West Virginia Economic Development Authority

2007 Annual Report

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A MESSAGE FROM THE GOVERNOR

Most professionals in our business community know it makes good business sense to locate a company in West Virginia. Now, a national magazine and a research organization have published their study that confirms the state and three of its metro areas are "magnets" for attracting and retaining new businesses.

In its May-June 2007 issue, Expansion Management ranked West Virginia 8th among all 50 U.S. states - and three West Virginia cities were among the top 20 small metro areas for business recruitment and attraction. Charleston was ranked 8th; Parkersburg, 14th; and Wheeling, 17th.

The ranking is significant. It is based on actual corporate relocation and expansion data from the past eight years, using the National Policy Research Council's interactive database of 19 million companies for its statistical sample.

It reinforces our efforts. Positive changes yield positive results for West Virginia's business climate:

- Workers' compensation reform has realized $130 million in cost savings to businesses. Our state employers saw an aggregate 15 percent reduction on workers' compensation rates, with some individual employers seeing drops of as much as 25 to 40 percent.
- The state's commitment to paying off long-term debt and unfunded pension liabilities has been noted by Wall Street. In February 2007, Fitch Ratings upgraded its credit rating of the West Virginia Economic Development Authority lease revenue bonds from A to A+.
- West Virginia finished its best revenue collection year, without a tax increase, in recent history. The state government's budget year ended June 30, 2007, with a $106.7 million budget surplus, the third year in a row with a surplus.
- Passage of civil justice and insurance reform legislation has provided cost savings to West Virginians. Our current work on tax modernization and responsible government will keep us moving in the right direction.
- Since 2005, West Virginia experienced a net gain of 19,000 new jobs and attracted more than $3.86 billion in new investment.

The world's most well-known companies like Amazon.com, Toyota, Bayer, Coldwater Creek, Dow, DuPont, Lockheed Martin and Armstrong have located in West Virginia for important reasons. The Mountain State offers a high quality lifestyle, beautiful landscape and abundant natural and human resources.

West Virginia is open for business. Please contact the West Virginia Development Office at (800) 982-3386 to learn more or visit www.wvopenforbusiness.com.

Sincerely,

Joe Manchin III
Governor of West Virginia

The Mission of the West Virginia Economic Development Authority

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

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

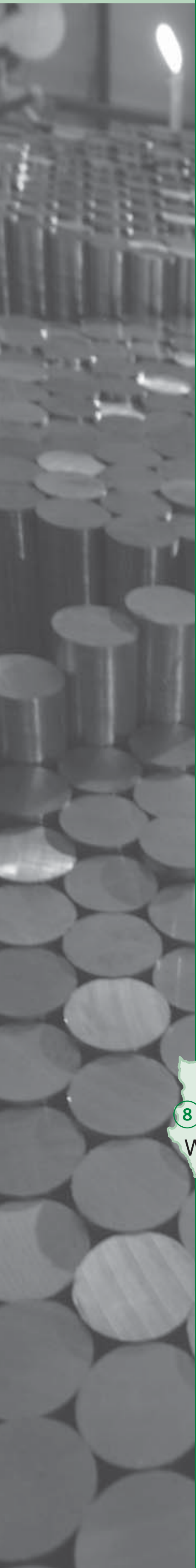
- Direct lending, credit enhancements and financing incentives designed to attract and retain employment-creating enterprises in the state.
- Certification of and performance monitoring on the qualified venture capital firms under the West Virginia Venture Capital Program.
- Administration of allocations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

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

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

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

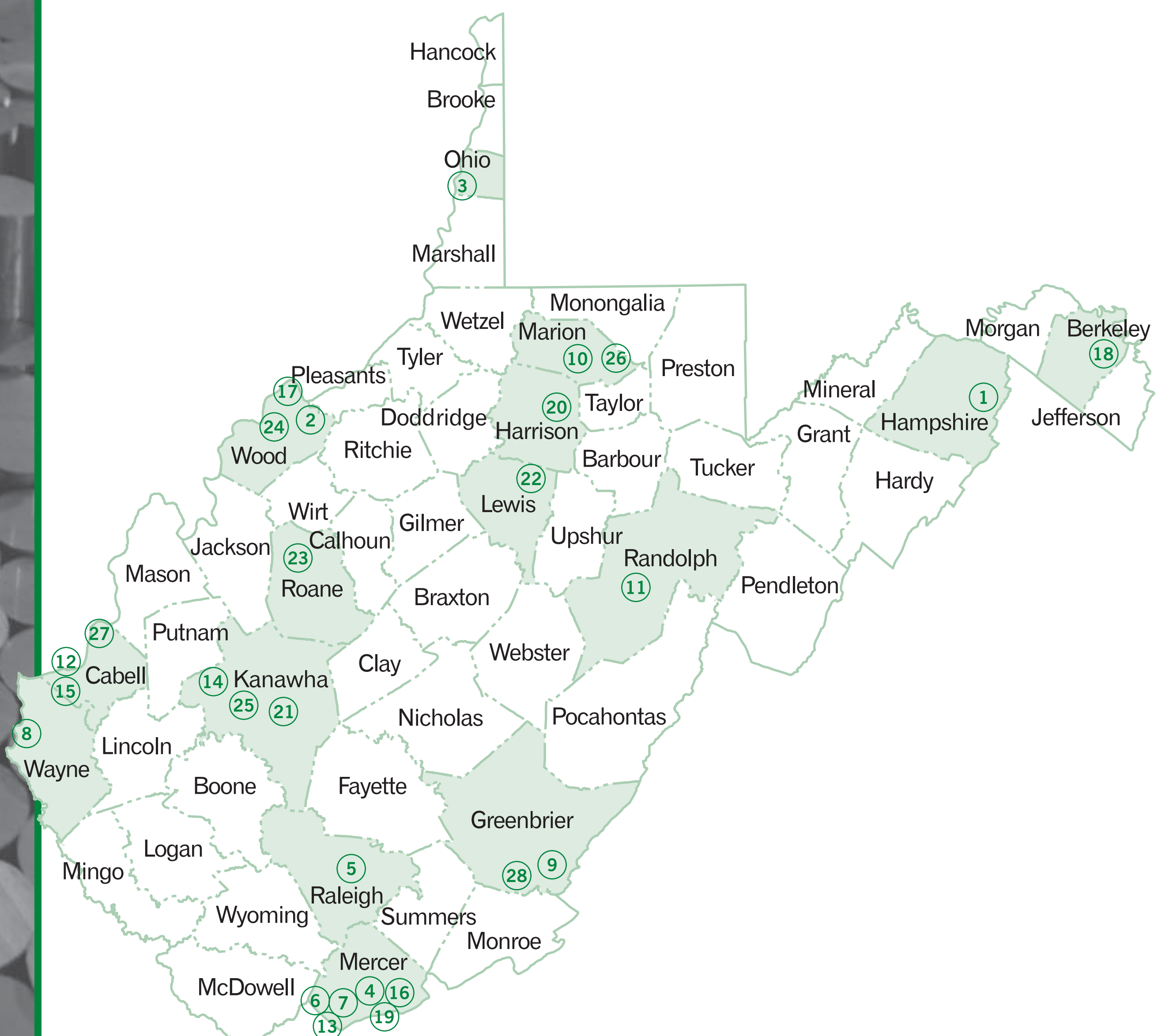
The staff, standing from left - Caren Wilcher, Erin C. Taylor, Tony Benedetto, Joey D. Browning, Jackie A. Browning, Beverly S. Dolin
Seated from left - Robin L. Greathouse, Sarah B. Burke, Deborah J. Orcutt, David A. Warner



Direct Loan Program

The Authority makes low-interest 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. Twenty-eight loans totaling $39.7 million were approved leveraging a total of $57.3 million and providing for 822 new job opportunities over the next three years.



Summary of Loans Approved by WVEDA — Fiscal Year 2006-2007

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
1	07/20/06	***S. J. Morse Company*** Capon Bridge, Hampshire County Manufacturer of architectural wood veneer-faced panels for custom made plywood Expansion	$ 665,500	$ 299,475	17	24
2	08/17/06	***Carr Concrete Corporation*** Waverly, Wood County Manufacturer of various concrete products Expansion	700,000	250,000	83	90
3	08/17/06	***Ohio Valley Industrial & Business Development Corporation*** *(Stone Center @ Market Plaza Project)* Wheeling, Ohio County Back office and shared services space New	6,685,010	800,000		Will depend upon tenant
4	08/17/06	***Tabor Machine Company*** Princeton, Mercer County Custom manufacturer of vibrating screen systems Expansion	2,250,000	800,000	51	71
5	08/17/06	***Beaver Coal Company, Limited*** Beckley, Raleigh County Destination tourism Expansion	758,920	300,000	4	8
6	08/17/06	***Bluefield Gear & Machine, LLC*** Bluefield, Mercer County Manufacturer of gears for mining equipment Expansion	560,000	560,000	10	25
7	08/17/06	***Industrial Plating & Machine, Inc.*** Bluefield, Mercer County Manufacturer of hydraulic cylinders Expansion	180,000	180,000	15	40
8	08/17/06	***Harbor Group, Inc.*** Prichard, Wayne County Corporate holding company Expansion	730,000	328,500	10	40
9	08/17/06	***Bitter End Property, LLC*** White Sulphur Springs, Greenbrier County Real estate holding New	550,000	300,000	21	39
10	08/17/06	***Victory of West Virginia, Inc.*** Fairmont, Marion County Designs, manufactures and sells coal handling and preparation systems Job Retention	4,500,000	2,000,000	278	287

Summary of Loans Approved by WVEDA — Fiscal Year 2006-2007

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
11	09/21/06	***Fox Lumber Company*** Mill Creek, Randolph County Sawmill Expansion	$ 2,037,435	$ 800,000	27	46
12	10/19/06	***Huntington Industrial Corporation*** *(InfoCision Management Corp. Project)* Huntington, Cabell County Out-bound telemarketing for the infomercial and direct marketing industries Expansion	1,205,000	542,250	279	379
13	11/16/06	***T & N Electric Motor Exchange, Inc.*** Bluefield, Mercer County Sale, repair, exchange, manufacture and remanufacture of electric motors Expansion	1,910,205	800,000	42	70
14	12/21/06	***Leslie Equipment Company*** Cross Lanes, Kanawha County Sales, parts and service facility for John Deere heavy equipment Expansion	4,600,000	2,000,000	0	16
15	01/28/07	***Rubberlite, Inc.*** Huntington, Cabell County Manufacturer of various closed cell sponge rubber and plastic products Expansion	2,100,000	945,000	153	164
16	03/15/07	***Downard Hydraulics, Incorporated*** Princeton, Mercer County Manufacturer and rebuilder of hydraulic cylinders Expansion	2,620,000	800,000	80	113
17	03/15/07	***Enviro Tech International, Inc.*** Williamstown, Wood County Manufacturer of a patented solvent used in industrial cleaning applications Job Retention/Expansion	1,665,000	749,000	44	150
18	03/15/07	***JetLink MRB, LLC*** *dba Arcadia Aviation* Martinsburg, Berkeley County Provides hangar space, aircraft maintenance and flight maintenance services for corporate jets Expansion	2,700,000	1,215,000	9	56
19	03/15/07	***Recycle West Virginia, LP*** Princeton, Mercer County Recycling and metal shredding operation New	11,350,000	5,000,000	0	38

Summary of Loans Approved by WVEDA — Fiscal Year 2006-2007

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
20	04/19/07	***Merrick Engineering, Inc.*** Clarksburg, Harrison County Manufacturer of plastic hangers and closet accessories Expansion	$ 1,749,730	$ 787,378	125	140
21	04/19/07	***Tramco Services, Inc.*** *dba Kanawha Electric & Machine Company* Campbell's Creek, Kanawha County Electrical motor repair and machine shop Expansion	1,750,000	787,500	15	44
22	05/17/07	***Snider Construction and Development, LLC*** *(Leader Energy Services USA, Ltd.)* Jane Lew, Lewis County Coiled tubing and cement services New	2,000,000	800,000	15	22
23	05/17/07	***David and Dorothy Suit*** *(D&D Creations Corp. dba Hampton Ridge Billiards)* Palestine, Roane County Distributor of billiards supplies Expansion	255,000	114,750	7	14
24	05/17/07	***Polymer Alliance Services, LLC*** Washington, Wood County Processor and vendor of recycled plastics Expansion	4,023,250	1,124,060	65	69
25	05/17/07	***Charleston Stamping & Manufacturing, Inc.*** South Charleston, Kanawha County Manufacturer of metal stamping and assembly (Sale/leaseback) New	36,000,000	15,000,000	0	200
26	06/21/07	***CGP Development Company, Inc.*** *(Cadbury Schweppes America's Beverages)* Fairmont, Marion County Confectionery and beverage marketer Expansion	1,310,000	585,000	20	40
27	06/21/07	***Huntington Industrial Corporation*** HADCO Business Park, Cabell County Shell building New	2,036,574	1,786,574		Will depend upon tenant
28	06/21/07	***Greenbrier Technical Services, Inc.*** Ronceverte, Greenbrier County Production and repair of mechanical and electronic replacement parts Expansion	108,345	81,260	25	32
28 Loans			*$ 96,999,969*	*$ 39,735,747*	*1,395*	*2,217*

Participating Sponsors

4-C Economic Development Authority
Berkeley County Development Authority
Charleston Area Alliance
Development Authority of Mercer County
Hampshire County Development Authority
Harrison County Development Authority
Huntington Area Development Corporation
Marion Regional Development Corp.
Ohio Valley Industrial and Business Development Corporation
Randolph County Development Authority
Ronceverte Main Street Program
Wood County Development Authority
White Sulphur Springs Main Street Program

Participating Lenders

Branch Banking & Trust Company	*Keyser, WV*
Branch Banking & Trust Company	*Summersville, WV*
Centra Bank	*Martinsburg, WV*
Citizens Bank of Weston	*Weston, WV*
City National Bank	*Charleston, WV*
Community Trust Bank	*Pikeville, KY*
First Community Bank	*Princeton, WV*
First National Bank	*Ronceverte, WV*
Guaranty Bank & Trust Company	*Huntington, WV*
JPMorgan Chase Bank	*Huntington, WV*
MVB, Inc.	*Bridgeport, WV*
Poca Valley Bank	*Sissonville, WV*
SunTrust Bank	*Roanoke, VA*
TruPoint Bank	*Lebanon, VA*
United Bank	*Parkersburg, WV*
Wells Fargo Capital	*Waynesburg, PA*
WesBanco Bank	*Wheeling, WV*
Williamstown National Bank	*Williamstown, WV*

Loan Insurance Program

WVEDA's Loan Insurance Program insures a portion of commercial loans issued to businesses after the loans are conditionally approved by banks. WVEDA will generally insure 80% of a loan up to $150,000 for a term not greater than four years. This program is available through any state financial institution which chooses to apply for participation.

Administration of West Virginia Tax Credits

West Virginia Capital Company Act

The West Virginia Capital Company Act, which became effective on July 1, 1986, was established to encourage the formation of venture capital in West Virginia. As amended during the 2001-2002 fiscal year, only licensed Small Business Investment Companies (SBIC's) are eligible to apply for credits. Investors in qualified West Virginia capital companies (SBIC's) are entitled to a state tax credit equal to 50% of their investment. The credits may be claimed against personal and corporate net income taxes, business franchise tax, business and occupation tax, carrier income tax, telecommunications and severance tax. No tax credits were awarded as there were no tax credits made available by the West Virginia Legislature during this fiscal year.

West Virginia Venture Capital Act

The West Virginia Venture Capital Act, which became effective on July 1, 2001, was established to encourage the formation of private venture capital in West Virginia. Accredited investors, through the West Virginia Enterprise Capital Fund, are entitled to a state tax credit up to 50% of their investment. The credits may be claimed against personal and corporate net income taxes, business franchise tax, business and occupation tax, carrier income tax, telecommunications and severance tax. Capital companies must have a capital base of at least $1 million. Credits may be carried forward fifteen years by the investor.

No tax credits were awarded as there were no tax credits made available by the West Virginia Legislature during this fiscal year.

Centers for Economic Development and Technology Advancement

As amended during the 2002-2003 fiscal year, the Legislature approved an initiative to create centers for economic development and technical advancement to enhance technology transfer efforts at the State's institutions of higher education. No tax credits were awarded as there were no tax credits made available by the West Virginia Legislature during this fiscal year.

High-Growth Business Investment Tax Credit

The High-Growth Business Investment Tax Credit, which became effective on July 1, 2005, was established to encourage investment in potentially high-growth research and development businesses in West Virginia. Qualified research and development ("R & D") companies must be certified by the State Tax Commissioner before High-Growth Business Investment Tax Credits may be allocated. Each eligible taxpayer who has made an investment in a qualified R & D company may receive a tax credit for the taxable year in which the investment was made and must maintain the investment for a minimum period of five years. The total tax credit that may be used by an eligible taxpayer/investor shall be equal to 50% of the total value of the qualified investment in the taxable year the qualified investment was actually made, not to exceed $50,000 per taxpayer/investor. The credits may be claimed against personal, corporate net income taxes, and business franchise tax.

The Authority approved $167,500 in tax credits for 15 investors during this fiscal year.

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 2006-2007

Group 1

Company	Amount	Closing Date
West Virginia Economic Development Authority ***BPB, WV Inc.*** Taxable Industrial Development Revenue Bonds 2006 Series Marshall County	$200,000,000	12/14/2006
West Virginia Economic Development Authority ***Berkeley County Development Authority*** Revenue Bonds 2006 Series Berkeley County	$ 4,980,000	02/01/2007
West Virginia Economic Development Authority ***Appalachian Power Company – Mountaineer Project*** Solid Waste Facilities Bonds 2007 Series Mason County	$ 75,000,000	05/23/2007
West Virginia Economic Development Authority ***Ohio Power Company – Mitchell Project*** Solid Waste Facilities Bonds 2007 Series Marshall County	$ 65,000,000	06/13/2007
West Virginia Economic Development Authority ***Capital Cement Corporation*** Lease Revenue Bonds 2007 Series Berkeley County	$320,000,000	06/19/2007
5 New Bonds	*$664,980,000*	

Group 2

Company	Amount	Closing Date
The County Commission of Raleigh County ***Aiken Continental, LLC*** 2006 Series Raleigh County	$ 3,000,000	10/24/2006
1 New Bond	*$3,000,000*	

Suttle & Stalnaker
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of the West Virginia Economic Development Authority, a component unit of the State of West Virginia, as of and for the year ended June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the West Virginia Economic Development Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Economic Development Authority as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
September 25, 2007

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Discussion and Analysis of Financial Performance

This section of the West Virginia Economic Development Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended on June 30, 2007. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The Authority's total net assets increased $6.42 million or 5.59%
- Interest income on invested cash and equivalents increased $.97 million or 44.86%
- Interest on loans increased $1.48 million or 30.43%
- Net Income increased $1.41 million or 27.89%
- Loan originations for the year totaled $28 million

Overview of the Financial Statements

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

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

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

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

Financial Analysis of the Authority

Statement of Net Assets

The following table summarizes the changes in the Statement of Net Assets between June 30, 2007, 2006, and 2005.

	2007	(in millions) 2006	2005	Change FY 07-06
Current assets	$ 67.75	$ 63.59	$ 53.48	6.54 %
Noncurrent assets	193.95	186.90	200.76	3.77
Total assets	261.70	250.49	254.24	4.47
Current liabilities	9.48	9.65	10.48	(1.76)
Noncurrent liabilities	130.95	125.99	133.93	3.94
Total liabilities	140.43	135.64	144.41	3.53
Net assets:				
Invested in capital assets, net of related debt	7.94	3.39	9.08	134.22
Restricted	12.02	11.71	11.57	2.65
Unrestricted	101.31	99.75	89.18	1.56
Total net assets	121.27	114.85	109.83	5.59
Total liabilities and net assets	$ 261.70	$ 250.49	$ 254.24	4.47

The Authority's overall net assets increased by $6.42 million. Total assets increased by $11.21 million, due to an increase in loans receivable. Total liabilities increased by $4.79 million. The primary factor for this increase was due to additional funds borrowed from the West Virginia Board of Treasury Investments (BTI), a governmental agency, with which the Authority maintains a line of credit.

Statement of Activities

The following table summarizes the changes in Operating Income between fiscal years 2007, 2006, and 2005.

	(in millions) 2007	2006	2005	*Change* FY 07-06
Operating revenues:				
Interest on loans	$ 6.35	$ 4.87	$ 6.08	30.39 %
Lease revenue	4.27	4.83	5.76	(11.59)
Grant revenue	-	-	4.69	0.00
Other	1.02	1.01	0.11	.99
Total operating revenues	11.64	10.71	16.64	8.68
Operating expenses:				
Administrative	1.26	1.22	1.03	3.28
Depreciation	1.16	1.64	2.82	(29.27)
Provision for loan losses	1.16	1.16	0.59	0.00
Loan insurance claim expense	.30	.32	1.00	(6.25)
Grant expense	-	-	4.79	0.00
Total operating expenses	3.88	4.34	10.23	(10.60)
Operating income	7.76	6.37	6.41	21.82
Nonoperating revenue (expense):				
Interest on invested cash	3.10	2.14	1.52	44.86
Interest expense	(4.44)	(3.49)	(4.19)	27.22
Gain on forgiveness of indebtedness	-	-	0.24	0.00
Total nonoperating expense	(1.34)	(1.35)	(2.43)	(.74)
Capital contributions	-	-	1.00	0.00
Net income	6.42	5.02	4.98	27.89
Net assets, beginning of year	114.85	109.83	104.85	4.57
Net assets, end of year	$ 121.27	$ 114.85	$ 109.83	5.59

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 $6.42 million.

During 2007, the Authority had write-offs of uncollectible loans of $231,000, or 0.16% of the total loans. The allowance for loan loss is 3.82% of the total loan portfolio at June 30, 2007.

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 increased by $4.6 million which was directly related to additional borrowing from our line of credit with BTI, to finance loans and leases for economic development purposes.

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

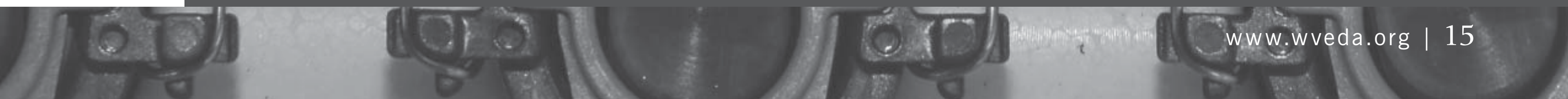
The Authority was the conduit issuer of WV Economic Development Authority commercial development revenue bonds (Stonewall Jackson Lake State Park project) series 2000A and 2000B. These bonds experienced a payment default on April 1, 2006 and April 1, 2007. Although these bonds do not represent a liability for the Authority or the State of West Virginia, the Authority did make a direct loan to the WV Division of Natural Resources for capital improvements made at Stonewall Jackson Lake State Park in the amount of $5.2 million. The default on the series 2000A and 2000B bonds does inject uncertainty on the future repayment of the Authority's direct loan. 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.

Financial Statements

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

Balance Sheets — June 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	$ 56,918,088	$ 46,096,430
Restricted cash due to others	288,780	288,780
Current portion of loans receivable, net of allowance	6,452,348	12,296,027
Current portion of investment in direct financing leases	1,201,828	2,162,520
Accrued interest receivable	2,853,118	2,704,639
Other receivable	40,148	40,004
Total current assets	67,754,310	63,588,400
Noncurrent assets:		
Investment	1,638,757	1,627,626
Restricted cash and cash equivalents	12,017,839	11,710,852
Loans receivable, less current portion	139,476,959	122,171,793
Investment in direct financing leases, less current portion	16,053,167	17,294,429
Real estate, property, and equipment, less accumulated depreciation	21,552,827	30,265,801
Land held for sale	3,203,822	3,828,622
	193,943,371	186,899,123
Total assets	$ 261,697,681	$ 250,487,523
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$5,631	$2,640
Accrued interest payable	298,023	262,320
Amounts due to other State agencies	50,351	44,443
Compensated absences	30,387	93,255
Current portion of loans payable	9,092,076	9,247,745
Total current liabilities	9,476,468	9,650,403
Noncurrent liabilities:		
Accrued interest payable	2,400,238	1,998,547
Deferred lease revenue	3,481,081	3,770,237
Deferred grant revenue	281,780	281,780
Compensated absences	96,090	31,746
Loans payable, less current portion	124,692,049	119,904,010
	130,951,238	125,986,320
Total liabilities	140,427,706	135,636,723
Net assets:		
Invested in capital assets, net of related debt	7,944,470	3,392,613
Restricted	12,017,839	11,710,852
Unrestricted	101,307,666	99,747,335
Total net assets	121,269,975	114,850,800
Total liabilities and net assets	$ 261,697,681	$ 250,487,523



Revenues, Expenses, and Changes in Net Assets — June 30, 2007 and 2006

	2007	2006
Operating revenues:		
Interest on loans	$ 6,348,023	$ 4,867,021
Lease revenue	4,267,252	4,835,784
Other	1,019,944	1,012,966
Total operating revenues	11,635,219	10,715,771
Operating expenses:		
Administrative	1,262,026	1,220,515
Depreciation	1,161,830	1,644,280
Loan insurance claim expense	298,416	316,295
Provision for loan losses	1,155,673	1,160,024
Total operating expenses	3,877,945	4,341,114
Operating income	7,757,274	6,374,657
Nonoperating revenue (expense):		
Interest on invested cash	3,100,742	2,136,876
Interest expense	(4,438,841)	(3,491,583)
Total nonoperating revenue (expense)	(1,338,099)	(1,354,707)
Net income	6,419,175	5,019,950
Net assets, beginning of year	114,850,800	109,830,850
Net assets, end of year	$ 121,269,975	$ 114,850,800

Cash Flows — June 30, 2007 and 2006

		2007		2006
Cash flows from operating activities:				
Cash receipts from lending and leasing activities	$	27,880,661	$	29,546,054
Cash receipts from other activities		1,461,391		937,160
Cash payments for:				
Loans and leases originated		(28,117,959)		(15,876,263)
Personnel expense		(644,279)		(744,463)
Administrative expenses		(617,745)		(471,893)
Loan insurance claim expense		(298,416)		(16,295)
Other expense		-		(95,076)
Net cash provided by operating activities		(336,347)		13,279,224
Cash flows from non-capital financing activities:				
Proceeds from loans payable		20,988,540		9,748,735
Proceeds (disbursements) of legislative grants		5,908		679,443
Principal payments on loans payable		(16,356,170)		(18,480,274)
Interest paid		(4,071,912)		(2,682,642)
Net cash provided by (used in) non-capital financing activities		566,366		(10,734,738)
Cash flows from capital and related financing activities:				
Acquisition of real estate and equipment		7,551,144		(465,995)
Interest paid		(366,929)		(716,157)
Proceeds from sale of land		624,800		6,682,433
Net cash used in capital financing activities		7,809,015		5,500,281
Cash flows provided by investing activities:				
Interest received		3,089,611		2,344,092
Net cash provided by (used in) investing activities		3,089,611		2,344,092
Net increase (decrease) in cash		11,128,645		10,388,859
Cash and cash equivalents (including restricted cash), beginning of year		58,096,062		47,707,203
Cash and cash equivalents (including restricted cash), end of year	$	69,224,707	$	58,096,062

Cash Flows — June 30, 2007 and 2006 (continued)

	2007	2006
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 7,757,274	$ 6,374,657
Adjustments to reconcile operating income to net cash provided by operating activities:		
Loans and leases originated	(28,117,958)	(15,876,263)
Principal collected on loans	15,448,940	15,071,558
Collections on net investment in direct financing leases	2,201,955	4,510,067
Depreciation	1,161,830	1,644,280
Provision for loan and lease losses	1,155,674	1,176,319
Recovery of loans previously charged-off	51,855	24,089
(Increase) decrease in accrued interest receivable	(148,479)	526,690
Increase in other receivables	(144)	(3,860)
Increase (decrease) in accounts payable	2,991	(4,159)
(Increase) decrease in accrued expenses	438,870	125,001
Increase (decrease) in deferred lease revenue	(289,155)	(289,155)
Net cash provided by operating activities	$ (336,347)	$ 13,279,224
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 4,438,841	$ 3,491,583

Notes to Financial Statements

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

Reporting Entity

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

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

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

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

Basis of Presentation

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

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

Basis of Presentation (continued)

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

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

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

Allowance for Loan Losses

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

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

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 30 years, respectively.

Compensated Absences, Including Postretirement Benefits

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. In accordance with State personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time any unused compensated absence time can be converted into employer paid premiums for postretirement health care coverage through the West Virginia Public Employees Insurance Agency, or be converted into a greater retirement benefit under the State's Public Employees' Retirement System. The estimated obligation for such benefits, as they relate only to those persons employed directly by the Authority presently or in the past, is recorded as a liability in the accompanying financial statements.

Deferred Lease Revenue

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

Deferred Revenue - Grants

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

Net Assets

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

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

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

Net Assets (continued)

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

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

Operating Revenues and Expenses

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

Recent Statements Issued By GASB

The GASB has also issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. Effective July 1, 2007, the Authority will adopt GASB Statement No. 45. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia. The Authority is required to participate in this multiple employer cost sharing plan 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, West Virginia, 25305-0710 or http://www.wvpeia.com. No liability related to this plan existed for the Authority at June 30, 2007.

The GASB has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The Authority has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.

The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The Authority has not yet determined the effect that the adoption of GASB Statement No. 49 may have on the financial statements.

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

Recent Statements Issued By GASB (continued)

The GASB has issued Statement No. 50. *Pensions Disclosures* (an amendment of GASB Statements No. 25 and No. 27), effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pension with those for other postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The Authority has not yet determined the effect that the adoption of GASB Statement No. 50 may have on the financial statements.

NOTE 2 — Cash and Investments

The cash on deposit with the State Treasurer amounted to $19,609,752 at June 30, 2007. This balance is immediately available to the Authority.

At June 30, 2007, the carrying amount and fair value of deposits with the State of West Virginia Board of Treasury Investments (BTI) was as follows:

	2007	*Percentage of Respective BTI Pool*
Amount on deposit with the BTI:		
Cash Liquidity Pool	$ 37,597,117	1.80%
Government Money Market Pool	10,056,801	4.40%
WVEDA - Railroad Bond Reserve	450,462	100.00%
WVEDA - American Woodmark	1,638,757	100.00%
	$ 49,743,137	

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 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 Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI's Consolidated Fund.

NOTE 2 — Cash and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the BTI's Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the BTI's Consolidated Fund pools and accounts which the Authority may invest, three are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, and Enhanced Yield Pool. The Authority did not have any funds invested in the Enhanced Yield Pool.

The BTI limits the exposure to credit risk in the Cash Liquidity 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 P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	*Moody's*	*S&P*	*Carying Value*	*Percent of Pool Assets*	*Carying Value*	*Percent of Pool Assets*
Investments:						
Commercial paper	P1	A-1	$ 1,015,926	48.89%	$ 943,057	54.14%
Corporate bonds and notes	Aaa	AAA	98,999	4.76	61,992	3.56
	Aa3	AA	20,001	0.96	-	0.00
	Aa3	A	23,002	1.11	-	0.00
	Aa2	AA	15,000	0.72	-	0.00
	Aa2	A	27,000	1.30	-	0.00
	Aa1	AA	77,023	3.71	-	0.00
	Aa	AA	-	0.00	55,063	3.16
	Aa	A	-	0.00	12,000	0.69
			261,025	12.56	129,055	7.41
U.S. agency bonds	Aaa	AAA	46,994	2.26	43,663	2.51
U.S. Treasury bills	Aaa	AAA	358,725	17.27	306,279	17.58
Negotiable certificates of deposit	P1	A-1	76,500	3.68	99,000	5.68
U.S. agency discount notes	P1	A-1	21,655	1.04	93,851	5.39
Money market funds	Aaa	AAA	185	0.01	758	0.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	-	0.00	73,000	4.19
U.S. agency notes	Aaa	AAA	246,821	11.88	29,339	1.69
			246,821	11.88	102,339	5.88
Deposits:						
Nonnegotiable certificates of deposit	NR	NR	50,000	2.41	23,800	1.37
			$ 2,077,831	100.00%	$ 1,741,802	100.00%

*NR = Not Rated

NOTE 2 — Cash and Investments (continued)

The BTI limits the exposure to credit risk in the 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. The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

	Credit Rating		2007		2006	
Security Type	*Moody's*	*S&P*	*Carrying Value*	*Percent of Pool Assets*	*Carrying Value*	*Percent of Pool Assets*
U.S. agency bonds	Aaa	AAA	$ 67,620	29.46%	$ 21,420	11.76%
U.S. Treasury bills	Aaa	AAA	36,379	15.85	28,346	15.56
U.S. agency discount notes	P1	A-1	74,143	32.30	112,399	61.70
Money market funds	Aaa	AAA	9	0.00	109	0.06
Repurchase agreements (underlying securities):						
U.S. Treasury notes	Aaa	AAA	51,400	22.39	-	0.00
U.S. Treasury strips	Aaa	AAA	-	0.00	15,602	8.56
U.S. agency bonds	Aaa	AAA	-	0.00	4,298	2.36
			51,400	22.39	19,900	10.92
			$ 229,551	100.00%	$ 182,174	100.00%

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 Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

	2007		2006	
Security Type	*Carrying Value (In Thousands)*	*WAM (Days)*	*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$ 246,821	2	$ 102,339	3
U.S. Treasury bills	358,725	30	306,279	32
Commercial paper	1,015,926	52	943,057	25
Certificates of deposit	126,500	76	122,800	105
U.S. agency discount notes	21,655	113	93,851	89
Corporate notes	261,025	58	129,055	77
U.S. agency bonds/notes	46,994	156	43,663	208
Money market funds	185	1	758	1
	$ 2,077,831	48	$ 1,741,802	42

NOTE 2 — Cash and Investments (continued)

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Government Money Market Pool:

	2007		2006	
Security Type	*Carrying Value (In Thousands)*	*WAM (Days)*	*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$ 51,400	2	$ 19,900	3
U.S. Treasury bills	36,379	29	28,346	42
U.S. agency discount notes	74,143	106	112,399	39
U.S. agency bonds/notes	67,620	60	21,420	152
Money market funds	9	1	109	1
	$ 229,551	49	$ 182,174	49

Other Investment Risks

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI Consolidated Fund pool or an 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 in the BTI Statement of Fiduciary Net Assets is invested in the lending agents money market fund in the BTI's name. 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 Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Separate Investment Accounts:

WVEDA Railroad Maintenance Authority Bond Reserve

This account held only a U.S. Treasury bill until it matured December 14, 2006 in the amount of $450,000. The Authority's Board of Directors approved this investment by resolution dated May 28, 1992, which limits this account to holding only U.S. Treasury securities with six-month maturities. This security is not exposed to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

NOTE 2 — Cash and Investments (continued)

Separate Investment Accounts (continued):

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 $1,605,000. The Authority's Board of Directors approved this investment by resolution dated March 18, 2006. This security is not exposed to credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

NOTE 3 — Restricted 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 $12,017,839 and $11,710,852 at June 30, 2007 and 2006, respectively.

NOTE 4 — Loans

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

	2007	*2006*
Loans for industrial development projects	$ 131,890,015	$ 121,330,122
Loans for industrial parks	889,292	977,698
Loan to related party for venture capital development	18,950,000	16,960,000
	$ 151,729,307	$ 139,267,820

The Authority has loaned $18,950,000 for venture capital development to a nonprofit organization, West Virginia Enterprise Advancement Corporation (WVEAC), related through a common board of directors.

NOTE 4 — Loans (Continued)

Impaired Loans

Impaired loans are nonperforming or underperforming loans for which the collectibility of the full amount of interest is in question, but for which management believes the principal to be substantially collectible. As such, the amount of interest recognized as revenue is less than required under original loan terms. Information concerning these loans as of and for the year ended June 30, 2007 and 2006, respectively, is as follows:

	2007	2006
Aggregate recorded balances at year end	$ 7,559,770	$ 7,355,295
Interest income which would have been earned during the year on nonperforming loans under their original terms	$ 451,286	$ 446,240
Interest income recognized on impaired loans including interest income recognized on cash basis	$ 343,230	$ 9,374

Allowance for Loan Losses

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

	2007	2006
Balance of impaired loans	$ 7,559,770	$ 7,355,295
Less: Impaired loan balance for which no allowance for loan losses is allocated	49,710	49,710
Impaired loan balance for which an allowance for loan losses is allocated	$ 7,510,060	$ 7,305,585
Portion of allowance for loan losses allocated to the impaired loan balance	$ 1,190,000	$ 780,000

Past Due and Nonaccrual Loans

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

	2007	2006
Balance of nonaccrual loans	$ 12,918	$ 2,223,549
Balance of loans past due 90 days or more and still accruing interest	$ 0	$ 635,496

NOTE 4 — Loans (Continued)

Allowance for Loan Losses

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

	2007	2006
Balance, beginning of year	$ 4,800,000	$ 3,800,000
Provisions charged to operations	1,155,673	1,160,024
Loans charged off, net of recoveries	(155,673)	(160,024)
Balance, end of year	$ 5,800,000	$ 4,800,000

NOTE 5 — Capital Asset and Leasing Activities

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

Real estate and equipment include the following at June 30:

	2007	2006
Land held for sale	$ 3,203,822	$ 3,828,622
Buildings and improvements	$ 1,341,503	$ 1,341,503
Equipment	95,607	90,584
Land held for lease	7,693,062	7,653,266
Buildings and improvements	20,985,929	20,450,518
Equipment	27,776,924	37,666,432
	57,893,025	67,202,303
Less accumulated depreciation - buildings	(8,513,739)	(7,364,321)
Less accumulated depreciation - equipment	(27,826,459)	(29,572,181)
	$ 21,552,827	$ 30,265,801

NOTE 5 — Capital Asset and Leasing Activities (Continued)

Capital asset activity for the years ended June 30, 2007 and 2006, was as follows:

June 30, 2007:	*Beginning Balance*	*Additions*	*Reductions*	*Ending Balance*
Land held for sale	$ 3,828,622	$ -	$ (624,800)	$ 3,203,822
Land held for lease	$ 7,653,266	$ 39,796	$ -	$ 7,693,062
Building and improvements	21,792,021	535,411	-	22,327,432
Equipment	37,757,016	5,023	(9,889,508)	27,872,531
	67,202,303	580,230	(9,889,508)	57,893,025
Less accumulated depreciation				
Building	(7,364,321)	(1,149,418)	-	(8,513,739)
Equipment	(29,572,181)	(12,413)	1,758,135	(27,826,459)
	$30,265,801	$ (581,601)	$ (8,131,373)	$ 21,552,827

June 30, 2006:	*Beginning Balance*	*Additions*	*Reductions*	*Ending Balance*
Land held for sale	3,976,322	$ -	$ (147,700)	$ 3,828,622
Land held for lease	8,200,866	$ -	$ (547,600)	$ 7,653,266
Building and improvements	$30,608,823	464,231	(9,281,033)	21,792,021
Equipment	37,755,252	1,764	-	37,757,016
	76,564,941	465,995	(9,828,633)	67,202,303
Less accumulated depreciation	(38,586,122)	(1,644,280)	3,293,900	(36,936,502)
	$ 37,978,819	$ (1,178,285)	$ (6,534,733)	$ 30,265,801

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:

	2007	*2006*
Total minimum lease payments receivable	$ 20,458,053	$ 23,624,093
Less unearned interest	(3,203,058)	(4,167,144)
	$ 17,254,995	$ 19,456,949

NOTE 5 — Capital Asset and Leasing Activities (Continued)

At June 30, 2007, future minimum lease payments receivable under direct financing leases and noncancelable operating leases in excess of one year are as follows:

June 30	Operating Leases	Direct Financing Leases	Total
2008	$ 2,224,836	$ 2,092,852	$ 4,317,688
2009	2,224,836	2,092,852	4,317,688
2010	2,224,836	7,001,593	9,226,429
2011	2,224,836	662,197	2,887,033
2012	2,224,836	662,197	2,887,033
Thereafter	11,350,382	7,946,362	19,296,744
	$ 22,474,562	$ 20,458,053	$ 42,932,615

Lease revenue includes interest from direct financing leases of $1,283,925 and $1,218,401 for the years ended June 30, 2007 and 2006, respectively.

NOTE 6 — Loans Payable

	2007	2006
Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to $175,000,000 to be reloaned for economic development purposes, interest equal to the twelve-month average of the Board's yield on its cash liquidity pool, which was 2.48% for fiscal year 2006, 3.48% for fiscal year 2007, 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.	$ 108,520,100	$ 104,974,277
Note payable to West Virginia Board of Treasury Investments, nonrecourse, amount not to exceed $25 million, interest at 3% per annum, principal due in annual installments through June 30, 2022, unsecured.	18,950,000	16,960,000
Note payable to West Virginia Infrastructure and Jobs Development Council, principal payments began in March 2006, with interest at 3.0%, note matures January 2019, secured by business park property.	203,305	846,145
Note payable to unrelated party, assigned to West Virginia Workers Compensation Fund of the West Virginia Offices of the Insurance Commissioner in December 2006, payments contingent on sale of real estate, interest accrues at 9.0%, note matures June 2017, secured by business park property.	1,057,200	1,057,200
Note payable to West Virginia Infrastructure and Jobs Development Council, due in monthly installments of $9,823 through January 1, 2007, and $18,237 thereafter, including interest at 3.0% through January 1, 2007, and 5.5% thereafter, final payment due January 1, 2020, secured by real estate.	1,972,834	2,088,357

NOTE 6 — Loans Payable (continued)

	2007	2006
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.	$ 2,041,652	$ 2,177,073
Note payable to the West Virginia Water Development Authority on behalf of the West Virginia Infrastructure and Jobs Development Council, due in monthly installments of principal and interest, final payment due June 22, 2021, note is noninterest bearing for first five years. Beginning June 22, 2011, the rate will be 3% per anum secured by real estate.	980,000	980,000
Loan payable on demand to the West Virginia Division of Environmental Protection, no interest and unsecured.	59,034	68,703
	133,784,125	129,151,755
Less current maturities	(9,092,076)	(9,247,745)
Long term portion	$124,692,049	$ 119,904,010

June 30	Principal	Interest	Total
2008	$ 9,092,076	$ 5,279,337	$ 14,371,413
2009	9,507,271	4,959,895	14,467,166
2010	9,946,186	4,529,109	14,475,295
2011	10,296,080	4,079,985	14,376,065
2012	10,842,772	3,648,535	14,491,307
2013-2017	63,130,531	12,241,254	75,371,785
2018-2022	1,991,674	2,624,343	4,616,017
2023-2026	18,977,535	84,357	19,061,892
	$ 133,784,125	$ 37,446,815	$ 171,230,940

Changes in loans payable for the years ended June 30, 2007 and 2006, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
June 30, 2007	$ 129,151,755	$ 20,988,540	$ (16,356,169)	$ 133,784,126	$ 9,092,076
June 30, 2006	$ 137,814,592	$ 2,780,000	$ (11,442,837)	$ 129,151,755	$ 9,247,745

NOTE 7 — Amounts Due to Other State Agencies

Amounts Due to Other State of West Virginia Agencies as of June 30, 2007 consisted of the following:

WV Infrastructure & Jobs Development Council	$ 5,197,791
Workers' Compensation Fund of the West Virginia Offices of the Insurance Commissioner	1,057,200
WV Board of Treasury Investment	127,470,101
WV Division of Environmental Protection	59,034
Development Office	7,000
Governor's Office	43,351
	$ 133,834,477

The amount due to the Workers' Compensation Fund of the West Virginia Offices of the Insurance Commissioner is a subordinated note assigned from Weirton Steel to Workers' Compensation. West Virginia Board of Treasury Investment consists of revolving promissory notes of a $175 million and $25 million.

NOTE 8 — Commitments and Contingencies

Commitments to extend credit are agreements between the Authority and borrowers which generally require the borrowers to meet certain conditions regarding the extension of credit and which expire on specified dates. In making these commitments, the Authority evaluates each borrower's creditworthiness. Upon extension of credit, the Authority requires the loan to be collateralized by equipment and/or real estate. At June 30, 2007, the Authority had committed to make loans of approximately $60,636,205. In order to fund these loans, the Authority will borrow approximately $49,468,518 from the BTI. The remaining $11,167,687 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, 2007, loans of $6,320,773 were guaranteed under this program. During the year ended June 30, 2007, the Authority had three claims for payment under the loan guarantee program totaling $300,000.

NOTE 9 — Risk Management

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

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

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

NOTE 10 — Retirement Plan

Plan Description

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

Funding Policy

The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 15% of annual covered payroll, including the Authority's contribution of 10.5% which is established by PERS. The Authority's contributions to PERS for the years ended June 30, 2007, 2006, and 2005 were $53,224, $50,837, and $48,621, respectively.

NOTE 11 — Post Employment Benefits Other Than Pension Benefits

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 PERS. 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. The obligation associated with retiree health care benefits is funded on a pay-as-you-go basis.

The estimated liability for sick leave postretirement benefits for the year ended June 30, 2007 and 2006 was $126,477 and $125,001, respectively. As of June 30, 2007 and 2006, the Authority had no current retirees that would receive retiree health care benefits on a pay as you go basis.

NOTE 12 — 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 not 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, 2007 and 2006, there were 43 and 38, respectively, revenue bonds outstanding each year with an approximate aggregate principal amount payable of $1,261,000,000 and $841,000,000, respectively.

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