2012 Annual Report

West Virginia economic development authority

Fashion retailer rue21 needed to grow, but also wanted to stay in Weirton, W.Va. rue21 needed help getting more physical space in an industrial park. So, the West Virginia Economic Development Authority (WVEDA) and the Business Development Corporation of the Northern Panhandle (BDC) engineered a real estate swap, stitching together different parcels to give rue21 the space to double the size and capacity of its distribution center.

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Taking Care of Business

Every day, our economic development professionals demonstrate a commitment to our businesses, their products, and our workforce needs. They help companies plan for growth, expand facilities and modernize equipment, enabling more efficient, competitive businesses to reach new markets across the country and the globe.

The West Virginia Economic Development Authority (WVEDA) provides financial and credit assistance needed to help retain and grow our state's businesses. In the past fiscal year, WVEDA provided financial support to a number of companies which will result in nearly 700 new jobs over the next three years.

West Virginia is a responsible business partner. During the past decade, the state has improved our business climate by reducing or eliminating taxes, addressing tort reform and paying down our debt. We ended ended fiscal year 2012 with a budget surplus of more than $100 million, the seventh consecutive surplus without a tax increase. Our Rainy Day funds contain nearly a billion dollars and are one of the most robust Rainy Day funds in the country. Our credit rating is AA-plus, the highest in decades.

West Virginia's companies – both large and small – share in these positive trends. These companies are a testament of the positive business climate in the Mountain State.

Sincerely,

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.
- Indirect lending through the WVEDA Loan Insurance Program
- 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
- Foreign Trade Zones

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.

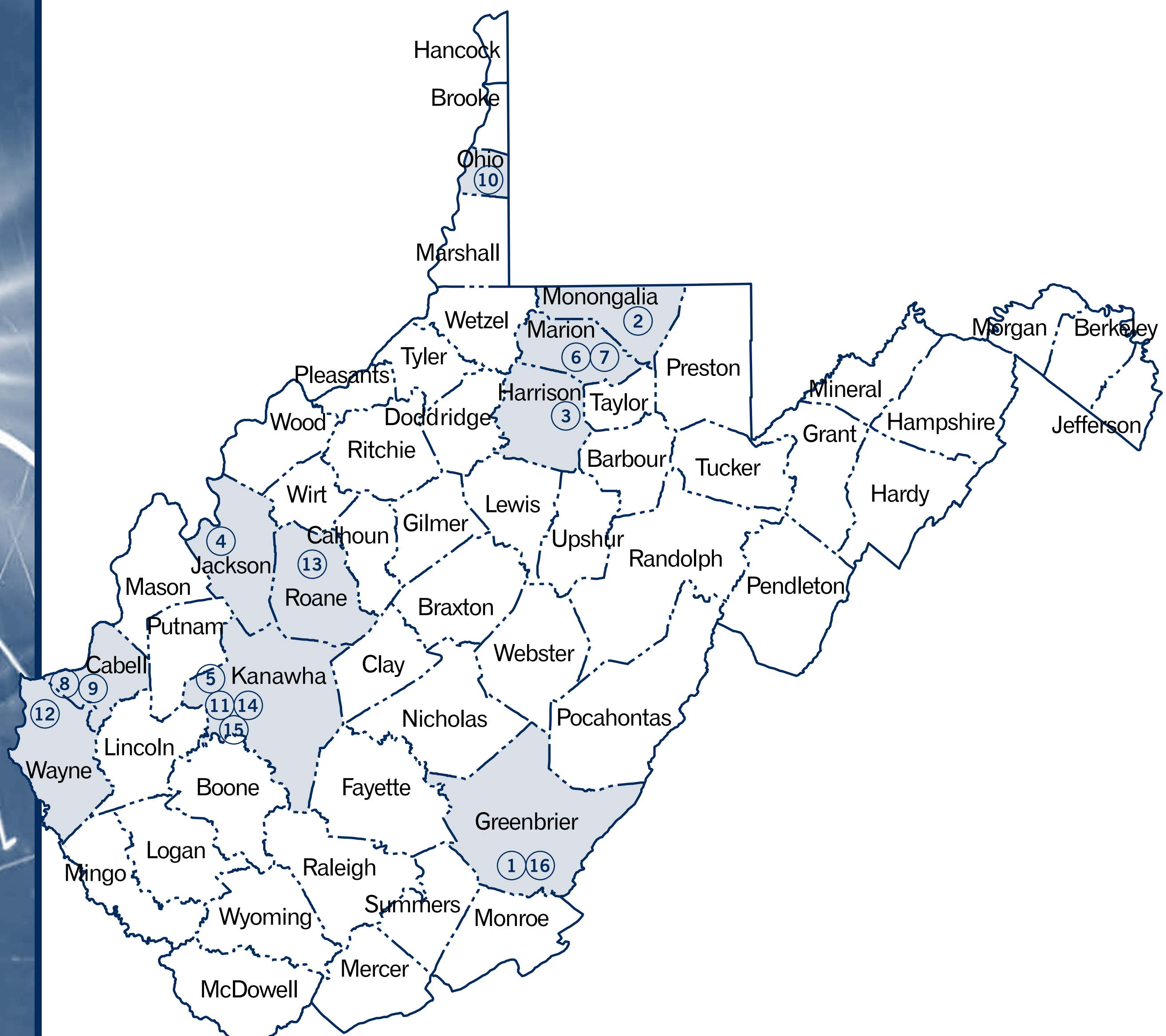
Additional information about WVEDA and its programs may be found on our website at www.wveda.org.

The staff, seated from left – Sarah Hartwell, Caren Wilcher, Debbie Orcutt, Jackie Browning
Standing from left – Tony Benedetto, David Warner, Beverly Dolin, Erin McCoy, Joey Browning, Steve Webb

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. Sixteen loans totaling $77 million were approved leveraging a total of $185 million and providing for 693 new job opportunities over the next three years.



Summary of Loans Approved by WVEDA – Fiscal Year 2011-2012

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
1	11/17/11	***Architectural Wood, LLC*** Ronceverte, Greenbrier County Manufacturer and installer of high-grade architectural woodwork, cas2ework, and custom furnishings New	$ 815,000	$ 411,750	0	65
2	01/19/12	***Protea Biosciences, Inc.*** Morgantown, Monongalia County Life sciences Expansion	484,000	200,000	44	52
3	01/19/12	***Southview Centre, LLC*** *Mason Dixon Energy, LLC* Bridgeport, Harrison County Real estate holding company Provides contract land services to oil and gas exploration and production companies New	8,991,000	3,996,000	0	42
4	01/19/12	***Yellowstar Materials, Inc.*** Millwood, Jackson County Hot mix asphalt plant New	981,000	436,500	0	6
5	01/19/12	***The Cooke Company, LLC dba C & M Courier Services*** Cross Lanes, Kanawha County Expedited delivery business Job Retention	2,200,000	2,100,000	26	44
6	02/15/12	***Vertex Non-Profit Holdings, Inc. National Oceanic and Atmospheric Administration*** Fairmont, Marion County Non-profit holding company/ Oceanic and atmospheric research Expansion	19,079,000	16,975,000	0	20
7	03/15/12	***Fairmont Tool, Inc.*** Fairmont, Marion County Manufacturer of machined and fabricated parts Expansion	1,778,000	800,000	46	76
8	03/15/12	***SMC Electrical Products, Inc.*** Huntington, Cabell County Designs and manufactures a variety of electrical products Job Retention/Expansion	1,131,422	509,000	121	0

Summary of Loans Approved by WVEDA – Fiscal Year 2011-2012

	Approval Date	*Project*	*Total Project Cost*	*WVEDA*	*Current Jobs*	*No. of Jobs Third Year*
9	04/19/12	***HIC-Industrial Center, Inc.*** *MISCOR Group, Ltd.* Huntington, Cabell County Private non-profit economic development corporation Motor repair to various industrial and rail services New	$ 817,552	$ 182,000	31	46
10	04/19/12	***Chas. M. Sledd Co.*** Triadelphia, Ohio County Wholesale distributor Expansion	13,030,500	8,727,000	222	285
11	04/19/12	***WV Regional Technology Park Corp.*** South Charleston, Kanawha County Development of technology park Expansion	1,553,150	1,553,150	0	0
12	04/19/12	***Allevard Sogefi USA, Inc.*** *Capital Lease* Prichard, Wayne County Producer of oil filters, oil filter cooling modules, in-tank gasoline filters, and diesel filter and fuel tank modules Expansion	12,900,000	9,910,000	0	74
13	05/17/12	***Ohio Valley Veneer, Inc.*** Spencer, Roane County Manufacturer of wood products New	1,505,000	1,300,000	0	18
14	05/17/12	***Gestamp West Virginia, LLC*** *Capital Lease* South Charleston, Kanawha County Producer of stamped motor vehicle body panels New	113,580,000	27,500,000	0	400
15	06/21/12	***OODA, LLC*** *Alpha Technologies, Inc.* South Charleston, Kanawha County Real estate holding company Provider of voice, data networking, hardware and software services Expansion	6,100,000	2,745,000	50	105
16	06/21/12	***Architectural Wood, LLC*** Ronceverte, Greenbrier County Manufacturer and installer of high-grade architectural woodwork, casework, and custom furnishings Increase to existing loan commitment	75,000	50,000		Previously reported
	16 Loans		*$185,020,624*	*$77,395,400*	*540*	*1,233*

Participating Sponsors

Charleston Area Alliance

Greenbrier Valley Economic Development Corporation

Harrison County Development Authority

Clay County Economic Coalition

Huntington Area Development Council

Marion Regional Development Corp.

Monongalia County Development Authority

Regional Economic Development Partnership

Roane County Development Authority

West Virginia High Technology Consortium Foundation

Participating Lenders

Branch Banking and Trust Company	*Morgantown, WV*
First Bank	*Charleston, WV*
First National Bank	*Ronceverte, WV*
First Sentry Bank	*Huntington, WV*
Premier Bank	*Buckhannon, WV*
Rock Branch Community Bank	*Nitro, WV*
Trumpf Finance	*Germany*

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 2011-2012

Company Name	*Amount of Insurance*	*Number of Jobs*	
		Retained	*Created*
Fertig Cabinet Co., Inc. Moorefield, Hardy County Producer, distributor and installer of kitchen and commercial cabinetry	$ 200,000	29	6

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 2011-2012

Group 1

Company	*Amount*	*Closing Date*
West Virginia Economic Development Authority Lottery Revenue Refunding Bonds ***Correctional, Juvenile and Public Safety Facilities*** 2011 Series A Various Counties	$ 90,790,000	07/20/10
West Virginia Economic Development Authority Energy Revenue Bonds ***Morgantown Energy Associates Project*** 2011 Monongalia County	$ 59,040,000	09/29/11
West Virginia Economic Development Authority Variable Rate Demand Revenue Bonds ***Collins Hardwood Company LLC Project*** 2011 Nicholas County	$ 2,700,000	10/27/11
West Virginia Economic Development Authority Lease Revenue Refunding Bonds ***Capitol Parking Garage Project*** Series 2011A Kanawha County	$ 3,680,000	11/30/11

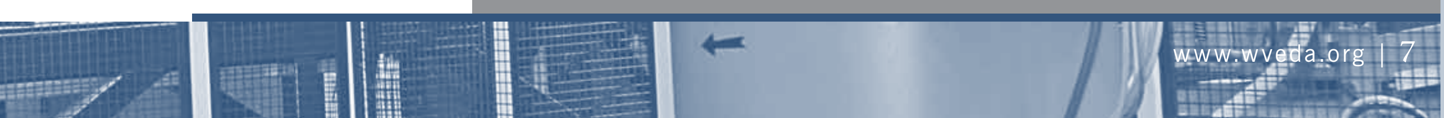
Industrial Development Bonds Issued – Fiscal Year 2011-2012 continued ...

Group 1

Company	*Amount*	*Closing Date*
West Virginia Economic Development Authority Lease Revenue Refunding Bonds ***State Office Building*** Series 2011B Cabell County	$ 8,340,000	11/30/11
West Virginia Economic Development Authority Lease Revenue Refunding Bonds ***Correctional, Juvenile and Public Safety Facilities*** 2012 Series A Various Counties	$ 81,310,000	04/19/12
West Virginia Economic Development Authority Lease Revenue Refunding Bonds ***WV Dept. of Environmental Protection Office Building*** 2012 Series B Kanawha County	$ 23,225,000	04/19/12
West Virginia Economic Development Authority Lease Revenue Refunding Bonds ***The Diamond Project*** Series 2012 Kanawha County	$ 25,090,000	05/09/12
8 New Bonds	*$ 294,175,000*	

Group 2

None



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 combined balance sheet of the West Virginia Economic Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2012, and the related combined statement of revenues, expenses, and changes in net assets, and combined cash flows for the year then ended. These combined financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Suttle & Stalnaker, PLLC
Charleston, West Virginia
October 12, 2012

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A Professional Limited Liability Company

Discussion and Analysis of Financial Performance

This section will discuss the financial performance of the West Virginia Economic Development Authority (WVEDA) and combined entities of West Virginia Certified Development Corporation (WVCDC), West Virginia Enterprise Advancement Corporation (WVEAC), and West Virginia Enterprise Capital Fund (WVECF); collectively referred to as "the Authority." The annual combined financial report presents our discussion and analysis of the Authority for fiscal year ended on June 30, 2012. Please read it in conjunction with the Authority's combined financial statements and accompanying notes.

Financial Highlights

- The Authority's total net assets increased $3.54 million
- Total liabilities decreased by $24.81 million
- Loan and lease originations for the year totaled $37.92 million

Overview of the Combined Financial Statements

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

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

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

The combined financial statements report information about the Authority's use of accounting methods similar to those used by private sector companies. These combined 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

Combined Balance Sheets: The following table summarizes the changes in the Combined Balance Sheets between June 30, 2012 and 2011.

	(in millions) 2012	*2011* Restated	*% Change* FY 12-11
Current assets	$ 56.31	$ 66.81	(15.72) %
Noncurrent assets	195.78	206.54	(5.21)
Total assets	$ 252.09	$ 273.35	(7.78)
Current liabilities	$ 13.63	$ 12.38	10.10
Noncurrent liabilities	105.30	131.36	(19.84)
Total liabilities	118.93	143.74	(17.26)
Net assets:			
Invested in capital assets, net of related debt	21.81	21.83	(0.09)
Restricted	8.95	8.94	0.11
Unrestricted	102.40	98.85	3.59
Total net assets	133.16	129.62	2.73
Total liabilities and net assets	$ 252.09	$ 273.36	(7.78) %

The Authority's overall net assets increased by $3.54 million. Total liabilities decreased by $24.81 million. This decrease in liabilities was due to a prepayment of a direct financing lease and direct loans.

Financial Analysis of the Authority (continued)

Combined Statements of Revenues, Expenses and Changes in Net Assets: The following table summarizes the changes in the Combined Statements of Revenues, Expenses and Changes in Net Assets between fiscal years 2012 and 2011.

	(in millions) 2012	2011 Restated	% Change FY 12-11
Operating revenues:			
Interest on loans	$ 5.99	$ 6.05	(0.99) %
Lease revenue	3.51	3.59	(2.23)
Other	0.76	1.11	(31.53)
Total operating revenues	10.26	10.75	(4.56)
Operating expenses:			
Administrative	1.75	1.20	45.83
Depreciation	1.16	1.08	7.41
Provision for loan losses	0.99	0.79	25.32
Loss due to assessment of asset	0.21	0.00	100.00
Loss in equity investments	0.75	0.75	0.00 %
Other expense	0.17	0.81	(79.01)
Total operating expenses	5.03	4.63	8.64
Operating income	5.23	6.12	(14.54)
Nonoperating revenue (expense):			
Interest on invested cash	0.53	0.39	35.90
Interest expense	(2.22)	(3.69)	(39.84)
Loss on sale of asset	0.00	(0.03)	(100.00)
Total nonoperating expense	(1.69)	(3.33)	(49.25)
Net income	3.54	2.79	26.88
Net assets, beginning of year	129.62	126.83	2.20
Net assets, end of year	$ 133.16	$ 129.62	2.73 %

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 $3.54 million.

During 2012, the Authority had write-offs of uncollectible loans of $1.00 million, or 0.76% of the total loans. The allowance for loan loss is 4.41% of the total loan portfolio at June 30, 2012.

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 $24.6 million which was directly related a prepayment of a direct financing lease and 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

There are currently no known facts and conditions recognized by management that would have a significant effect on the financial position of the Authority.

Requests for Information

The combined financial report is designed to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Virgiia Economic Development Authority at Northgate Business Park, 160 Association Drive, Charleston, West Virginia 25311.

Financial Statements

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

Combined Balance Sheet – June 30, 2012

Assets		
Current assets		
Cash and cash equivalents	$	43,368,926
Restricted cash due to others		288,780
Current portion of loans receivable, net of allowance		6,162,453
Current portion of investment in direct financing leases		2,412,178
Accrued interest receivable		4,080,700
Total current assets		56,313,037
Noncurrent assets		
Investments		7,411,733
Restricted cash and cash equivalents		8,953,914
Loans receivable, less current portion		125,372,066
Investment in direct financing leases, less current portion		19,704,173
Real estate, property, and equipment, less accumulated depreciation		33,774,539
Land held for sale		560,625
		195,777,050
Total assets	$	252,090,087
Liabilities and Net Assets		
Current liabilities		
Accounts payable		$27,326
Accrued interest payable		3,245,105
Amounts due to other State agencies		50,351
Compensated absences		30,369
Current portion of loans payable		10,277,093
Total current liabilities		13,630,244
Noncurrent liabilities		
Deferred lease revenue		2,035,306
Deferred grant revenue		281,780
Compensated absences		25,707
Loans payable, less current portion		102,939,287
		105,282,080
Total liabilities		118,912,324
Net assets		
Invested in capital assets, net of related debt		21,809,076
Restricted		8,953,914
Unrestricted		102,414,773
Total net assets		133,177,763
Total liabilities and net assets	$	252,090,087

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

Combined Statement of Revenues, Expenses, and Changes in Net Assets – Year Ended June 30, 2012

Operating revenues	
Interest on loans	$ 5,988,450
Lease revenue	3,514,857
Other	755,146
Total operating revenues	10,258,453
Operating expenses	
Administrative	1,745,305
Depreciation	1,159,936
Loss due to assessment of asset	209,944
Provision for loan losses	995,000
Loss in equity investments	747,984
Other expense	167,401
Total operating expenses	5,025,570
Operating income	5,232,883
Nonoperating revenue (expense)	
Interest on invested cash	533,548
Interest expense	(2,212,378)
Total nonoperating revenue (expense)	(1,678,830)
Net income	3,554,053
Net assets, beginning of year (restated)	129,623,710
Net assets, end of year	$ 133,177,763

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

Combined Statement of Cash Flows – Year Ended June 30, 2012

Cash flows from operating activities		
Cash receipts from lending and leasing activities	$	65,565,089
Cash receipts from other activities		52,057
Cash payments for:		
Loans and leases originated		(37,923,651)
Administrative expenses		(1,731,727)
Other expense		1,448,409
Net cash provided by (used in) operating activities		27,410,177
Cash flows from non-capital financing activities		
Proceeds from loans payable		13,028,750
Principal payments on loans payable		(37,679,189)
Interest paid		(3,311,757)
Net cash provided by (used in) non-capital financing activities		(27,962,196)
Cash flows from capital and related financing activities		
Acquisition of real estate and equipment		(9,956,219)
Loss due to assessment of asset		209,944
Net cash provided by (used in) capital financing activities		(9,746,275)
Cash flows provided by investing activities		
Distribution received		1,611,951
Net cash provided by (used in) investing activities		1,611,951
Net increase (decrease) in cash and cash equivalents		(8,686,343)
Cash and cash equivalents (including restricted cash), beginning of year		61,297,963
Cash and cash equivalents (including restricted cash), end of year	$	52,611,620
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	$	5,232,883
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Loans and leases originated		(37,923,651)
Principal collected on loans		40,502,796
Collections on net investment in direct financing leases		17,409,869
Depreciation		1,159,936
Provision for loan and lease losses		995,000
Recovery of assets		5,000
Loss due to assessment of asset		209,944
(Increase) decrease in accrued interest receivable		(509,869)
(Increase) in other receivables		(111)
Increase (decrease) in accounts payable		154,687
Increase (decrease) in accrued expenses		(208,136)
Increase (decrease) in deferred lease revenue		(289,155)
Purchase of investment		(77,000)
Equity in loss		747,984
Net cash provided by operating activities	$	27,410,177
Supplemental disclosure of cash flow information		
Cash paid for interest	$	2,212,378

Notes to Financial Statements

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

Combined Entities

West Virginia Economic Development Authority (WVEDA)

The West Virginia Economic Development Authority (WVEDA) is a public corporation and government instrumentality under Chapter 31, Article 15, of the West Virginia Code (the Act). The 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. The WVEDA has statutory authority to borrow funds from the West Virginia Board of Treasury Investments to loan to borrowers.

Under the Act, the 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. The 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 the WVEDA's loan guarantee programs which were created to insure payment or repayment of bonds and notes issued by the 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.

The WVEDA's 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 WVEDA's loan terms are set by its Board of Directors (the Board) whose members periodically review market conditions. The amount the WVEDA 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 WVEDA 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 members of the board are financially accountable, or the organizations for which the nature and significance of their relationship with the WVEDA are such that exclusion would cause the WVEDA's statements to be misleading. In accordance with GASB statement No. 61, "Financial Reporting Onmibus" the WVEDA's statements are prepared on a combined basis including WVCDC, WVEAC, and WVECF.

West Virginia Certified Development Corporation (WVCDC)

The WVCDC is a nonprofit, nonstock corporation established to help communities in the State of West Virginia stimulate the growth and expansion of small business under the provisions of Sections 503 and 504, Title V of the Small Business Investment Act of 1958, as amended (the Act). The WVCDC is excempt from federal income tax on its exempt purpose activities as an organization described in Section 501(c)(3) of the Internal Revenue Code.

Under the Act, the WVCDC assists entities in obtaining long-term financing for fixed assets and economic development programs, neighborhood revitalization and minority enterprise development through Small Business Administration (SBA) supported loans. These loans are based on subordinate SBA second mortgage financing in the form of 100% SBA guaranteed debentures. The amount of each debenture may not exceed one-half of the cost of each project, with the remaining one-half being provided from nonfederal sources. To maintain certification under this program, the WVCDC must provide a Section 503 or 504 debenture or other type of financial assistance to at least one small business concern each year.

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

Combined Entities (continued)

West Virginia Enterprise Advancement Corporation (WVEAC)

The WVEAC is a nonprofit organization which was created to advance the economic development and social welfare of the State of West Virginia and its people. Its objectives include the promotion and assistance of business growth and development to foster increased employment opportunities throughout the State of West Virginia through the promotion and development of accessible risk capital. To further these objectives, WVEAC has invested in and is the 100% owner of West Virginia Enterprise Capital Fund, LLC (WVECF). The WVEAC is exempt from federal income tax on its exempt purpose activities as an organization described in Section 501(c)(3) of the Internal Revenue Code.

West Virginia Enterprise Capital Fund, LLC (WVECF)

The WVECF was incorporated on September 24, 2001. The WVECF is in the business of making venture capital available to companies doing business in the State of West Virginia through investments in venture capital companies as provided under the West Virginia Venture Capital Act. The WVECF is managed by its sole member, the West Virginia Enterprise Advancement Corporation (WVEAC).

The WVECF operates as a Limited Liability Company as permitted under West Vigînia State Code. As such, the WVECF's net income or loss is allocated to its sole member, a nonprofit organization, in accordance with the regulations of the Internal Revenue Service. Accordingly, no income tax provision has been included in these combined financial statements.

The WVEDA, WVCDC, WVEAC, and the WVECF are combined and are collectively referred to as the "Authority" in these financial statements.

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

Use of Estimates

The preparation of combined 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 combined financial statements and related notes to combined financial statements and actual results could differ from management's estimates. Significant estimates include the allowance for loan and lease losses, the depreciation of assets held for lease, and the valuation of the venture capital fund investments.

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

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 Combined 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 www.wvbti.com.

Investments

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.

Venture Capital Investments

The WVECF invests in venture capital entities which are managed by various fund managers. The investments involve risks not normally associated with investing, including equity interests in development state companies. The risks associated with these investments are affected by many factors, such as economic outlook, ability to raise capital, and ability to attract customers. Collateral values securing venture capital investments are not readily determinable.

Venture capital investments are not readily marketable and therefore no quoted prices are available. The Fund manager has estimated fair value after consideration of such factors as the cost of the investment, actual performance compared to expected performance, earnings potential, and other relevant factors. Because of uncertainties in the estimation process, estimated values may change in the near term and those changes may be material.

Other Investments

Other investments include certain amounts held by the BTI for the Authority.

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

Loans

The Authority grants commercial loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout West Virginia. The ability of the Authority's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans are stated at unpaid principal balances.

Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Allowance for Credit Losses

The allowance for credit losses consists of an allowance for loan losses for outstanding loan and credit financial instruments of the Authority.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the balance sheet date. The Authority uses a process to establish the allowance for loan losses semi-annually. To determine the total allowance for loan losses, management estimates the reserves needed for each loan. The allowance for loan losses consists of amounts applicable to the (1) commercial real estate portfolio, (2) commercial - equipment, (3) commercial-both real estate and equipment.

To determine the balance of the allowance account, loans are reviewed. Management exercises significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and judgment and responds to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts or to release balances from the allowance for loan losses. The Authority's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions. Individual loan risk ratings are evaluated based on each situation by experienced staff.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by staff of loan portfolios. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

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.

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

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 www.wvpeia.com.

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce their future 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 Grant Revenue

The Authority reports grants received in advance for third-party recipients as deferred grant revenue. 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.

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.

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

Newly Adopted 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 early adoption of this statement had no impact on the June 30, 2012 combined 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 early adoption of this statement has impacted the June 30, 2012 combined financial statements by consolidating the overall financial statements for presentation purposes. See Note 2 for further discussion.

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 AICPA 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 early adoption of this statement had no impact on the June 30, 2012 combined financial statements.

Recent Statements Issued By GASB

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 combined financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Authority has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its combined financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No.10 and No. 62*, effective for fiscal years beginning after December 15, 2012. This statement will resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The Authority has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its combined financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 67, Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25, effective for fiscal years beginning after June 15, 2013. This statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The Authority has not yet determined the effect that the adoption of GASB Statement No. 67 may have on its combined 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. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27, effective for fiscal years beginning after June 15, 2014. this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The Authority has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its combined financial statements.

Other Recent Accounting Pronouncements

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-02, Receivables (ASC Topic 310), A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring, in order to clarify whether a restructuring constitutes a troubled debt restructuring. To determine if a troubled debt restructuring has occurred, the creditor must separately conclude that the restructuring constitutes a concession, and that the debtor is experiencing financial difficulties. The amendments to ASC Topic 310 clarify the guidance on a creditor's evaluation of whether it has granted a concession, and clarify the guidance on a creditor's evaluation of whether a debtor is experiencing financial difficulties. The amendments in this update are effective for annual periods ending on or after December 15, 2012, including interim periods within those annual periods.

NOTE 2 – Restatement of Net Assets

As described in Note 1 and 2 to the combined financial statements, the Authority adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*.

As discussed in Note 1, total net assets as presented in the June 30, 2011 audited financial statements of WVEDA were $130,418,384. The total net assets of WVEDA, WVCDC, WVEAC, and WVECF (the Authority) have been combined and restated as $129,623,710, a net effect of ($794,674) to the Authority.

NOTE 3 – Cash and Cash Equivalents

At June 30, 2012, the carrying amount and fair value of deposits was as follows:

			Percentage of Respective BTI Pool
Cash amounts on deposit:			
WV Money Market Pool at BTI	$	16,670,823	0.60%
WV Government Money Market Pool at BTI		9,253,914	3.08%
WVEDA - Short-term Bond Pool at BTI		16,480,000	3.27%
Cash held at State Treasurer's Office		9,584,885	Not applicable
Cash held at outside financial institutions		621,998	Not applicable
Total Cash on hand	$	52,611,620	

NOTE 3 – Cash and Cash Equivalents (continued)

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.

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 BTI's Combined 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 BTI's Combined Fund. Of the BTI's Combined Fund pools and accounts in which the Authority invests, 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 year ended June 30, 2012, 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, 2012, the WV Money Market Pool investments had a total carrying value of $2,786,968,000 of which the Authority's ownership represents 0.60%.

WV Government Money Market Pool - Credit Risk

For the year ended June 30, 2012 and the WV Government 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 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, 2012, the WV Government Money Market Pool investments had a total carrying value of $299,629,000, of which the Authority's ownership represents 3.08%.

NOTE 3 – Cash and Cash Equivalents (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 Standards & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standards & Poor's and P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments:

	Credit Rating*		2012	
Security Type	*Moody's*	*S&P*	*Carrying Value (in thousands)*	*Percent of Pool Assets*
Corporate asset backed securities	Aaa	AAA	$ 95,628	18.99%
	Aaa	NR*	38,524	7.64
	Aa3	AA+**		
	B1	CCC**	896	0.18
	B3	B**		
	B3	BB**	311	0.06
	B3	BBB**		
	B3	BBB-**	53	0.01
	B3	CCC**	280	0.06
	Ca	CCC**	586	0.12
	Caa2	CCC**	186	0.04
	Caa3	CCC**	243	0.05
	Caa3	D**	26	0.01
	NR	AA+	3,900	0.77
	NR*	NR*	3,786	0.75
			144,419	28.68
Corporate bonds and notes	Aaa	AA	$	%
	Aa1	A		
	Aa2	AA+	9,025	1.79
	Aa2	AA		
	Aa3	AA		
	Aa3	AA-	15,666	3.11
	Aa3	A	23,032	4.57
	A1	AA	12,145	2.41
	A1	A+	30,684	6.09
	A1	A		
	A2	AA		
	A2	A	39,064	7.76
	A3	A		
	A3	A-	7,755	1.54
	A3	BBB+	3,006	0.60
	Baa1	A-	4,162	0.83
	Baa2	A-	6,709	1.33
			151,246	30.03

NOTE 3 – Cash and Cash Equivalents (continued)

BTI Disclosure Information (continued)

WV Short Term Bond Pool - Credit Risk (continued)

	Credit Rating*		2012	
Security Type	*Moody's*	*S&P*	*Carrying Value (in thousands)*	*Percent of Pool Assets*
Commercial paper	P-1	A-1		
U.S. agency bonds	Aaa	AAA		
U.S. agency bonds	Aaa	AA+	45,024	8.94
U.S. Treasury notes ***	Aaa	AAA		
U.S. Treasury notes ***	Aaa	AA+	44,251	8.79
U.S. agency mortgage backed securities ****	Aaa	AAA		
U.S. agency mortgage backed securities ****	Aaa	AA+	77,065	15.30
Money market funds	Aaa	AAAm	41,610	8.26
			$ 503,617	100.00 %

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 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, 2012, the Authority's ownership represents 3.27% of these amounts held by the BTI.

NOTE 3 – Cash and Cash Equivalents (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 the BTI's Combined 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:

	2012	
Security Type	*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$ 90,204	3
U.S. Treasury notes	330,865	122
U.S. Treasury bills	237,978	37
Commercial paper	853,470	35
Certificates of deposit	110,000	10
U.S. agency discount notes	738,706	44
Corporate bonds and notes	36,000	48
U.S. agency bonds/notes	189,691	68
Money market funds	200,054	1
	$ 2,786,968	46

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 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 Government Money Market Pool:

	2012	
Security Type	*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$ 91,900	3
U.S. Treasury notes	103,324	111
U.S. Treasury bills	4,999	62
U.S. agency discount notes	76,397	52
U.S. agency bonds/notes	23,004	9
Money market funds	5	1
	$ 299,629	54

NOTE 3 – Cash and Cash Equivalents (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:

	2012	
Security Type	*Carrying Value (In Thousands)*	*Effective Duration (Days)*
U.S. Treasury bonds/notes	$ 44,251	366
Commercial paper		
Corporate notes	151,248	242
Corporate asset backed securities	144,419	250
U.S. agency bonds/notes	45,024	23
U.S. agency mortgage backed securities	77,065	13
Money market funds	41,610	1
	$ 503,617	180

Other Investment Risks

Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Combined 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 the BTI's Combined 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 BTI's 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 BTI's Combined 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.

Cash Held Outside BTI

Limited cash and cash equivalents are held outside BTI and consist of demand deposits maintained with a high credit quality financial institutions. At times, the balances with the institutions may exceed amounts covered by FDIC insurance limit; however, management believes that the financial institutions are credit worthy.

NOTE 4 – Investments

Investments on deposit:

WVEDA - American Woodmark at BTI	$	2,132,779
Investments held with Venture Capital Companies		5,278,954
Total	$	7,411,733

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 $2,132,779. 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.

Investments Outside BTI

A portion of the Authority's investment portfolio is comprised of various investments in venture capital companies. The investments described below involve risks not normally associated with investing, including interests in development stage companies. The risks associated with these investments are dependent on many factors, such as economic outlook, ability to raise capital, or building a customer base. Collateral values securing the venture capital investments are not readily determinable. The Authority has committed and funded amounts in exchange for ownership interests in venture capital companies at June 30 as follows:

	Fair Value	Total Funded	Total Unfunded Commitment
Adena Ventures, LP	$ 1,019,793	$ 4,000,000	$ -
Anthem Capital, LP	-	4,000,000	-
Innova (WV High Tech Consortium, LP)	328,941	622,580	127,420
Mountaineer Capital, LP	2,099,861	4,000,000	-
Novitas, LP	1,830,359	3,520,000	480,000
Toucan Capital Fund II, LP	-	4,000,000	-
Walker Investment Fund, LP	-	4,000,000	-
Total	$ 5,278,954	$ 24,142,580	$ 607,420

When the fair value of the Authority's basis in the venture capital investments reaches zero, the Authority ceases reporting losses under the equity method unless the Authority has guarantees of debt or future funding commitments.

Fund managers of the venture capital companies recommend individual investments based on predetermined selection criteria. These investments vary widely from start up to operating businesses. Individual fund managers determine investment goals for their venture capital companies. To meet the unfunded commitments, the Authority has its investment securities available.

NOTE 4 – Investments (continued)

Investments Outside BTI (continued)

The following is a summary of each venture capital investment:

- Adena Ventures, LP has primarily invested in information technology, life sciences, and software development.
- Anthem Capital, LP has invested in information technology, telecommunications, life sciences, and industrial technology.
- Innova, LP is developing investment strategies and investigating potential investments.
- Mountaineer Capital, LP's investment portfolio consists of technology transfer, information technology, and software development.
- Novitas, LP has investments in healthcare, communications, and information technology.
- Toucan Capital Fund II, LP is invested in biotechnology, information technology, and nanotechnology.
- Walker Investment Fund, LP has a portfolio consisting of information technology, life sciences, and software development.

Accounting principles generally accepted in the United States of America establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets. Level 1 assets include all of the Authority's short-term investment securities.
- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Authority has no Level 2 assets.
- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The table below sets forth, by level, the Authority's financial assets that are accounted for at fair value:

	Fair Value at June 30, 2012			
	Total	*Level 1*	*Level 2*	*Level 3*
Assets:				
Investments held at BTI	$ 2,132,779	$ 2,132,779	$ -	$ -
Venture capital limited partnerships	5,278,954	-	-	5,278,954
Total assets	$ 7,411,733	$ 2,132,779	$ -	$ 5,278,954

The following is a reconciliation of the beginning and ending balances for assets and liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2012.

Balance, July 1, 2011	$ 6,088,365
Total gains or losses (unrealized/realized)	
Included in earnings	(886,411)
Purchases, issuances, and settlements	77,000
Balance, June 30, 2012	$ 5,278,954

NOTE 5 – 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 $8,953,914 at June 30, 2012.

NOTE 6 – Loans

Loans by class are summarized as follows:

Commercial	
Real Estate	$ 36,455,131
Real Estate & Equipment	21,352,290
Equipment	-
Service	
Real Estate	76,609
Real Estate & Equipment	872,999
Equipment	78,407
Other	141,250
Industrial	
Real Estate	27,417,588
Real Estate & Equipment	30,478,869
Equipment	20,461,376
Total Loans	137,334,519
Less allowance for loan loss	(5,800,000)
Loans receivable net of allowance	$ 131,534,519

The Authority's loans have been granted to customers principally in West Virginia.

Commercial loans may be collateralized by the assets underlying the borrower's business such as equipment, inventory, or real property. Commercial real estate loans are generally secured by the underlying real property. The ultimate collectability of a substantial portion of the Authority's loan portfolio is susceptible to changes in the local market conditions.

NOTE 7 – Credit Quality

Management monitors the credit quality of loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when full collection of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest income generally is discontinued when a loan becomes 90 days or more past due as to principal or interest. However, regardless of the delinquency status, if a loan is fully secured and in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan may not be placed on nonaccrual. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. The Authority's method of income recognition for loans that are classified as nonaccrua1 is to recognize interest income on a cash basis or to apply the cash receipt to principal when the ultimate collectability of the principal is in doubt. Management may elect to continue the accrual of interest when the estimated net realized value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection. Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been paid.

The following table sets forth the Authority's age analysis of its past due loans, segregated by class of loans.

June 30, 2012	*30-89 Days Past Due*	*90 Days or More Past Due*	*Total Past Due*	*Current*	*Total Financing Receivables*
Secured by Real Estate:					
Commercial	$ -	$ -	$ -	$ 36,455,131	$ 36,455,131
Service	30,989	-	30,989	45,620	76,609
Industrial	3,169,636	-	3,169,636	24,247,953	27,417,589
Secured by Equipment					
Commercial	-	-	-	-	-
Service	-	-	-	78,407	78,407
Industrial	-	-	-	20,461,376	20,461,376
Secured by Real Estate and Equipment					
Commercial	1,012,461	-	1,012,461	20,339,828	21,352,289
Service	-	-	-	872,999	872,999
Industrial	2,923,180	-	2,923,180	27,555,689	30,478,869
Other	-	-	-	141,250	141,250
Total	$ 7,136,266	$ -	$ 7,136,266	$ 130,198,253	$ 137,334,519

NOTE 7 – Credit Quality (continued)

The Authority generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due. The following table sets forth the Authority's nonaccrual loans, segregated by class of loans:

	June 30, 2012
Secured by Real Estate	
Commercial	$ -
Service	30,989
Industrial	1,957,050
Secured by Equipment	
Commercial	-
Service	-
Industrial	-
Secured by Real Estate & Equipment	
Commercial	601,055
Service	-
Industrial	-
Total	$ 2,589,094

The Authority assigns credit quality indicators of pass, special mention, substandard, and doubtful to its loans. The loans are internally assigned a grade based on a combination of the known creditworthiness of the borrower and on the loan's delinquency status. The Authority updates these grades on a semi-annual basis.

Special mention loans have a potential weakness that deserves management's close attention. If left unmonitored, these potential weaknesses may result in deterioration of the repayment prospects for such loans or the borrower's credit position at some future date. Adverse economic or market conditions may also support a special mention rating. Other nonfinancial reasons for rating a credit exposure as special mention can include known borrower problems, pending litigation, or lending agreement issues.

A substandard loan contains weaknesses that, if left uncorrected, create some degree of doubt as to the likelihood of full collection of principal and interest. These loans require intensive supervision by management. Such loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants.

A loan classified as doubtful exhibits all the weaknesses inherent in one classified as substandard with the additional characteristic that the weaknesses make its collection in full, based on currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the credit, its classification as loss is deferred at the present time. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain operationally solvent. Specific pending events may include mergers, acquisitions, liquidations, capital injections, the perfection of liens of additional collateral, the valuation of collateral, and refinancing. Loans classified as doubtful are also considered impaired. Generally, consumer credit exposures are charged-off prior to being classified as doubtful.

NOTE 7 – Credit Quality (continued)

The following table sets forth the Authority's credit quality indicators information, by class of loans:

June 30, 2012	*Pass*	*Special Mention*	*Sub-Standard*	*Doubtful*	*Total*
Secured by Real Estate					
Commercial	$ 15,921,789	$ 17,333,342	$ -	$ 3,200,000	$ 36,455,131
Service	45,620	30,989	-	-	76,609
Industrial	16,318,349	11,040,573	58,666	-	27,417,588
Secured by Equipment					
Commercial	-	-	-	-	-
Service	78,407	-	-	-	78,407
Industrial	18,760,640	1,700,736	-	-	20,461,376
Secured by Real Estate & Equipment					
Commercial	3,036,963	17,714,272	601,055	-	21,352,290
Service	872,999	-	-	-	872,999
Industrial	26,658,465	2,067,644	1,752,760	-	30,478,869
Other	-	-	-	141,250	141,250
Total	$ 81,693,232	$ 49,887,556	$ 2,412,481	$ 3,341,250	$ 137,334,519

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, such loans have exhibited a sustained period of delinquency or there have been significant events (such as bankruptcy, eminent foreclosure, or natural disasters) that impact repayment probability. Impairment is evaluated on an individual loan basis. Consistent with the Authority's existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

NOTE 7 – Credit Quality (continued)

The following table sets forth the Authority's impaired loans information, by class of loan:

June 30, 2012	*Unpaid Principal Balance*	*Related Allowance*	*Interest Income Recognized*
With No Related Allowance Recorded			
Secured by Real Estate			
Commercial	$ -	$ -	$ -
Service	-	-	-
Industrial	-	-	-
Secured by Equipment			
Commercial	-	-	-
Service	-	-	-
Industrial	-	-	-
Secured by Real Estate & Equipment			
Commercial	-	-	-
Service	-	-	-
Industrial	-	-	-
With An Allowance Recorded			
Secured by Real Estate			
Commercial	3,200,000	1,000,000	-
Service	30,989	20,000	-
Industrial	1,957,050	550,000	-
Secured by Equipment			
Commercial	-	-	-
Service	-	-	-
Industrial	-	-	-
Secured by Real Estate & Equipment			
Commercial	601,055	300,000	-
Service	-	-	-
Industrial	-	-	-
Total Real Estate	$ 5,188,039	$ 1,570,000	$ -
Total Equipment	$ -	$ -	$ -
Total Real Estate & Equipment	$ 601,055	$ 300,000	$ -

NOTE 8 – Allowance for Credit Losses

The allowance for loan losses is management's estimate of the probable credit losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance for loan losses and the appropriate provision for credit losses is based upon a semi-annual evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows and consideration of current economic trends, all of which are susceptible to constant and significant change. Allocations are made for specific loans based upon management's estimate of the borrowers' ability to repay and other factors impacting collectability. In addition, a portion of the allowance accounts is for the inherent imprecision in the allowance for credit losses analysis. During 2012, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. When a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge-off all or a portion of that loan.

If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is 120 days delinquent. Any loan, on which a principal or interest payment has not been made within 30 days, is reviewed monthly for appropriate action.

The Authority considers the allowance for loan losses of $5,800,000 adequate to cover loan losses inherent in the loan portfolio at June 30, 2012. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

June 30, 2012	*Commercial*	*Service*	*Industrial*	*Unallocated*	*Total*
Allowance For Credit Losses:					
Beginning Balance	$ 1,570,000	$ 161,250	$ 3,025,000	$ 1,043,750	$ 5,800,000
Charge-Offs	(1,000,000)	-	-	-	(1,000,000)
Recoveries	5,000	-	-	-	5,000
Provision	995,000	-	-	-	995,000
Ending Balance	$ 1,570,000	$ 161,250	$ 3,025,000	$ 1,043,750	$ 5,800,000
Ending Balance: Individually Evaluated For Impairment	$ 1,570,000	$ 161,250	$ 3,025,000	$ -	$ 4,756,250
Ending Balance: Collectively Evaluated For Impairment	$ -	$ -	$ -	$ 1,043,750	$ 1,043,750
Financing Receivables: Ending Balance	$ 57,807,421	$ 1,169,265	$ 78,357,833	$ -	$137,334,519
Ending Balance: Individually Evaluated For Impairment	$ 601,055	$ -	$ 1,811,426	$ -	$ 2,412,481
Ending Balance: Collectively Evaluated For Impairment	$57,206,366	$ 1,169,265	$ 76,546,407	$ -	$134,922,038

NOTE 9 – 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 17 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, property, and equipment include the following at June 30, 2012:

Land held for sale	$ 560,625
Buildings and improvements	$ 1,341,503
Equipment	116,735
Land held for lease	13,462,002
Buildings and improvements	31,739,316
Equipment	28,600,980
	75,260,536
Less accumulated depreciation - buildings	(13,078,203)
Less accumulated depreciation - equipment	(28,407,794)
	$ 33,774,539

Capital asset activity for the year ended June 30, 2012, was as follows:

June 30, 2012	*Beginning Balance*	*Additions*	*Reductions*	*Ending Balance*
Land held for sale	$ 560,625	$ -	$ -	$ 560,625
Land held for lease	$ 13,396,966	$ 65,035	$ -	$ 13,462,001
Building and improvements	23,189,636	9,891,183	-	33,080,819
Equipment	28,927,660	-	209,944	28,717,716
	65,514,262	9,956,218	209,944	75,260,536
Less accumulated depreciation				
Building	(12,058,044)	(1,020,160)	-	(13,078,204)
Equipment	(28,268,017)	(139,776)	-	(28,407,793)
	$ 25,188,201	$ 8,796,282	$ 209,944	$ 33,774,539

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:

Total minimum lease payments receivable	$ 26,912,080
Less unearned interest	(4,795,729)
Total	22,116,351
Less current year portion	2,412,178
Total noncurrent portion	$ 19,704,173

NOTE 9 – Capital Asset and Leasing Activities (continued)

At June 30, 2012, 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*
2013	$ 2,384,173	$ 3,259,212	$ 5,643,385
2014	2,384,173	3,259,212	5,643,385
2015	2,384,173	2,438,207	4,822,380
2016	2,384,173	1,851,775	4,235,948
2017	2,384,173	1,851,775	4,235,948
Thereafter	28,332,165	14,251,899	42,584,064
	$ 40,253,030	$ 26,912,080	$ 67,165,110

Lease revenue includes interest from direct financing leases of $1,597,327 for the year ended June 30, 2012.

NOTE 10 – Loans Payable

Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to $175 million 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 1.17% for fiscal year 2012 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.	$ 100,425,076
Note payable to West Virginia Board of Treasury Investments, non-recourse 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. Based upon the Non Recourse Borrowing Agreement with WVBTI, we have written down the note to agree with the WVBTI receivable.	6,250,617
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.	1,427,049
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.	2,457,296
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.	2,656,342
Total	113,216,380
Less current portion	(10,277,093)
Long term portion	$ 102,939,287

NOTE 10 – Loans Payable (continued)

June 30	*Principal*	*Interest*	*Total*
2013	$ 10,277,093	$ 394,961	$ 10,672,054
2014	10,335,772	286,518	10,622,290
2015	10,361,985	260,305	10,622,290
2016	10,387,883	234,406	10,622,289
2017	10,415,348	206,941	10,622,289
2018-2022	58,741,660	1,842,371	60,584,031
2023-2027	2,309,496	138,176	2,447,672
2028-2031	387,143	12,244	399,387
	$ 113,216,380	$ 3,375,922	$ 116,592,302

Changes in loans payable for the year ended June 30, 2012, were as follows:

	Beginning Balance	*Additions*	*Reductions*	*Ending Balance*	*Amounts Due Within One Year*
June 30, 2012	$137,828,820	$13,028,750	$(37,641,190)	$113,216,380	$10,277,093

NOTE 11 – Amounts Due to Other State Agencies

Amounts Due to Other State of West Virginia Agencies as of June 30, 2012 consisted of the following:

Balances included in loans payable:	
WV Infrastructure & Jobs Development Council	$ 6,540,687
WV Board of Treasury Investment	106,675,693
Balances included in amount due to the State Agencies:	
Development Office	7,000
Governor's Office	43,351
	$ 113,266,731

NOTE 12 – 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, 2012, the Authority had committed to make loans of $96,250,620. In order to fund these loans, the Authority will borrow $72,379,931 from the BTI. The remaining $23,870,689 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, 2012, loans of $1,232,693 were guaranteed under this program. During the year ended June 30, 2012, the Authority did not pay any claims under the loan guarantee program.

NOTE 12 – Commitments and Contingencies (continued)

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 13 – 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 14 – 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 Combined 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 Combined 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 Combined 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 year ended June 30, 2012, was $80,221.

NOTE 15 – 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, 2012, there were 54 revenue bonds outstanding with an approximate aggregate principal amount payable of $1,766,000,000.

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West Virginia Economic Development Authority

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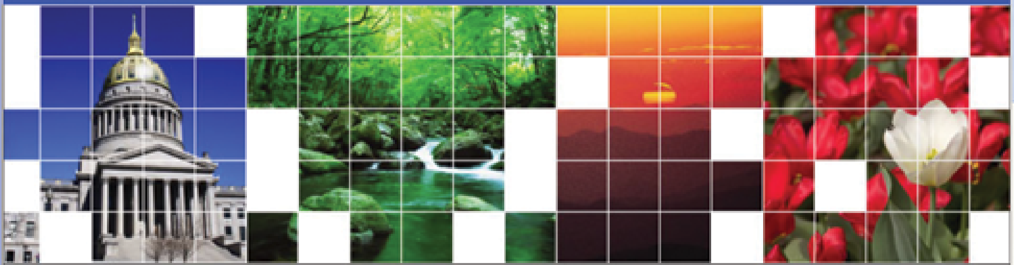

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Welcome to the West Virginia Economic Development Authority (WVEDA) website

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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West Virginia economic development authority

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