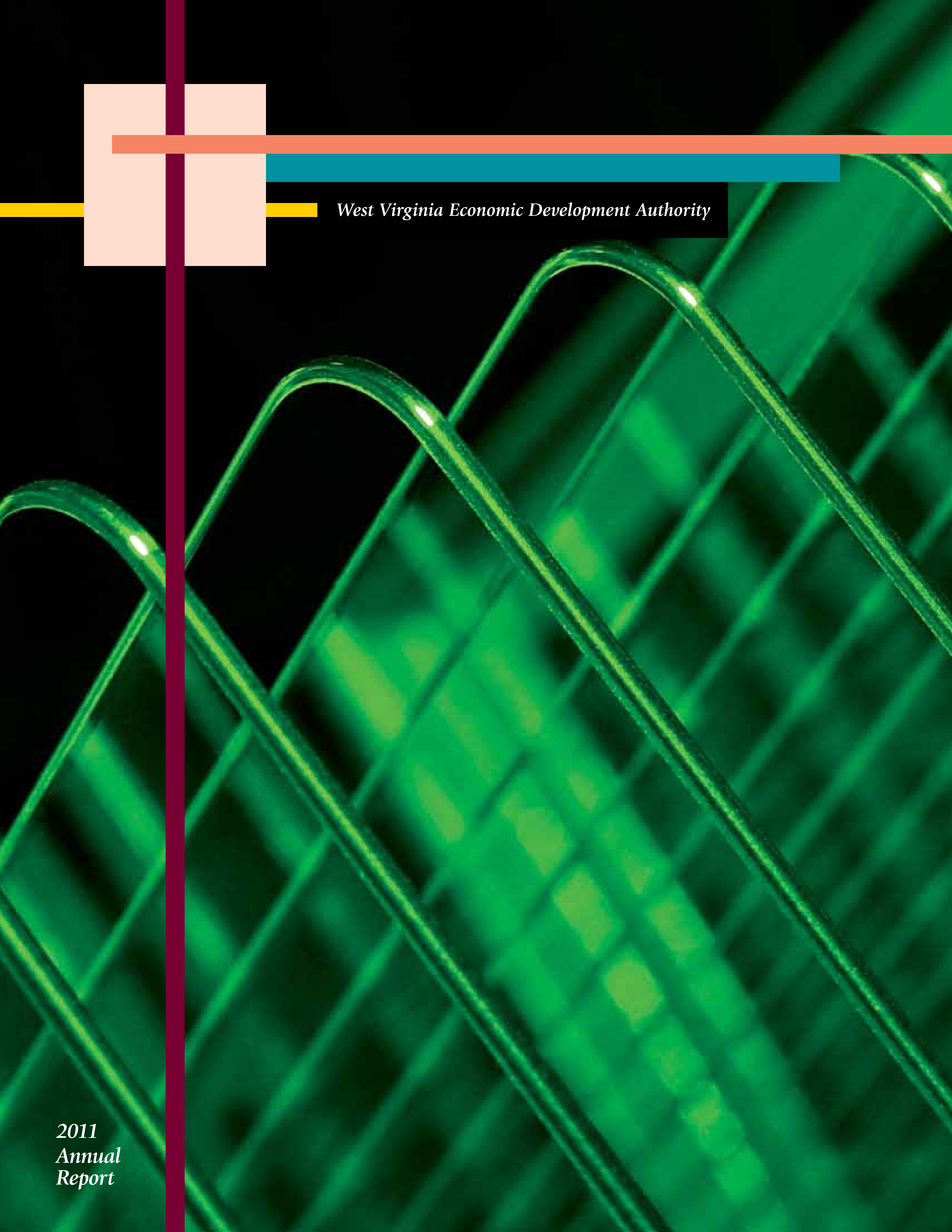

West Virginia Economic Development Authority

2011 Annual Report

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THE ROAD TO SUCCESS

I believe the private sector is where jobs are created and the public sector is where we create the vehicles to recruit new businesses and provide tools to help those currently operating in West Virginia grow. The West Virginia Economic Development Authority is at the forefront of this effort.

WVEDA provides the financial and credit assistance needed to help retain and grow our state's businesses. As you will read in this report, in the past fiscal year, WVEDA provided $52 million dollars, which leveraged a total of $108 million and will result in the creation of 354 new jobs over the next three years. That's real growth!

Today, the state's economy is one that also includes innovation-driven, technology-based businesses, piloted by a highly skilled West Virginia workforce. More than $17 billion in new business investments have been made in West Virginia's economy since 2005.

The state closed its 2011 fiscal year with a general revenue fund surplus of more than $330 million – the sixth year in a row with a surplus without a general tax increase. A growing number of companies leading the advance in biometrics, biotechnology, information technology and renewable energy now operate in the state.

Responsible government has produced a positive business climate and is clearing the way for business growth through tax cuts, workers' compensation reform and investment in university research and other strategic economic development initiatives.

As economic markets work to regain traction, West Virginia is well positioned as the ideal location for new and expanding companies that want to create good jobs. And WVEDA will be there, again, to help us sustain the momentum.

Sincerely,

Earl Ray Tomblin

Earl Ray Tomblin
Governor of West Virginia

The Mission of the West Virginia Economic Development Authority

The mission of the West Virginia Economic Development Authority (WVEDA) is to provide financial assistance and credit enhancement enabling a favorable environment for job creation and retention for businesses in West Virginia.

The Authority is charged with oversight and administration in four broad areas:

- Direct lending, credit enhancements and financing incentives designed to attract and retain employment-creating enterprises in the state.
- Certification of and performance monitoring on the qualified venture capital firms under the West Virginia Venture Capital Program.
- Administration of allocations for tax-preferred Industrial Development Bonds, Recovery Zone Economic Development Bonds and Recovery Zone Economic Development Facility Bonds.
- Administration of several West Virginia Tax Credits.

The Authority continues to strive to provide even more innovative uses of its limited resources to produce the greatest benefit to the citizens of our state.

The WVEDA Board of Directors meets monthly to consider loan requests and the staff is ready to assist prospective borrowers in preparing loan applications.

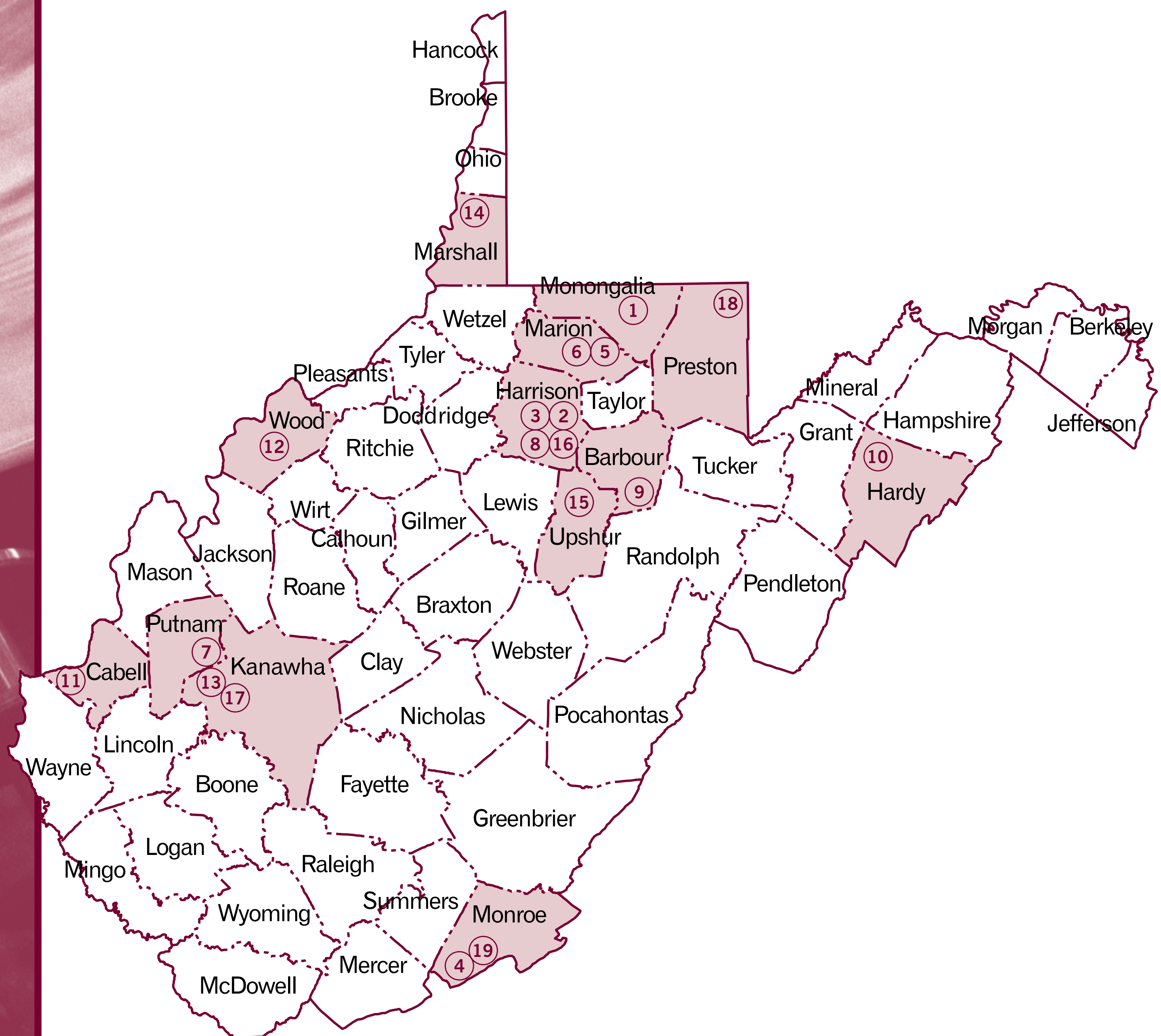
Additional information about WVEDA and its programs may be found on our website at www.wveda.org.

The staff, seated from left – Tony Benedetto, David A. Warner, Joey D. Browning, J. Steven Webb
Standing from left – Beverly S. Dolin, Erin C. McCoy, Caren D. Wilcher, Jackie A. Browning, Deborah J. Orcutt, Sarah B. Hartwell

Direct Loan Program

The Authority makes fixed interest rate direct loans to business entities to assist in the establishment, revitalization and expansion of industry in the state. The Authority loans up to 45% of the eligible cost of real property and equipment. Equity and private sector lending make up the remaining 55%.

The following is a summary of new loans approved during the year. Nineteen loans totaling $52 million were approved leveraging a total of $108 million and providing for 354 new job opportunities over the next three years.



Summary of Loans Approved by WVEDA – Fiscal Year 2010-2011

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
1	07/15/10	***Protea Biosciences, Inc.*** Morgantown, Monongalia County Biotechnology company that develops new technology for medical diagnostics, pharmaceutical research and basic science research and testing Expansion	$ 2,084,000	$ 900,000	34	43
2	07/15/10	***Mid Atlantic Aerospace Complex Aurora Flight Sciences Corporation*** Bridgeport, Harrison County Economic development organization/ Develops, produces, markets and operates a new generation of robotic aircraft Expansion	1,540,725	700,000	108	139
3	07/15/10	***White Oaks Professional Building One, LLC EQT Corporation*** Clarksburg, Harrison County Real estate holding company/Oil and gas exploration Expansion	1,553,649	659,000	35	70
4	07/15/10	***Greenbrier Valley Economic Development Corporation M-Rock Incorporated*** Lynside, Monroe County Economic development corporation/ Manufacturer of shaped and colored cement aggregate-based stone and stone veneer Expansion	2,000,000	900,000	30	61
5	07/15/10	***Vertex Non-Profit Holdings, Inc. National Oceanic and Atmospheric Administration*** Fairmont, Marion County Non-profit holding company/Oceanic and atmospheric research New	41,192,275	20,000,000	0	27

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Summary of Loans Approved by WVEDA – Fiscal Year 2010-2011

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
6	07/15/10	***Vertex Non-Profit Holdings, Inc. National Oceanic and Atmospheric Administration*** Fairmont, Marion County Non-profit holding company/Oceanic and atmospheric research New	Previously reported	$ 900,000		Previously reported
7	08/19/10	***Kanawha Scales & Sytems, Inc.*** Poca, Putnam County Manufacturing, sales and service of industrial and commercial scales and weight devices Expansion	2,044,189	800,000	105	144
8	10/21/10	***EuropTec USA, Inc.*** Clarksburg, Harrison County Manufacturer of acid-etched and anti-glare glass Expansion	2,200,000	1,100,000	59	72
9	10/21/10	***Dingess Lumber Co., Inc.*** Belington, Barbour County (Assumption of Laurel Mountain Rails Company) Sawmill and wood preservation Expansion		272,509		
10	11/18/10	***Moorefield Training Center, Inc.*** Old Fields, Hardy County Training center Expansion	8,372,300	3,500,000	13	27
11	11/18/10	***Imperial Bedding Company*** Huntington, Cabell County Manufacturer of mattresses and bedsprings Expansion	630,000	283,500	62	94
12	11/18/10	***Polymer Alliance Zone, Inc.*** Davisville, Wood County Non-profit corporation Shell building New	5,941,000	2,941,000		Will depend upon tenant

Summary of Loans Approved by WVEDA – Fiscal Year 2010-2011

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
13	11/18/10	***The Cooke Company dba C & M Courier Services*** Cross Lanes, Kanawha County (Assumption of Great Lakes Truckland) Expedited delivery business Job Retention	$	$ 1,717,000	26	44
14	11/18/10	***Leveltek Processing, LLC*** Benwood, Marshall County Toll processing of metal in coiled form Increase to existing loan commitment	500,000	225,000		Previously reported
15	12/16/10	***Lee Phillips Enterprises*** Buckhannon, Upshur County Warehousing/Trucking company Expansion	482,000	217,000	9	18
16	01/20/11	***Valley Supply Company*** Clarksburg, Harrison County Wholesaler/distributor of HVAC, plumbing and PVF product lines Expansion	3,800,000	1,710,000	10	17
17	05/19/11	***Carbonxt, Inc.*** Institute, Kanawha County Producer of activated carbons New	29,690,000	13,000,000	12	37
18	06/16/11	***FMW Composite Systems, Inc.*** Hazelton, Preston County Manufacturer of titanium alloy products New Project/Expansion	6,000,000	1,560,000	0	12
19	06/16/11	***M-Rock, Inc.*** Lynside, Monroe County Manufacturer of shaped and colored cement aggregate-based stone and stone veneer products Expansion	415,810	359,610	43	95
19 Loans			*$ 108,445,948*	*$51,744,619*	*546*	*900*

Participating Sponsors

Charleston Area Alliance
City of Clarksburg, Department of Economic Development/Urban Renewal Authority
Greenbrier Valley Economic Development Corporation
Hardy County Rural Development Authority
Harrison County Development Authority
Huntington Area Development Council
Monongalia County Development Authority
Ohio Valley Industrial and Business Development Corporation
Preston County Development Authority
Putnam County Development Authority
Upshur County Development Authority
West Virginia High Technology Consortium Foundation
Wood County Development Authority

Participating Lenders

Branch Banking and Trust Company	*Fairmont, WV*
First Central Bank, Inc.	*Bridgeport, WV*
First Central Bank, Inc.	*Buckhannon, WV*
First Sentry Bank	*Huntington, WV*
First United Bank & Trust	*Moorefield, WV*
MVB Bank, Inc.	*Bridgeport, WV*

Loan Insurance Program

WVEDA's Loan Insurance Program insures a portion of commercial loans issued to businesses after the loans are conditionally approved by banks. WVEDA will generally insure 80% of a loan up to $500,000 for a term not greater than four years. This program is available through any state financial institution which chooses to apply for participation.

Loan Insurance Program Activity – Fiscal Year 2010-2011

Company Name	*Amount of Insurance*	*Number of Jobs*	
		Retained	*Created*
M-Rock, Inc. Lynside, Monroe County Manufacturer of shaped and colored cement aggregate-based stone and stone veneer products	$ 250,000	30	31
Main Street Hinton, Inc. Hinton, Summers County Long-term care facility	$ 400,000	23	3
2 companies	*$ 650,000*	*53*	*34*

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Industrial Development/Industrial Revenue Bond Program

The Authority participates in bond financing programs either as a conduit issuer (Group 1) or by approving allocation from West Virginia's cap for bonds issued by counties (Group 2).

Group 1. The Authority is statutorily empowered to issue tax-exempt or taxable bonds in its name to assist in financing qualifying industrial projects in West Virginia. Some of these bonds may be authorized by Internal Revenue Code section 146, and the Industrial Development and Commercial Development Bond Act.

Group 2. The Authority administers the Industrial Revenue Bond program authorized by Internal Revenue Code section 146, and the Industrial Development and Commercial Development Bond Act. These tax-exempt bonds are issued by local issuing agencies pursuant to a statewide maximum defined by the federal code. Issues under this program may be either for a single project or a "composite issue" for a group of projects.

Industrial Development Bonds Issued – Fiscal Year 2010-2011

Group 1

Company		Amount	Closing Date
West Virginia Economic Development Authority Lottery Revenue Bonds Series 2010A Various Counties	$	155,620,000	08/17/10
West Virginia Economic Development Authority Solid Waste Disposal Facilities Revenue Bonds ***Appalachian Power Company – Amos Project*** Series 2011A Putnam County	$	65,350,000	02/09/11
2 New Bonds	*$*	*220,970,000*	

Group 2

None

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Suttle & Stalnaker
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
West Virginia Economic Development Authority
Charleston, West Virginia

We have audited the accompanying balance sheets of the West Virginia Economic Development Authority, a component unit of the State of West Virginia, as of and for the years ended June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 West Virginia Economic Development Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Economic Development Authority as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
September 29, 2011

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A Professional Limited Liability Company

Discussion and Analysis of Financial Performance

This section of the West Virginia Economic Development Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2011. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The Authority's total net assets increased $4.31 million
- Total assets increased by $2.05 million
- Total liabilities decreased by $2.27 million
- Loan and lease originations for the year totaled $34.79 million

Overview of the Financial Statements

The annual financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements.

- The Authority's financial statements provide information about the overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of Balance Sheets, Statements of Revenues, Expenses, and Changes in Net Assets, and Statements of Cash Flows.
- The basic financial statements also include "Notes to the Financial Statements" which provide explanations and additional information related to amounts reported in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the financial statements. The prior year results referred to throughout this section for comparison purposes are as previously reported.

The financial statements report information about the Authority's use of accounting methods similar to those used by private sector companies. These financial statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, construction management, and private consulting.

Financial Analysis of the Authority

Statement of Net Assets: The following table summarizes the changes in the Statement of Net Assets between June 30, 2011, 2010, and 2009.

	(in millions) 2011	2010	2009	% Change FY 11-10
Current assets	$ 67.39	$ 61.74	$ 61.65	9.15 %
Noncurrent assets	225.35	228.96	221.93	(1.58)
Total assets	292.74	290.70	283.58	0.70
Current liabilities	12.37	12.06	11.23	2.57
Noncurrent liabilities	149.96	152.54	147.95	(1.69)
Total liabilities	162.33	164.60	159.18	(1.38)
Net assets:				
Invested in capital assets, net of related debt	21.83	22.66	22.77	(3.66)
Restricted	8.94	8.92	8.91	0.22
Unrestricted	99.64	94.52	92.72	5.42
Total net assets	$ 130.41	$ 126.10	$ 124.40	3.42 %

The Authority's overall net assets increased by $4.31 million. Total assets increased $2.05 million and total liabilities decreased by $2.27 million. This decrease in liabilities was due to a lower interest rate and less funds borrowed from the West Virginia Board of Treasury Investments (BTI), a governmental agency, with which the Authority maintains a line of credit.

Statement of Activities: The following table summarizes the changes in operating income between fiscal years 2011, 2010, and 2009.

	2011	2010	2009	% Change FY 11-10
	(in millions)			
Operating revenues:				
Interest on loans	$ 6.04	$ 5.86	$ 5.98	3.07 %
Lease revenue	3.59	3.65	3.20	(1.64)
Other	0.32	0.00	2.07	100.00
Total operating revenues	9.95	9.51	11.25	4.63
Operating expenses:				
Administrative	1.19	1.30	1.30	(8.46)
Depreciation	1.08	1.04	1.02	3.85
Provision for loan losses	0.79	1.46	2.40	(45.89)
Other expense	0.00	.26	0.00	(100.00)
Loss due to asset assessment	0.00	.35	0.40	(100.00)
Total operating expenses	3.06	4.41	5.12	(30.61)
Operating income	6.89	5.10	6.13	35.10
Nonoperating revenue (expense):				
Interest on invested cash	1.14	1.46	1.81	(21.92)
Interest expense	(3.69)	(4.86)	(5.95)	(24.07)
Loss on sale of asset	(0.03)	0.00	0.00	100.00
Total nonoperating expense	(2.58)	(3.40)	(4.14)	(24.12)
Net income	4.31	1.70	1.99	153.53
Net assets, beginning of year	126.10	124.40	122.41	1.37
Net assets, end of year	$ 130.41	$ 126.10	$ 124.40	3.42 %

Within the Authority's activities, the primary revenue sources are interest income on active loans and lease revenue. Non-operating revenue includes interest income on invested cash. The primary expense is interest expense on debt incurred with the BTI. Total revenues exceeded total expenses by $4.31 million.

During 2011, the Authority had write-offs of uncollectible loans of $1.34 million, or 0.84% of the total loans. The Authority recovered assets in the amount of $549,502. The allowance for loan loss is 3.63% of the total loan portfolio at June 30, 2011.

Capital Asset and Debt Administration

Capital Assets The Authority independently, or in cooperation with private and/or other governmental entities, acquires, invests in and/or develops vacant industrial sites, existing facilities, unimproved land, equipment and other real estate for private or governmental use. Sites developed and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for the municipalities. Sites developed for governmental use are leased to the State or State entities. For the majority of these leases, future minimum lease rental payments are equal to the debt service payments related to the bonds or notes issued for the applicable property.

Capital Debt Total notes payable decreased by $1.37 million which was directly related to less borrowing on our line of credit with BTI, to finance loans and leases for economic development purposes.

Currently Known Facts and Conditions Having a Significant Effect on Financial Position

The Authority was the conduit issuer of WV Economic Development Authority commercial development revenue bonds (Stonewall Jackson Lake State Park project) series 2000A and 2000B. These bonds have continued to be in payment default since April 1, 2006. Although these bonds do not represent a liability for the Authority or the State of West Virginia, the Authority did make a direct loan to the WV Division of Natural Resources for capital improvements made at Stonewall Jackson Lake State Park in the amount of $5.2 million. The default on the series 2000A and 2000B bonds does inject uncertainty on the future repayment of the Authority's direct loan. Project developers have established a private foundation to assist with capital formation for the long term betterment of the project and are also pursuing additional private lodging to enhance project revenues. WVEDA staff believes that some impairment of the Authority's asset will occur, and the Authority has reallocated its reserves to recognize current events.

An extraordinary loss incurred during fiscal year ending June 30, 2010 on a building in Ohio county was exacerbated by a determination by WVEDA and bank staff that the building needed to be razed due to public safety and liability concerns creating an additional liability to WVEDA for its share of asbestos removal and demolition cost. WVEDA's expense on this matter will be paid during the fiscal year ending June 30, 2012 and will approximate $300,000.

Financial Statements

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

Balance Sheets June 30, 2011 and 2010

	2011	2010
Assets		
Current assets		
Cash and cash equivalents	$ 49,896,065	$ 45,984,835
Restricted cash due to others	288,780	288,780
Current portion of loans receivable, net of allowance	7,725,389	7,194,815
Current portion of investment in direct financing leases	2,726,299	2,309,870
Accrued interest receivable	6,710,282	5,915,460
Other receivables	47,148	47,252
Total current assets	67,393,963	61,741,012
Noncurrent assets		
Investment	1,866,780	1,906,756
Restricted cash and cash equivalents	8,941,293	8,924,248
Loans receivable, less current portion	151,995,174	150,553,182
Investment in direct financing leases, less current portion	36,799,921	39,644,804
Real estate, property, and equipment, less accumulated depreciation	25,188,200	26,435,402
Land held for sale	560,625	1,494,322
	225,351,993	228,958,714
Total assets	$ 292,745,956	$ 290,699,726
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ -	$ 62,709
Other postemployment benefit payable	-	89,040
Accrued interest payable	224,476	317,499
Amounts due to other State agencies	50,351	50,351
Compensated absences	28,161	26,036
Current portion of loans payable	12,065,863	11,513,963
Total current liabilities	12,368,851	12,059,598
Noncurrent liabilities		
Accrued interest payable	2,952,035	3,322,479
Deferred lease revenue	2,324,461	2,613,616
Deferred grant revenue	281,780	281,780
Compensated absences	26,105	25,524
Loans payable, less current portion	144,374,340	146,291,882
	149,958,721	152,535,281
Total liabilities	162,327,572	164,594,879
Net assets		
Invested in capital assets, net of related debt	21,832,343	22,659,951
Restricted	8,941,293	8,924,248
Unrestricted	99,644,748	94,520,648
Total net assets	130,418,384	126,104,847
Total liabilities and net assets	$ 292,745,956	$ 290,699,726

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues		
Interest on loans	$ 6,044,437	$ 5,860,337
Lease revenue	3,588,829	3,652,344
Other	321,366	3,285
Total operating revenues	9,954,632	9,515,966
Operating expenses		
Administrative	1,189,093	1,299,927
Depreciation	1,084,415	1,035,493
Loss due to assessment of asset	-	350,000
Provision for loan losses	786,215	1,464,444
Other expense	-	264,088
Total operating expenses	3,059,723	4,413,952
Operating income	6,894,909	5,102,014
Nonoperating revenue (expense)		
Interest on invested cash	1,138,460	1,464,837
Interest expense	(3,687,607)	(4,863,626)
Loss on sale of asset	(32,225)	-
Total nonoperating revenue (expense)	(2,581,372)	(3,398,789)
Net income	4,313,537	1,703,225
Net assets, beginning of year	126,104,847	124,401,622
Net assets, end of year	$ 130,418,384	$ 126,104,847

Statements of Cash Flows Years Ended June 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities		
Cash receipts from lending and leasing activities	$ 42,964,633	$ 27,281,139
Cash receipts from other activities	314,542	-
Cash payments for:		
Loans and leases originated	(34,792,708)	(27,813,547)
Personnel expense	(741,592)	(857,699)
Administrative expenses	(449,480)	(443,848)
Other expense	(95,076)	(95,076)
Loan insurance claim expense	1,980	1,620
Net cash provided by (used in) operating activities	7,202,299	(1,927,411)
Cash flows from non-capital financing activities		
Proceeds from loans payable	13,354,637	19,041,094
Principal payments on loans payable	(14,720,280)	(13,978,586)
Interest paid	(4,087,932)	(4,769,821)
Net cash provided by (used in) non-capital financing activities	(5,453,575)	292,687
Cash flows from capital and related financing activities		
Acquisition of real estate and equipment	(626,146)	(1,085,705)
Interest paid	(63,142)	(93,781)
Proceeds from sale of land	1,690,404	5,000
Net cash provided by (used in) capital financing activities	1,001,116	(1,174,486)
Cash flows provided by investing activities		
Interest received	1,178,436	1,464,812
Net cash provided by (used in) investing activities	1,178,436	1,464,812
Net increase (decrease) in cash and cash equivalents	3,928,276	(1,344,398)
Cash and cash equivalents (including restricted cash), beginning of year	55,197,863	56,542,261
Cash and cash equivalents (including restricted cash), end of year	$ 59,126,139	$ 55,197,863
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	$ 6,894,909	$ 5,102,014
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Loans and leases originated	(34,792,708)	(27,813,547)
Principal collected on loans	31,484,426	16,679,579
Collections on net investment in direct financing leases	2,428,455	2,514,093
Depreciation	1,084,415	1,035,493
Provision for loan and lease losses	784,235	1,462,824
Recovery of assets	551,482	178,548
Loss due to assessment of asset	-	350,000
Change in operating assets and liabilities		
(Increase) decrease in accrued interest receivable	(794,822)	(452,271)
(Increase) in other receivables	105	(2,810)
Increase (decrease) in accounts payable	(62,709)	62,709
Increase (decrease) in accrued expenses	(86,334)	(754,888)
Increase (decrease) in deferred lease revenue	(289,155)	(289,155)
Net cash provided by operating activities	$ 7,202,299	$ (1,927,411)
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 3,687,607	$ 4,863,626

Notes to Financial Statements

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies

Reporting Entity

The West Virginia Economic Development Authority (the Authority) is a public corporation and government instrumentality under Chapter 31, Article 15, of the West Virginia Code (the Act). The Authority is administered by a nine member Board of Directors comprised of the Governor, Tax Commissioner, and seven at-large members appointed by the Governor. The Authority has statutory authority to borrow funds from the West Virginia Board of Treasury Investments to loan to borrowers.

Under the Act, the Authority is charged with the responsibility to develop and advance the business prosperity and economic welfare of the State of West Virginia by providing financial assistance in the form of loans and direct financing and operating leases to industrial development agencies and enterprises for the promotion and retention of new and existing commercial and industrial development. The Authority is empowered to borrow money and issue bonds, notes, commercial paper, and other debt instruments and to furnish money, credit, or credit enhancement for the promotion of business development projects. Credit enhancement is available through the Authority's loan guarantee programs which were created to insure payment or repayment of bonds and notes issued by the Authority and certain other public bodies, or other types of debt instruments entered into by an enterprise or state public body with a financial institution.

West Virginia Economic Development Authority loans are secured by deeds of trust on property, security interests in equipment, promissory notes, and in certain cases have supplemental collateral comprised of letters of credit, lease assignments, and/or personal guarantees. The Authority's loan terms are set by its Board of Directors (the Board) whose members periodically review market conditions. The amount the Authority may lend for projects varies depending upon the nature of the project and form of lending, as prescribed by the Board.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity is made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) for governments. GAAP defines component units as those entities which are legally separate organizations for which the appointed members of the board are financially accountable, or the organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's statements to be misleading. Since none of the potential component unit organizations which meet the above criteria are material to the Authority, the Authority has reported no component units.

Basis of Presentation

The Authority is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

The Authority is included in the State's basic financial statements as a discretely presented component unit. Because of the Authority's presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to financial statements and actual results could differ from management's estimates. Significant estimates include the allowance for loan and lease losses and the depreciation of assets held for lease.

Cash and Cash Equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with the State Treasurer's Office (STO) that are pooled funds managed by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements. In addition, the Authority makes interest-earning deposits in certain investment pools maintained by BTI that are available to the Authority with overnight notice.

The BTI maintains the Consolidated Fund, which consists of five investment pools and participant-directed accounts, in which the state and local governmental agencies invest. These pools have been structured as multiparticipant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pools can be found in their respective annual reports. A copy of the annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, West Virginia 25305 or http://www.wvbti.com.

Permissible investments for all agencies include those guaranteed by the United States of America, including its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificate of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

Allowance for Loan Losses

The Authority uses the allowance method of providing for loan losses. The provision for loan losses charged to operating expense is based on the Authority's past loan loss experience, and other factors which deserve current recognition in estimating possible losses, such as growth and composition of the loan portfolio, relationship of the allowance for loan losses to outstanding loans, current financial condition of the borrowers, changes in specific industries, and overall economic conditions.

Because of uncertainties in the estimation process, including local and industry economic conditions, as well as collateral values, it is reasonably possible that management's estimate of losses in the loan portfolio and the related allowance may materially change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Real Estate and Equipment Held Under Lease

Real estate and equipment held under lease are carried at cost or, if contributed, at the fair value of the property as of the date contributed. Depreciation on equipment and buildings is computed using the straight-line method with estimated useful lives of 10 and 39 years, respectively.

Compensated Absences

Employees fully vest in all earned but unused annual leave and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. The estimated obligation for such benefits, as they relate to employees of the Authority are recorded as a liability in the accompanying financial statements.

Other Postemployment Benefits

Effective July 1, 2007, the Authority adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. This statement provided standards for the measurement, recognition, and display of other postemployment benefit (“OPEB”) expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia. Effective July 1, 2007, the Authority was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or http://www.wvpeia.com.

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce future their insurance premiums paid to the West Virginia Public Employees Insurance Agency or to obtain a greater benefit under West Virginia Public Employees Retirement System. Substantially all employees hired prior to July 1, 2001, may become eligible for these benefits if they reach normal retirement age while working for the Authority. According to West Virginia State Code, employees hired prior to June 30, 1988, can receive health care credit against 100% of their health care coverage. Employees hired between June 30, 1988 and June 30, 2001, can receive health care credit against 50% of their health care cost. Employees hired July 1, 2001, or later, may not convert sick leave into a health care benefit.

Deferred Lease Revenue

The Authority reports lease payments received in advance as deferred lease revenue and recognizes lease revenue over the remaining term of the lease.

Deferred Revenue - Grants

The Authority reports grants received in advance for third-party recipients as deferred revenue-grants. Grant revenue and grant expense are recorded when qualifying disbursement of cash or other assets occurs.

Net Assets

As required by GASB 34, the Authority displays net assets in three components, if applicable: invested in capital assets, net of related debt; restricted, and unrestricted.

Investment in Capital Assets, Net of Related Debt – This component of net assets consists primarily of capital assets, including restricted capital assets (if any), net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Restricted Net Assets – Restricted net assets are assets whose use or availability has been restricted and the restrictions limit the Authority's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

Unrestricted Net Assets – Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." In the governmental environment, net assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statement of net assets.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Recent Statements Issued By GASB

The Governmental Accounting Standards Board has issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, effective for fiscal years beginning after December 15, 2011. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The Authority has not yet determined the effect that the adoption of GASB Statement No. 60 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, effective for fiscal years beginning after June 15, 2012. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The Authority has not yet determined the effect that the adoption of GASB Statement No. 61 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and ACIPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The Authority has not yet determined the effect that the adoption of GASB Statement No. 62 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – an amendment of GASB Statements No. 3, No. 6, No. 10, No. 15, No. 17, No. 23, No. 25, No. 27, No. 28, No. 31, and No. 33, effective for fiscal years beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Authority has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

NOTE 1 – Description of Organization and Summary of Significant Accounting Policies (continued)

Recent Statements Issued By GASB (continued)

The Governmental Accounting Standards Board has also issued Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statements No. 53, effective for fiscal years beginning after June 15, 2011. This statement enhances comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty or sap counterparty's credit support provider is replaced. The Authority has not yet determined the effect that the adoption of GASB Statement No. 64 may have on its financial statements.

NOTE 2 – Cash and Investments

The cash on deposit with the State Treasurer amounted to $13,136,151 and $19,628,972 at June 30, 2011 and 2010. This balance is immediately available to the Authority.

At June 30, 2011, the carrying amount and fair value of deposits with the State of West Virginia Board of Treasury Investments (BTI) was as follows:

	2011	Percentage of Respective BTI Pool
Amount on deposit with the BTI:		
WV Money Market Pool	$ 20,728,235	0.69%
WV Government Money Market Pool	9,241,293	3.52%
WVEDA - Short-term Bond Pool	16,327,460	3.43%
WVEDA - American Woodmark	1,866,780	0.00%
	$ 48,163,768	

In accordance with West Virginia Code §31-15-23, the economic development fund, to which shall be credited any appropriation made by the Legislature to the authority, any funds which the authority is authorized to receive under any provision of this code, other funds which the board directs to be deposited into the fund, and such other deposits as are provided for in this section, is hereby continued in the state treasury as a special account. Whenever the authority determines that the balance in the fund is in excess of the immediate requirements for loans, it may request that such excess be invested until needed for loan purposes, in which case such excess shall be invested in a manner consistent with the investment of other temporary state funds. If the authority determines that funds held in the fund are in excess of the amount needed to carry out the purposes of this article, it may take such action as is necessary to release such excess and transfer it to the general fund of the treasury.

NOTE 2 – Cash and Investments (continued)

BTI Disclosure Information:

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund. Of the BTI's Consolidated Fund pools and accounts in which the Authority invest, all are subject to credit risk.

WV Money Market Pool – Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the years ended June 30, 2011 and 2010, the WV Money Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2011 and 2010, the WV Money Market Pool investments had a total carrying value of $20,728,235 and $20,601,983, respectively, of which the Authority's ownership represents 0.69% and 0.73%, respectively.

WV Government Money Market Pool – Credit Risk

For the years ended June 30, 2011 and 2010, the WV Government Market Pool has been rated AAAm by Standard & Poor's. A Fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2011 and 2010, the WV Government Money Market Pool investments had a total carrying value of $9,241,293 and $9,224,248 of which the Authority's ownership represents 3.52% and 4.17%, respectively.

NOTE 2 – Cash and Investments (continued)

BTI Disclosure Information (continued)

WV Short Term Bond Pool – Credit Risk

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating		2010		2011	
Security Type	*Moody's*	*S&P*	*Carrying Value*	*Percent of Pool Assets*	*Carrying Value*	*Percent of Pool Assets*
Corporate asset backed securities	Aaa	AAA	$ 87,197	18.40%	$ 24,330	5.37%
	Aaa	NR*	19,891	4.20	10,353	2.28
	Aa3	AAA	-	-	1,000	0.22
	Aa3	AA+**	454	0.10	-	-
	Ba1	CC**	-	-	45	0.01
	Ba2	BB**	-	-	219	0.05
	B1	BBB**	-	-	605	0.13
	B1	CCC**	885	0.19	857	0.19
	B2	CCC**	-	-	366	0.08
	B3	B**	366	0.08	442	0.10
	B3	BBB**	631	0.13	247	0.05
	B3	CCC**	-	-	554	0.12
	Ca	CCC**	664	0.14	-	-
	Caa1	CCC**	-	-	230	0.05
	Caa2	CCC**	473	0.10	779	0.17
	Caa3	CCC**	393	0.08	-	-
	Caa3	D**	27	0.01	-	-
	NR*	AAA	-	-	3,538	0.78
	NR*	NR*	4,000	0.84	-	-
Total corporate asset backed securities			114,981	24.27	43,565	9.60

NOTE 2 – Cash and Investments (continued)

BTI Disclosure Information (continued)

WV Short Term Bond Pool – Credit Risk (continued)

	Credit Rating		2010		2011	
Security Type	*Moody's*	*S&P*	*Carrying Value*	*Percent of Pool Assets*	*Carrying Value*	*Percent of Pool Assets*
Corporate bonds and notes	Aaa	AAA	-	-%	$ 72,549	16.00%
	Aaa	AA	2,043	0.43	2,060	0.46
	Aa1	AA	-	-	5,430	1.20
	Aa1	A	4,143	0.87	-	-
	Aa2	AA	11,866	2.50	6,650	1.47
	Aa3	AA	7,064	1.49	6,722	1.48
	Aa3	A	13,040	2.75	13,850	3.05
	A1	AA	8,107	1.71	15,485	3.41
	A1	A	22,731	4.80	21,098	4.65
	A2	AA	2,555	0.54	-	-
	A2	A	23,976	5.06	41,093	9.06
	A3	A	8,770	1.85	4,158	0.92
Total corporate bonds and notes			104,295	22.00	189,095	41.70
Commercial paper	P-1	A-1	15,995	3.38	-	-
U.S. agency bonds	Aaa	AAA	20,017	4.22	40,180	8.86
U.S. Treasury notes ***	Aaa	AAA	25,034	5.28	158,423	34.93
U.S. agency mortgage backed securities ****	Aaa	AAA	97,296	20.53	4,540	1.00
Money market funds	Aaa	AAAm	96,287	20.32	-	-
Money market funds	Aaa	AAA	-	-	17,715	3.91
			$ 473,905	100.00%	$ 453,518	100.00%

* NR = Not Rated

** These securities were not in compliance with BTI Investment Policy at June 30, 2011. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2011 and 2010, the WV Short Term Bond Pool investments had a total carrying value of $16,327,460 and $16,054,597 of which the Authority's ownership represents 3.43% and 3.52%, respectively.

NOTE 2 – Cash and Investments (continued)

BTI Disclosure Information (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

	2011		2010	
Security Type	*Carrying Value (In Thousands)*	*WAM (Days)*	*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$ 84,357	1	$ 174,980	1
U.S. Treasury notes	298,345	137	65,153	140
U.S. Treasury bills	231,051	34	476,670	35
Commercial paper	1,069,576	35	855,844	18
Certificates of deposit	140,000	58	281,000	45
U.S. agency discount notes	697,164	45	606,048	52
Corporate bonds and notes	127,000	20	20,000	19
U.S. agency bonds and notes	170,788	66	246,990	55
Money market funds	200,279	1	150,026	1
	$ 3,018,560	46	$ 2,876,711	33

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government flating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

	2011		2010	
Security Type	*Carrying Value (In Thousands)*	*WAM (Days)*	*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$ 98,400	1	$ 66,600	1
U.S. Treasury notes	45,811	131	8,526	114
U.S. Treasury bills	-	-	29,982	72
U.S. agency discount notes	60,852	74	36,465	115
U.S. agency bonds and notes	57,498	22	79,532	30
Money market funds	131	1	78	1
	$ 262,692	45	$ 221,183	44

NOTE 2 – Cash and Investments (continued)

BTI Disclosure Information (continued)

Interest Rate Risk (continued)

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

	2011		2010	
Security Type	*Carrying Value (In Thousands)*	*Effective Duration (Days)*	*Carrying Value (In Thousands)*	*Effective Duration (Days)*
U.S. Treasury bonds/notes	$ 25,034	227	$ 158,423	583
Commercial paper	15,995	55	-	-
Corporate notes	104,295	234	189,095	560
Corporate asset backed securities	114,981	268	43,565	679
U.S. agency bonds/notes	20,017	85	40,180	288
U.S. agency mortgage backed securities	97,296	18	4,540	360
Money market funds	96,287	1	17,715	1
	$ 473,905	138	$ 453,518	530

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in a pool managed by the securities lending agent. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

NOTE 2 – Cash and Investments (continued)

Separate Investment Account

WV Economic Development Authority – American Woodmark

This account holds only a U.S. Treasury bond that matures on August 15, 2023 in the amount of approximately $1,866,780. The Authority's Board of Directors approved this investment by resolution dated March 18, 2006. This security is not exposed to credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

NOTE 3 – Restricted Net Assets

The West Virginia Legislature enacted legislation creating and funding a program to enhance the availability of loans from commercial lending institutions for economic development purposes. Cash balances relating to this program are invested in the BTI's investment pools and have been set aside, together with interest earnings thereon, to meet these objectives by serving to guarantee portions of certain loans made for economic development purposes. These restricted balances amounted to $8,941,293 and $8,924,248 at June 30, 2011 and 2010, respectively.

NOTE 4 – Loans

Major classifications of the Authority's loan portfolio are summarized as follows for the years ended June 30:

	2011	2010
Loans for industrial development projects	$ 140,426,602	$ 138,425,676
Loans for industrial parks	183,961	202,321
Loan to related party for venture capital development	24,910,000	24,920,000
Allowance for loan losses	(5,800,000)	(5,800,000)
	$ 159,720,563	$ 157,747,997

The Authority has loaned $24,910,000 for venture capital development to a nonprofit organization, West Virginia Enterprise Advancement Corporation (WVEAC), related through a common board of directors. By legislative authority through the West Virginia Venture Capital Act, this note is non-recourse with the right of offset against a note payable to the West Virginia Board of Treasury Investments for the same amount after June 30, 2022.

NOTE 4 – Loans (continued)

Impaired Loans

Impaired loans are nonperforming or underperforming loans for which the collectibility of the full amount of interest is in question, but for which management believes the principal to be substantially collectible. As such, the amount of interest recognized as revenue is less than required under original loan terms. Information concerning these loans as of and for the year ended June 30, 2011 and 2010, respectively, is as follows:

	2011	2010
Aggregate recorded balances at year end	$ 7,874,773	$ 9,178,214
Interest income which would have been earned during the year on nonperforming loans under their original terms	$ 460,133	$ 537,378
Interest income recognized on impaired loans including interest income recognized on cash basis	$ -	$ 54,822

Allowance for Loan Losses

The allowance for loan losses attributable to impaired loan classifications is as follows:

	2011	2010
Balance of impaired loans	$ 7,874,773	$ 9,178,214
Less: Impaired loan balance for which no allowance for loan losses is allocated	-	-
Impaired loan balance for which an allowance for loan losses is allocated	$ 7,874,773	$ 9,178,214
Portion of allowance for loan losses allocated to the impaired loan balance	$ 1,700,000	$ 1,850,000

Past Due and Nonaccrual Loans

The following summarizes information on past due and nonaccrual loans that have not been classified as impaired at year end:

	2011	2010
Balance of nonaccrual loans	$ -	$ -
Balance of loans past due 90 days or more and still accruing interest	$ -	$ 1,706,506

Allowance for Loan Losses

An analysis of the allowance for loan losses is as follows for the years ended:

	2011	2010
Balance, beginning of year	$ 5,800,000	$ 5,800,000
Provision charged to operations	786,215	1,464,444
Loans charged off, net of recoveries	(786,215)	(1,464,444)
Balance, end of year	$ 5,800,000	$ 5,800,000

NOTE 5 – Capital Asset and Leasing Activities

The Authority leases land, buildings, and equipment to commercial entities which are accounted for as operating leases. The leases expire over the next 1 to 19 years. Lessees of the property have the option to purchase the property at the end of the lease term at designated prices which are not considered bargain prices.

Real estate and equipment include the following at June 30:

	2011	*2010*
Land held for sale	$ 560,625	$ 1,494,322
Buildings and improvements	$ 1,341,503	$ 1,341,503
Equipment	116,735	106,294
Land held for lease	13,396,966	13,436,762
Buildings and improvements	21,848,133	22,021,634
Equipment	28,810,924	28,810,924
	65,514,261	65,717,117
Less accumulated depreciation - buildings	(12,058,044)	(11,155,180)
Less accumulated depreciation - equipment	(28,268,017)	(28,126,535)
	$ 25,188,200	$ 26,435,402

Capital asset activity for the years ended June 30, 2011 and 2010, was as follows:

June 30, 2011	*Beginning Balance*	*Additions*	*Reductions*	*Ending Balance*
Land held for sale	$ 1,494,322	$ 307,661	$ 1,241,358	$ 560,625
Land held for lease	$ 13,436,762	$ -	$ 39,796	$ 13,396,966
Building and improvements	23,363,135	308,045	481,545	23,189,635
Equipment	28,917,220	10,440	-	28,927,660
	65,717,117	318,485	521,341	65,514,261
Less accumulated depreciation				
Building	(11,155,180)	(902,864)	-	(12,058,044)
Equipment	(28,126,535)	(141,482)	-	(28,268,017)
	$ 26,435,402	$ (725,861)	$ 521,341	$ 25,188,200

NOTE 5 – Capital Asset and Leasing Activities (continued)

June 30, 010	*Beginning Balance*	*Additions*	*Reductions*	*Ending Balance*
Land held for sale	$ 1,499,322	$ -	$ 5,000	$ 1,494,322
Land held for lease	$ 13,436,762	$ -	$ -	$ 13,436,762
Building and improvements	22,597,432	1,085,703	320,000	23,363,135
Equipment	29,217,220	-	300,000	28,917,220
	65,251,414	1,085,703	620,000	65,717,117
Less accumulated depreciation				
Building	(10,269,896)	(885,284)	-	(11,155,180)
Equipment	(27,982,241)	(144,294)	-	(28,126,535)
	$ 26,999,277	$ 56,125	$ 620,000	$ 26,435,402

Under terms of the direct financing leases, either the lessor or lessee may elect to adjust the basic rent as of each successive fifth anniversary date following the lease commencement date by an amount necessary to fully amortize the initial purchase price based on the prevailing interest rate on such anniversary date. Future minimum lease payments are based on lease payments in effect at year end. The Authority's net investment in direct financing leases consisted of:

	2011	*2010*
Total minimum lease payments receivable	$ 53,501,905	$ 57,498,363
Less unearned interest	(13,975,685)	(15,543,689)
	$ 39,526,220	$ 41,954,674

At June 30, 2011, future minimum lease payments receivable under direct financing leases and non-cancellable operating leases in excess of one year are as follows:

June 30	*Operating Leases*	*Direct Financing Leases*	*Total*
2012	$ 1,672,546	$ 4,382,804	$ 6,055,350
2013	1,619,146	4,420,449	6,039,595
2014	1,619,146	4,420,449	6,039,595
2015	1,619,146	3,599,445	5,218,591
2016	1,619,146	3,013,013	4,632,159
Thereafter	6,531,102	33,665,745	40,196,847
	$ 14,680,232	$ 53,501,905	$ 68,182,137

Lease revenue includes interest from direct financing leases of $1,627,127 and $1,777,832 for the years ended June 30, 2011 and 2010, respectively.

NOTE 6 – Loans Payable (continued)

	2011	2010
Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to $175,000,000 to be reloaned for economic development purposes, interest equal to the twelve-month average of the Board's yield on its cash liquidity pool, which was 3.17% for fiscal year 2010, 2.17% for fiscal year 2011, and adjustable annually thereafter on July 1 of each consecutive year, monthly payments of principal and interest payable in an amount sufficient to repay the outstanding principal balance over 10 years, secured by a security interest in the investments derived from the loan.	$ 124,574,952	$ 124,234,934
Note payable to West Virginia Board of Treasury Investments, non-recourse with right of offset against a note receivable to WVEAC, amount not to exceed $25 million, interest at 3% per annum, principal due in annual installments through June 30, 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds.	24,910,000	24,920,000
Note payable to unrelated party, assigned to West Virginia Workers Compensation Fund of the West Virginia Offices of the Insurance Commissioner in December 2006, payments contingent on sale of real estate, interest accrues at 9.0%, note matures June 2017, secured by business park property.	$ -	$ 765,526
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of principal of $10,417, final payment due October 1, 2023, note is noninterest bearing and secured by real estate.	1,552,053	1,677,057
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $20,703, final payment due March 1, 2024, interest rate at 3% and secured by real estate.	2,629,001	2,795,838
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $16,641, final payment due June 1, 2029, interest rate at 3% and secured by real estate.	2,774,197	2,888,790
Note payable to the West Virginia Water Development Authority on behalf of the West Virginia Infrastructure and Jobs Development Council, due in monthly installments of principal and interest, final payment due June 22, 2021, note is noninterest bearing for first five years. Beginning June 22, 2011, payments will begin and the rate will be 3% per anum secured by real estate.	-	523,700
	156,440,203	157,805,845
Less current portion	(12,065,863)	(11,513,963)
Long term portion	$ 144,374,340	$ 146,291,882

NOTE 6 – Loans Payable (continued)

June 30	*Principal*	*Interest*	*Total*
2012	$ 12,065,863	$ 2,409,808	$ 14,475,671
2013	14,768,693	2,086,059	16,854,752
2014	14,668,118	1,869,664	16,537,782
2015	14,594,370	1,658,138	16,252,508
2016	14,542,444	1,454,660	15,997,104
2017-2021	72,692,864	4,249,586	76,942,450
2022-2026	12,535,654	465,699	13,001,353
2027-2031	572,197	26,883	599,080
	$ 156,440,203	$ 14,220,497	$ 170,660,700

Changes in loans payable for the years ended June 30, 2011 and 2010, were as follows:

	Beginning Balance	*Additions*	*Reductions*	*Ending Balance*	*Amounts Due Within One Year*
June 30, 2011	$157,805,845	$13,354,638	$(14,720,280)	$156,440,203	$12,065,863
June 30, 2010	$152,917,053	$19,041,094	$(14,152,302)	$157,805,845	$11,513,963

NOTE 7 – Amounts Due to Other State Agencies

Amounts Due to Other State of West Virginia Agencies as of June 30, consisted of the following:

	2011	*2010*
Balances included in loans payable:		
WV Infrastructure & Jobs Development Council	$ 6,955,251	$ 7,885,385
Workers' Compensation Fund of the West Virginia Offices of the Insurance Commissioner	-	765,526
WV Board of Treasury Investment	149,484,952	149,154,934
Balances included in amount due to the State Agencies:		
Development Office	7,000	7,000
Governor's Office	43,351	43,351
	$ 156,490,554	$ 157,856,196

The amount due during fiscal year 2010 to the Workers' Compensation Fund of the West Virginia Offices of the Insurance Commissioner was a subordinated note assigned from Weirton Steel to Workers' Compensation. West Virginia Board of Treasury Investment consists of a revolving promissory notes in the amount of $175 million and a non-revolving, non-recourse promissory note in the amount of $25 million.

NOTE 8 – Commitments and Contingencies

Commitments to extend credit are agreements between the Authority and borrowers which generally require the borrowers to meet certain conditions regarding the extension of credit and which expire on specified dates. In making these commitments, the Authority evaluates each borrower's creditworthiness. Upon extension of credit, the Authority requires the loan to be collateralized by equipment and/or real estate. At June 30, 2011, the Authority had committed to make loans of $64,114,160. In order to fund these loans, the Authority will borrow $40,240,900 from the BTI. The remaining $23,873,260 will be provided from the Authority's available funds.

The Authority guarantees repayment of portions of certain loans made for economic development purposes. These guarantees represent conditional commitments by the Authority to guarantee the performance of a borrower to a third party lender. As of June 30, 2011, loans of $812,910 were guaranteed under this program. During the year ended June 30, 2011, the Authority did not pay any claims under the loan guarantee program.

The Authority was the conduit issuer of West Virginia Economic Development Authority commercial development revenue bonds (Stonewall Jackson Lake State Park project) series 2000A and 2000B. These bonds have continued to be in payment default since April 1, 2006. Although these bonds do not represent a liability for the Authority or the State of West Virginia, the Authority did make a direct loan to the West Virginia Division of Natural Resources for capital improvements made at Stonewall Jackson Lake State Park in the amount of $5.2 million. The default on the series 2000A and 2000B bonds does inject uncertainty on the future repayment of the Authority's direct loan. It is too early to determine if impairment of the Authority's asset will occur, but the Authority has increased its reserves to recognize current events.

NOTE 9 – Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia has established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA) as risk pools to account for and finance uninsured risks of losses for State agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool that provides coverage for employee and dependent health, life and prescription drug insurance. The Authority retains the risk of loss on certain tort and contractor claims in excess of the amount insured or covered by BRIM's insurance carrier.

Through its participation in the PEIA, the Authority has obtained health coverage for its employees. In exchange for payment of premiums to PEIA, the Authority has transferred its risks related to health coverage of its employees.

NOTE 10 – Retirement Plan

Plan Description

The Authority contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend benefits provisions to the PERS Board of Trustees. Employees who retire at or after age 60 with five or more years of contributory service or who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death and disability benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 1900 Kanawha Boulevard East, Building Five, Charleston, West Virginia 25305 or by calling (304) 558-3570.

Funding Policy

The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 19% of annual covered payroll, including the Authority's contribution of 14.5% which is established by PERS. The Authority's contributions to PERS for the years ended June 30, 2011, 2010, and 2009 were $67,892, $58,447, and $56,028 respectively.

NOTE 11 – Conduit Debt Obligations

The Authority has issued Industrial Development Revenue Bonds and Residential Care Facility First Mortgage Revenue Bonds to provide financial assistance to private-sector and governmental entities for the acquisition and construction of commercial and residential care facilities deemed to be in the public interest. The Authority has also issued Revenue Bonds to provide financial assistance to state and local governmental entities for the acquisition and construction of facilities deemed to be in the public interest. All of the bonds are secured by the property financed and revenues generated with the bond proceeds and are payable solely from payments received on the underlying obligations. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector or governmental entity served by the bond issuance. The Authority, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities of the Authority in the accompanying financial statements.

As of June 30, 2011 and 2010, there were 48 and 50 revenue bonds outstanding with an approximate aggregate principal amount payable of $1,720,000,000 and $1,736,000,000, respectively.

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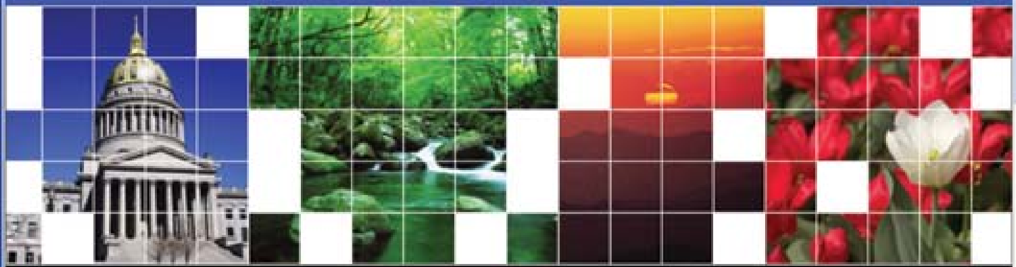
WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

Developing Business in West Virginia



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Welcome to the West Virginia Economic Development Authority (WVEDA) website

WVEDA Overview

Governor Tomblin
West Virginia's 35th Governor

The West Virginia Economic Development Authority (WVEDA) was formed in 1962 as a public corporation and government instrumentality under Chapter 31, Article 15, of the West Virginia Code (the Act). WVEDA is administered by a nine member Board of Directors comprised of the Governor, Tax Commissioner and seven at-large members appointed by the Governor. WVEDA has statutory authority to borrow funds from the West Virginia Board of Treasury Investments to loan to borrowers.

Under the Act, WVEDA is charged with the responsibility to develop and advance the business prosperity and economic welfare of the State of West Virginia, by providing financial assistance in the form of loans and direct financing and operating leases to industrial development agencies and enterprises for the promotion and retention of new and existing commercial and industrial development.

WVEDA is empowered to borrow money and issue bonds, notes, commercial paper and other debt instruments and to furnish money, credit, or credit enhancement for the promotion of business development projects. Credit enhancement is available through WVEDA's loan guarantee programs, which were created to insure payment or repayment of bonds and notes issued by WVEDA and certain other public bodies, or other types of debt instruments entered into by an enterprise or state public body with a financial institution.

WVEDA loans are secured by deeds of trust on property, security interests in equipment, promissory notes, and in certain cases, have supplemental collateral comprised of letters of credit, lease assignments and/or personal guarantees.

WVEDA's loan terms are set by its Board of Directors (the Board), whose members periodically review market conditions. The amount WVEDA may lend for projects varies depending upon the nature of the project and form of lending, as prescribed by the Board.

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