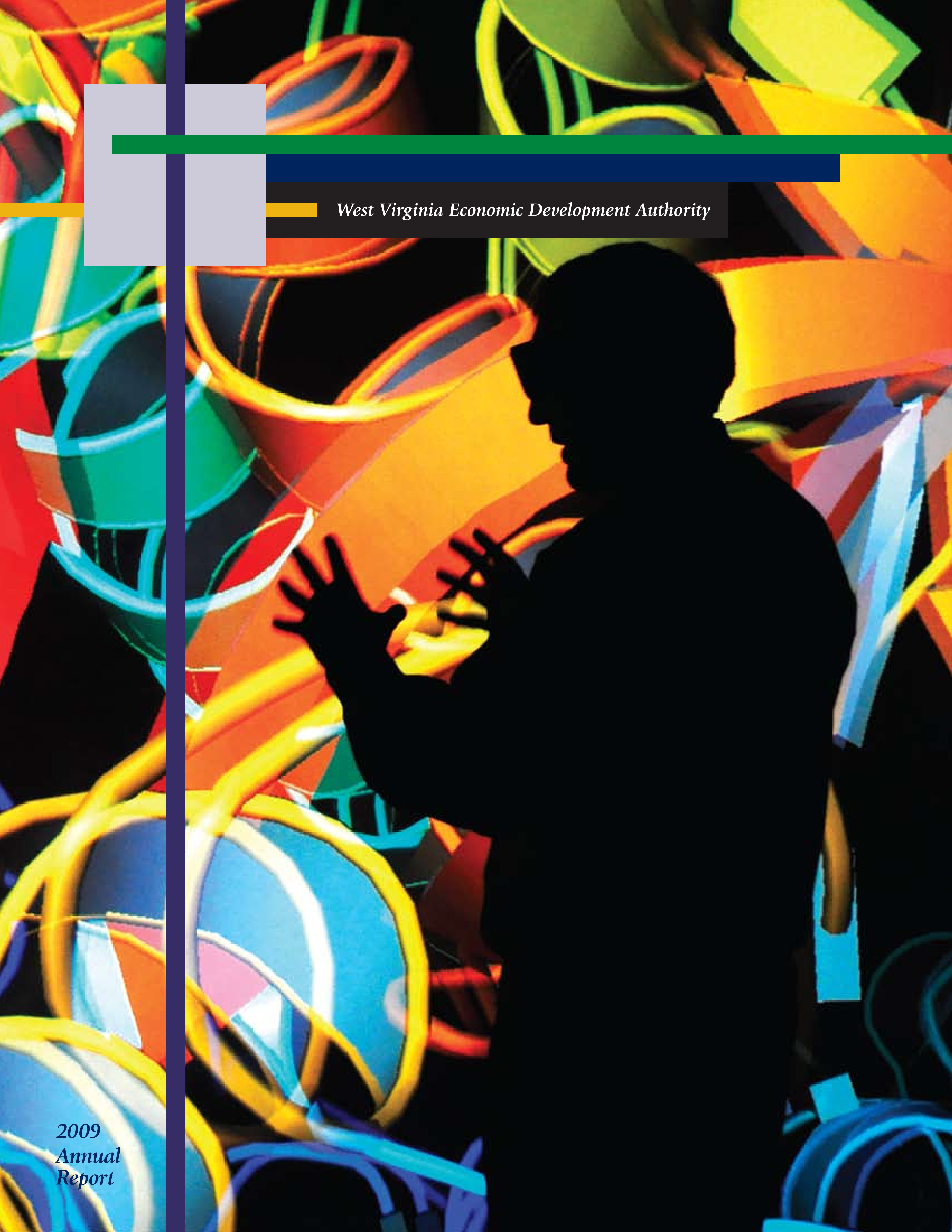
West Virginia Economic Development Authority



2009 Annual Report

Table of Contents

Return to Table of Contents

GOVERNOR'S LETTER

During the last several years, West Virginia has worked hard to secure its stable financial footing and has made dramatic progress. Our approach to responsible government has produced a positive business climate for new and expanding companies that want to create good jobs in West Virginia.

In 2008, West Virginia had the nation's sixth highest growth rate in gross domestic product. The state's economy grew at a rate of 2.5 percent, which is more than 3.5 times larger than the national growth rate of 0.7 percent.

Even in these challenging economic times, West Virginia's accomplishments have earned national recognition. The media drew national attention to Morgantown's low unemployment rates. Other media outlets ranked Morgantown, Wheeling and Charleston among the "Best Small and Medium Cities for Jobs."

The West Virginia Research Trust initiative, popularly known as Bucks for Brains, has been widely featured for its innovative drive to promote knowledge-based economic development in the state.

Find out what well-known companies such as Amazon.com, Toyota, DuPont, Coldwater Creek and Lockheed Martin have already discovered about the advantages of locating in West Virginia.

The West Virginia Economic Development Authority (WVEDA) is the key force in providing financial assistance and credit enhancement, supporting a favorable environment for job creation and retention for businesses in West Virginia. Learn more about how the state can partner with your business and fund your growth. Visit www.wveda.org or call (304) 558-3650.

Sincerely,

Joe Manchin III

Governor of West Virginia

The Mission of the West Virginia Economic Development Authority

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

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

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

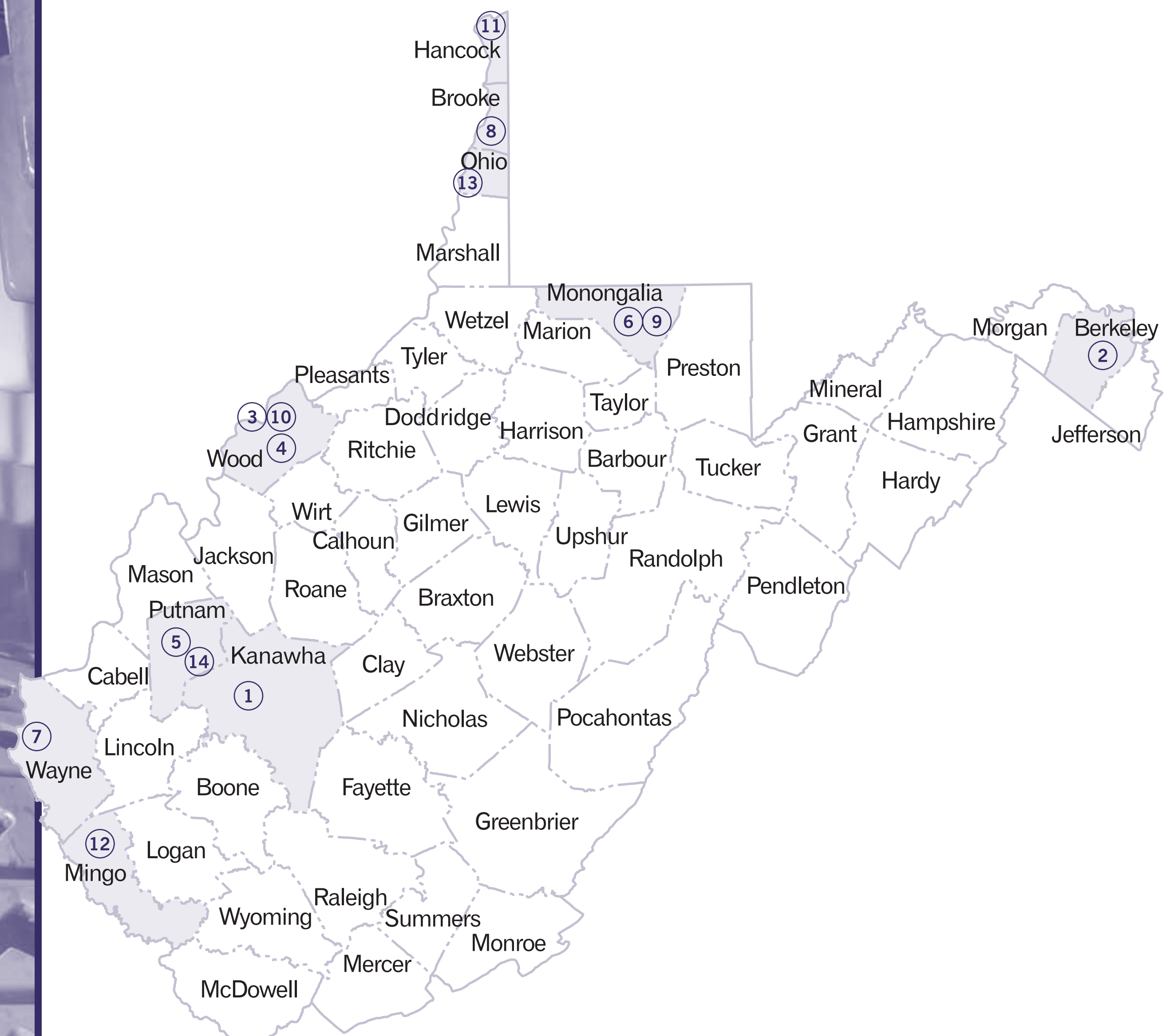
The staff, seated from left – Tony Benedetto, David A. Warner, Joey D. Browning, J. Steven Webb
Standing from left – Beverly S. Dolin, Erin C. McCoy, Caren D. Wilcher, Jackie A. Browning, Deborah J. Orcutt, Sarah B. Hartwell

Return to Table of Contents

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 percent of the eligible cost of real property and equipment. Equity and private sector lending make up the remaining 55percent.

The following is a summary of new loans approved during the year. Fourteen loans totaling $22 million were approved leveraging a total of $32 million and providing for 290 new job opportunities over the next three years.



Summary of Loans Approved by WVEDA – Fiscal Year 2008-2009

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
1	07/17/08	***Control Point Machining Fabrication, Inc.*** Charleston, Kanawha County Machining and fabrication shop New	$ 950,000	$ 427,500	0	18
2	07/17/08	***ThreeSquare, LLC*** Martinsburg, Berkeley County Real estate rental company Expansion	731,722	329,275	16	29
3	09/18/08	***Highmark West Virginia, Inc. dba Mountain State Blue Cross Blue Shield*** Parkersburg, Wood County Health insurance provider Expansion	23,000,000	10,000,000	677	722
4	09/18/08	***Polymer Alliance Zone, Inc. (PWP Industries Project)*** Mineral Wells, Wood County Designer, manufacturer and distributor of PET plastic food packaging products Expansion	7,550,000	3,000,000	246	268
5	10/16/08	***Parkline, Inc.*** Eleanor, Putnam County Manufacturer of completely assembled and unassembled metal building systems Expansion	1,560,000	700,000	95	115
6	11/20/08	***Petitto Mine Equipment, Inc.*** Morgantown, Monongalia County Manufacturer of heavy duty, crawler-track mounted longwall move equipment Expansion	1,892,000	800,000	22	31
7	12/18/08	***HIC Prichard, LLC*** Prichard, Wayne County Producer of automotive filters Expansion	6,550,000	1,600,000	23	60

Summary of Loans Approved by WVEDA – Fiscal Year 2008-2009

	Approval Date	Project	Total Project Cost	WVEDA	Current Jobs	No. of Jobs Third Year
8	12/18/08	***Rig PCC, LLC*** Wellsburg, Brooke County Provider of printing and coating services to manufacturers in the paper and packaging industry New	$ 218,940	$ 98,523	0	15
9	03/19/09	***Protea Biosciences, Inc.*** Morgantown, Monongalia County Biotechnology company Expansion	539,180	242,631	20	47
10	04/16/09	***Silicon Processors, Inc.*** Parkersburg, Wood County Processes chemical grade silicon metal Expansion	3,567,575	1,607,408	4	24
11	04/16/09	***DTC Environmental Services, Inc.*** Newell, Hancock County Provides barge fleeting, cleaning and repair services Expansion	1,358,000	584,000	59	76
12	06/18/09	***Appalachian Paving & Aggregate, LLC*** Mingo County Manufacturer of hot mix asphalt Expansion	4,700,000	1,800,000	8	15
13	06/18/09	***Tech Seal Products, Inc.*** Wheeling, Ohio County Manufacturer of custom cap liners and tamper-resistant innerseals Expansion	750,000	337,500	24	60
14	06/18/08	***Zeeospheres Ceramics, LLC*** Nitro, Putnam County Manufacturer of zeeospheres New	400,000	180,000	5	9
14 Loans			*$ 53,767,417*	*$ 21,706,837*	*1,199*	*1,489*

Participating Sponsors

Berkeley County Development Authority

Brooke Hancock Development Corp.

Business Development Corporation of the Northern Panhandle

Charleston Area Alliance

Mingo County Redevelopment Authority

Monongalia County Development Authority

Ohio Valley Industrial and Business Development Corporation

Putnam County Development Authority

Wood County Development Authority

Participating Lenders

Branch Banking and Trust Company	*Charleston, WV*
Branch Banking and Trust Company	*St. Albans, WV*
Centra Bank, Inc.	*Martinsburg, WV*
Centra Bank, Inc.	*Morgantown, WV*
The Huntington National Bank	*Parkersburg, WV*
The Huntington National Bank	*Weirton, WV*
Ohio Valley Bank	*Gallipolis, OH*
United Bank	*Weirton, 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 percent 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 2008-2009

Company Name	*Amount of Insurance*	*Number of Jobs*	
		Retained	*Created*
Medical Information Systems Technology, LLC Huntington, Cabell County	$ 135,000	2	13

Return to Table of Contents

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 2008-2009

Group 1

Company	*Amount*	*Closing Date*
West Virginia Economic Development Authority Pollution Control Revenue Refunding Bonds ***Appalachian Power Company – Amos Project*** 2008 Series Putnam County	$ 40,000,000	09/18/08
West Virginia Economic Development Authority Pollution Control Revenue Refunding Bonds ***Appalachian Power Company – Amos Project*** 2008 Series Putnam County	$ 30,000,000	09/24/08
West Virginia Economic Development Authority Solid Waste Disposal Facilities Revenue Bonds ***Appalachian Power Company – Amos Project*** 2008 Series Putnam County	$ 50,000,000	12/22/08
3 New Bonds	*$ 120,000,000*	

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 balance sheets of the West Virginia Economic Development Authority, a component unit of the State of West Virginia, as of and for the years ended June 30, 2009 and 2008, 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, 2009 and 2008, 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 pages 5 to 8 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
October 13,2009

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301
Phone (304)-343-4126 or 1-(800)-788-3844 • Fax (304)-343-8008
Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102
Phone (304)-485-6584 • Fax (304)-485-0971
www.suttlecpas.com • E-mail: cpa@suttlecpas.com
A Professional Limited Liability Company

Return to Table of Contents

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, 2009. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

- The Authority's total net assets increased $1.99 million
- Investment in capital assets has increased by $7.58 million
- Total assets increased by $22.42 million
- Loan and lease originations for the year totaled $28.8 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.

Return to Table of Contents

Financial Analysis of the Authority

Statement of Net Assets

The following table summarizes the changes in the Statement of Net Assets between June 30, 2009, 2008, and 2007.

	(in millions) 2009	2008	2007	*% Change FY 09-08*
Current assets	$ 61.65	$ 53.24	$ 67.75	15.80 %
Noncurrent assets	221.93	207.92	193.95	6.74
Total assets	283.58	261.16	261.70	8.58
Current liabilities	11.23	9.27	9.48	21.14
Noncurrent liabilities	147.95	129.48	130.95	14.26
Total liabilities	159.18	138.75	140.43	14.72
Net assets:				
Invested in capital assets, net of related debt	22.77	15.20	7.94	49.80
Restricted	8.91	8.80	12.02	1.25
Unrestricted	92.72	98.41	101.31	(5.78)
Total net assets	124.40	122.41	121.27	1.63
Total liabilities and net assets	$ 283.58	$ 261.16	$ 261.70	8.58 %

The Authority's overall net assets increased by $1.99 million. Total assets increased $22.4 million and total liabilities increased by $20.43 million. The primary factor for this increase in liabilities 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.

Return to Table of Contents

Statement of Activities

The following table summarizes the changes in Operating Income between fiscal years 2009, 2008, and 2007.

	(in millions) 2009	2008	2007	% Change FY 09-08
Operating revenues:				
Interest on loans	$ 5.98	$ 6.39	$ 6.35	(6.42) %
Lease revenue	3.20	3.19	4.27	0.31
Other	2.07	.21	1.02	885.71
Total operating revenues	11.25	9.79	11.64	14.91
Operating expenses:				
Administrative	1.30	1.95	1.26	(32.31)
Depreciation	1.02	.89	1.16	14.61
Provision for loan losses	2.40	.27	1.16	788.89
Loan guarantee claim expense	0.00	3.04	.30	(100.00)
Loss due to asset assessment	0.40	0.00	0.00	100.00
Total operating expenses	5.12	6.15	3.88	(16.75)
Operating income	6.13	3.64	7.76	68.41
Nonoperating revenue (expense):				
Interest on invested cash	1.81	2.90	3.10	(37.59)
Interest expense	(5.95)	(5.48)	(4.44)	8.58
Noncash contribution, on behalf payment	0.00	.01	0.00	(100.00)
Change in accounting principle	0.00	.07	0.00	(100.00)
Total nonoperating expense	(4.14)	(2.50)	(1.34)	65.60
Net income	1.99	1.14	6.42	74.56
Net assets, beginning of year	122.41	121.27	114.85	.94
Net assets, end of year	$ 124.40	$ 122.41	$ 121.27	1.63 %

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 $1.99 million.

During 2009, the Authority had write-offs of uncollectible loans of $2.4 million, or 1.64% of the total loans. The Authority recovered assets in the amount of $2.0 million. The allowance for loan loss is 3.95% of the total loan portfolio at June 30, 2009.

Return to Table of Contents

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 $21.7 million which was directly related to additional borrowing on our line of credit with BTI, to finance loans and leases for economic development purposes.

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

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

Return to Table of Contents

Financial Statements

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

Balance Sheets – June 30, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$ 47,343,922	$ 35,314,184
Restricted cash due to others	288,780	288,780
Current portion of loans receivable, net of allowance	6,289,025	12,227,977
Current portion of investment in direct financing leases	2,224,748	1,352,712
Accrued interest receivable	5,463,114	4,017,024
Other receivables	44,443	40,148
Total current assets	61,654,032	53,240,825
Noncurrent assets		
Investment	1,812,952	2,922,499
Restricted cash and cash equivalents	8,909,559	8,803,000
Loans receivable, less current portion	140,724,119	137,689,856
Investment in direct financing leases, less current portion	41,979,931	34,282,904
Real estate, property, and equipment, less accumulated depreciation	26,999,277	21,863,689
Land held for sale	1,499,322	2,354,322
	221,925,160	207,916,270
Total assets	$ 283,579,192	$ 261,157,095
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ -	$ 8,554
Other postemployment benefit payable	20,680	12,768
Accrued interest payable	393,690	379,726
Amounts due to other State agencies	50,351	50,351
Compensated absences	23,219	23,472
Current portion of loans payable	10,745,467	8,795,251
Total current liabilities	11,233,407	9,270,122
Noncurrent liabilities		
Accrued interest payable	$ 2,560,768	$ 2,512,907
Deferred lease revenue	2,902,771	3,191,926
Advance on loan	-	1,079,298
Deferred grant revenue	281,780	281,780
Compensated absences	27,258	27,555
Loans payable, less current portion	142,171,586	122,381,406
	147,944,163	129,474,872
Total liabilities	159,177,570	138,744,994
Net assets		
Invested in capital assets, net of related debt	22,775,847	15,194,820
Restricted	8,909,559	8,803,000
Unrestricted	92,716,216	98,414,281
Total net assets	124,401,622	122,412,101
Total liabilities and net assets	$ 283,579,192	$ 261,157,095

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues		
Interest on loans	$ 5,981,305	$ 6,385,601
Lease revenue	3,195,883	3,194,229
Other	2,074,704	209,176
Total operating revenues	11,251,892	9,789,006
Operating expenses		
Administrative	1,299,279	1,953,047
Depreciation	1,018,418	893,519
Loan guarantee claim expense	-	3,041,815
Loss due to assessment of asset	400,000	-
Provision for loan losses	2,404,309	267,300
Total operating expenses	5,122,006	6,155,681
Operating income	6,129,886	3,633,325
Nonoperating revenue (expense)		
Interest on invested cash	1,806,945	2,896,707
Interest expense	(5,947,310)	(5,479,454)
Noncash contribution, on behalf payment	-	13,024
Total nonoperating revenue (expense)	(4,140,365)	(2,569,723)
Net income before cumulative effect of change in accounting principle	1,989,521	1,063,602
Cumulative effect of change in accounting principle	-	78,524
Net income	1,989,521	1,142,126
Net assets, beginning of year	122,412,101	121,269,975
Net assets, end of year	$ 124,401,622	$ 122,412,101

Return to Table of Contents

Statements of Cash Flows Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Cash receipts from lending and leasing activities	$ 29,216,331	$ 26,592,498
Cash receipts from other activities	2,274,367	1,613,758
Cash payments for:		
Loans and leases originated	(28,836,988)	(41,039,570)
Personnel expense	(718,960)	(632,300)
Administrative expenses	(591,319)	(1,242,223)
Other expense	(143,326)	
Loan insurance claim expense	11,000	(3,041,815)
Net cash provided by (used in) operating activities	1,211,105	(17,749,652)
Cash flows from non-capital financing activities		
Proceeds from loans payable	47,001,867	15,727,197
Principal payments on loans payable	(25,254,818)	(18,334,664)
Interest paid	(5,855,285)	(5,358,114)
Net cash provided by (used in) non-capital financing activities	15,891,764	(7,965,581)
Cash flows from capital and related financing activities		
Acquisition of real estate and equipment	(7,010,310)	(1,204,377)
Interest paid	(92,025)	(121,340)
Proceeds from sale of land	1,311,300	849,500
Net cash used in capital financing activities	(5,791,035)	(476,217)
Cash flows provided by investing activities		
Purchase of investments	(1,032,422)	(1,524,000)
Interest received	1,856,885	2,896,707
Net cash provided by investing activities	824,463	1,372,707
Net increase (decrease) in cash	12,136,297	(24,818,743)
Cash and cash equivalents (including restricted cash), beginning of year	44,405,964	69,224,707
Cash and cash equivalents (including restricted cash), end of year	$ 56,542,261	$ 44,405,964

Statements of Cash Flows Years Ended June 30, 2009 and 2008

		2009		2008
Reconciliation of operating income to net cash provided by operating activities				
Operating income	$	6,129,886	$	3,711,849
Adjustments to reconcile operating income to net cash provided by operating activities				
Loans and leases originated		(28,836,988)		(41,039,570)
Principal collected on loans		19,571,480		17,580,037
Collections on net investment in direct financing leases		1,278,205		801,763
Depreciation		1,018,418		893,519
Provision for loan and lease losses		2,404,309		3,309,115
Recovery of assets		2,004,000		7,684
Loss due to assessment of asset		400,000		-
(Increase) decrease in accrued interest receivable		(1,446,090)		(1,163,906)
Increase in other receivables		(4,295)		-
Increase (decrease) in accounts payable		(8,554)		2,923
(Increase) decrease in accrued expenses		69,187		(39,911)
Increase (decrease) in deferred lease revenue		(289,155)		(1,813,155)
Increase (decrease) in advance on loan		(1,079,298)		-
Net cash provided by operating activities	$	1,211,105	$	(17,749,652)
Supplemental disclosure of cash flow information				
Cash paid for interest	$	5,947,310	$	5,479,454

Notes to Financial Statements

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

Reporting Entity

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

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

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

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

Basis of Presentation

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

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

Basis of Presentation (continued)

interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

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

Return to Table of Contents

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

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

Other Postemployment Benefits

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

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce 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.

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

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.

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 issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for fiscal years beginning after June 15, 2010. This statement addresses the usefulness of fund balance information by providing clearer classifications that can be consistently applied. The Authority has not yet determined the effect that the adoption of GASB Statement No. 54 may have on its financial statements.

NOTE 2 – Cash and Investments

The cash on deposit with the State Treasurer amounted to $16,240,887 and $9,933,056 at June 30, 2009 and 2008. This balance is immediately available to the Authority.

NOTE 2 – Cash and Investments (continued)

At June 30, 2009, the carrying amount and fair value of deposits with the State of West Virginia Board of Treasury Investments (BTI) was as follows:

	2009	Percentage of Respective BTI Pool
Amount on deposit with the BTI:		
WV Money Market Pool	$ 15,902,951	0.55%
WV Government Money Market Pool	9,209,559	3.25%
WVEDA - Short-term Bond Pool	15,514,503	4.74%
WVEDA - American Woodmark	1,794,312	0.00%
	$ 42,421,325	

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:

Investments and Deposits

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

NOTE 2 – Cash and Investments (continued)

BTI Disclosure Information (continued):

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI's pools, the WV Money Market and WV Government Money Market Pools have 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. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, five are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, Loan Pool, and School Fund Account.

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 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 WV Money Market Pool's investments (in thousands):

	Credit Rating			
Security Type	*Moody's*	*S&P*	*Carrying Value*	*Percent of Pool Assets*
Commercial paper	P1	A-1	$ 592,479	23.05 %
Corporate bonds and notes	Aaa	AAA	10,000	0.39
	Aa1	AA	7,000	0.27
	Aa2	AA	10,000	0.39
	Aa3	AA	15,503	0.60
	A1	AA	19,309	0.75
	A1	A	12,000	0.47
Total corporate bonds and notes			73,812	2.87
U.S. agency bonds	Aaa	AAA	294,019	11.44
U.S. Treasury bills *	Aaa	AAA	483,714	18.82
Negotiable certificates of deposit	P1	A-1	128,402	5.00
U.S. agency discount notes	P1	A-1	635,602	24.73
Money market funds	Aaa	AAA	150,223	5.84
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	165,110	6.43
U.S. agency notes	Aaa	AAA	46,900	1.82
Total repurchase agreements			212,010	8.25
			$ 2,570,261	100.00 %

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

NOTE 2 – Cash and Investments (continued)

BTI Disclosure Information (continued):

Credit Risk (continued)

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. The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands):

	Credit Rating			
Security Type	*Moody's*	*S&P*	*Carrying Value*	*Percent of Pool Assets*
U.S. agency bonds	Aaa	AAA	$ 68,608	24.17 %
U.S. Treasury bills *	Aaa	AAA	74,424	26.22
U.S. agency discount notes	P1	A-1	87,662	30.89
Money market funds	Aaa	AAA	132	0.05
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	53,000	18.67
			$ 283,826	100.00 %

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

The Federal Transaction Account Guarantee Program provides that the Federal Deposit Insurance Corporation (the "FDIC") will insure 100% of all funds left in non-interest bearing transaction accounts. The coverage applies to Consolidated Fund balances at BNY Mellon that have not been swept into money market funds. The protection ends December 31, 2009.

The Federal Temporary Liquidity Guarantee Program provides that three issuances in the Short Term Bond Pool are guaranteed by the FDIC through maturity. The issuances are as follows:

- General Electric Capital Corp. Note, 1.800% coupon rate, par value $10,000,000, due 3/11/2011
- Goldman Sachs Group Inc. Note, 1.625% coupon rate, par value $10,000,000, due 7/15/2011
- Goldman Sachs Group Inc. Note, 2.150% coupon rate, par value $10,000,000, due 3/15/2012

The Federal Temporary Guarantee Program for Money Market Funds provides that three issuances in the WV Money Market Pool are guaranteed by the FDIC based on share balances as of September 19, 2008. The guarantee expires September 18, 2009. The issuances are as follows:

- UBS Select – Covered up to $150,000,000
- JP Morgan Prime – Covered up to $1,151
- UBS Dreyfus – Covered up to $1,202,835

NOTE 2 – Cash and Investments (continued)

Interest Rate Risk

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

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

Security Type		*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$	212,010	1
U.S. Treasury bills		483,714	69
Commercial paper		592,479	32
Certificates of deposit		128,402	56
U.S. agency discount notes		635,602	57
Corporate bonds and notes		73,812	38
U.S. agency bonds/notes		294,019	70
Money market funds		150,223	1
	$	2,570,261	47

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. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type		*Carrying Value (In Thousands)*	*WAM (Days)*
Repurchase agreements	$	53,000	1
U.S. Treasury bills		74,424	94
U.S. agency discount notes		87,662	55
U.S. agency bonds/notes		68,608	37
Money market funds		132	1
	$	283,826	51

The EDA-American Woodmark Account holds only a U.S. Treasury bond valued at approximately $1,761,000 that matures August 15, 2023. 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.

Other Risks of Investing

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

NOTE 2 – Cash and Investments (continued)

Other Risks of Investing (continued)

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in the lending agent's 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 Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Separate Investment Account:

WV Economic Development Authority - American Woodmark

This account holds only a U.S. Treasury bond that matures on August 15, 2023 in the amount of approximately $1,795,000. 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 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 $8,909,559 and $8,803,000 at June 30, 2009 and 2008, respectively.

NOTE 4 – Loans

Major classifications of the Authority's loan portfolio are summarized as follows for the years ended June 3:

	2009	*2008*
Loans for industrial development projects	$ 129,655,859	$ 134,497,764
Loans for industrial parks	227,285	280,069
Loan to related party for venture capital development	22,930,000	20,940,000
Allowance for loan losses	(5,800,000)	(5,800,000)
	$ 147,013,144	$ 149,917,833

NOTE 4 – Loans (continued)

The Authority has loaned $22,930,000 for venture capital development to a nonprofit organization, West Virginia Enterprise Advancement Corporation (WVEAC), related through a common board of directors. By legislative authority through the West Virginia Venture Capital Act, this note is non-recourse with the right of offset against a note payable to the West Virginia Board of Treasury Investments for the same amount after June 30, 2022.

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, 2009 and 2008, respectively, is as follows:

	2009	2008
Aggregate recorded balances at year end	$ 8,008,682	$ 9,229,239
Interest income which would have been earned during the year on nonperforming loans under their original terms	$ 471,524	$ 576,261
Interest income recognized on impaired loans including interest income recognized on cash basis	$ 13,795	$ 11,919

Allowance for Loan Losses

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

	2009	2008
Balance of impaired loans	$ 8,008,682	$ 9,229,239
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	$ 7,958,972	$ 9,179,529
Portion of allowance for loan losses allocated to the impaired loan balance	$ 1,825,000	$ 2,160,000

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:

	2009	2008
Balance of nonaccrual loans	$ 5,722	$ 7,766
Balance of loans past due 90 days or more and still accruing interest	$ 2,712,348	$ 297,183

Return to Table of Contents

NOTE 4 – Loans (continued)

Allowance for Loan Losses

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

	2009	2008
Balance, beginning of year	$ 5,800,000	$ 5,800,000
Provision charged to operations	2,404,309	267,300
Loans charged off, net of recoveries	(2,404,309)	(267,300)
Balance, end of year	$ 5,800,000	$ 5,800,000

NOTE 5 – Capital Asset and Leasing Activities

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

Real estate and equipment include the following at June 30:

	2009	2008
Land held for sale	$ 1,499,322	$ 2,354,322
Buildings and improvements	$ 1,341,503	$ 1,341,503
Equipment	106,294	99,986
Land held for lease	13,436,762	8,893,062
Buildings and improvements	21,255,929	20,985,929
Equipment	29,110,924	27,776,924
	65,251,412	59,097,404
Less accumulated depreciation – buildings	(10,269,897)	(9,394,640)
Less accumulated depreciation – equipment	(27,982,238)	(27,839,075)
	$ 26,999,277	$ 21,863,689

NOTE 5 – Capital Asset and Leasing Activities (continued)

Capital asset activity for the years ended June 30, 2009 and 2008, was as follows:

June 30, 2009:	*Beginning Balance*	*Additions*	*Reductions*	*Ending Balance*
Land held for sale	$ 2,354,322	$ -	$ 855,000	$ 1,499,322
Land held for lease	$ 8,893,062	$ 5,000,000	$ 456,300	$ 3,436,762
Building and improvements	22,327,432	420,000	150,000	22,597,432
Equipment	27,876,910	1,590,310	250,000	29,217,220
	59,097,404	7,010,310	856,300	65,251,414
Less accumulated depreciation				
Building	(9,394,640)	(875,256)	-	(10,269,896)
Equipment	(27,839,075)	(143,166)	-	(27,982,241)
	$ 21,863,689	$ 5,991,888	$ 856,300	$ 26,999,277

Capital asset activity for the years ended June 30, 2009 and 2008, was as follows (continued):

June 30, 2008:	*Beginning Balance*	*Additions*	*Reductions*	*Ending Balance*
Land held for sale	$ 3,203,822	$ -	$ 849,500	$ 2,354,322
Land held for lease	$ 7,693,062	$ 1,468,900	$ 268,900	$ 8,893,062
Building and improvements	22,327,432	-	-	22,327,432
Equipment	27,872,531	4,379	-	27,876,910
	57,893,025	1,473,279	268,900	59,097,404
Less accumulated depreciation				
Building	(8,513,739)	(880,901)	-	(9,394,640)
Equipment	(27,826,459)	(12,616)	-	(27,839,075)
	$ 21,552,827	$ 579,762	$ 268,900	$ 21,863,689

Return to Table of Contents

NOTE 5 – Capital Asset and Leasing Activities (continued)

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:

	2009	2008
Total minimum lease payments receivable	$ 61,467,074	$ 50,595,813
Less unearned interest	(17,262,395)	(14,960,197)
	$ 44,204,679	$ 35,635,616

At June 30, 2009, 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
2010	$ 1,548,380	$ 3,968,712	$ 5,517,092
2011	1,576,810	3,968,712	5,545,522
2012	1,523,420	4,382,804	5,906,224
2013	1,523,420	4,420,449	5,943,869
2014	1,523,420	4,420,449	5,943,869
Thereafter	7,315,220	40,305,948	47,621,168
	$ 15,010,670	$ 61,467,074	$ 76,477,744

Lease revenue includes interest from direct financing leases of $1,358,348 and $737,025 for the years ended June 30, 2009 and 2008, respectively.

NOTE 6 – Loans Payable

	2009	2008
Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to $175,000,000 to be reloaned for economic development purposes, interest equal to the twelve-month average of the Board's yield on its cash liquidity pool, which was 3.48% for fiscal year 2008, 4.17% for fiscal year 2009, 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.	$ 120,900,020	$ 104,353,860

NOTE 6 – Loans Payable (continued)

	2009	2008
Note payable to West Virginia Board of Treasury Investments, non-recourse with right of offset against a note receivable to WVEAC, amount not to exceed $25 million, interest at 3% per annum, principal due in annual installments through June 30, 2022, unsecured.	22,930,000	20,940,000
Note payable to unrelated party, assigned to West Virginia Workers Compensation Fund of the West Virginia Offices of the Insurance Commissioner in December 2006, payments contingent on sale of real estate, interest accrues at 9.0%, note matures June 2017, secured by business park property.	765,526	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. Paid in full in 2009.	-	1,869,576
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.	1,802,061	1,927,065
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $20,703.05, final payment due March 1, 2024, interest rate at 3% and secured by real estate.	2,957,750	-
Note payable dated 6/2/09 to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $16,641.16, final payment due June 1, 2029, interest rate at 3% and secured by real estate.	3,000,000	-
Note payable to the West Virginia Water Development Authority on behalf of the West Virginia Infrastructure and Jobs Development Council, due in monthly installments of principal and interest, final payment due June 22, 2021, note is noninterest bearing for first five years. Beginning June 22, 2011, payments will begin and the rate will be 3% per anum secured by real estate.	523,700	980,000
Loan payable on demand to the West Virginia Division of Environmental Protection, no interest and unsecured.	37,996	48,956
	152,917,053	131,176,657
Less current maturities	(10,745,467)	(8,795,251)
Long term portion	$ 142,171,586	$ 122,381,406

NOTE 6 – Loans Payable (continued)

June 30	Principal	Interest	Total
2010	$ 10,745,467	$ 4,645,785	$ 15,391,252
2011	11,165,386	4,233,392	15,398,778
2012	11,558,642	3,903,954	15,462,596
2013	14,215,609	3,462,997	17,678,606
2014	14,365,909	3,021,176	17,387,085
2015-2019	76,426,753	8,719,483	85,146,236
2020-2024	13,513,208	1,137,529	14,650,737
2025-2029	926,079	72,390	998,469
	$ 152,917,053	$ 29,196,706	$ 182,113,759

Changes in loans payable for the years ended June 30, 2009 and 2008, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
June 30, 2009	$ 131,176,657	$ 47,001,866	$ (25,261,470)	$ 152,917,053	$ 10,745,467
June 30, 2008	$ 133,784,126	$ 15,727,196	$ (18,334,665)	$ 131,176,657	$ 8,795,251

NOTE 7 – Amounts Due to Other State Agencies

Amounts Due to Other State of West Virginia Agencies as of June 30, 2009 consisted of the following:

	2009	2008
Balances included in loans payable:		
WV Infrastructure & Jobs Development Council	$ 8,283,512	$ 4,776,641
Workers' Compensation Fund of the West Virginia Offices of the Insurance Commissioner	765,526	1,057,200
WV Board of Treasury Investment	143,830,020	125,293,860
WV Division of Environmental Protection	37,996	48,956
Balances included in amount due to the State Agencies:		
Development Office	7,000	7,000
Governor's Office	43,351	43,351
	$ 152,967,405	$ 131,227,008

NOTE 7 – Amounts Due to Other State Agencies (continued)

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 a revolving promissory notes in the amount of $175 million and a non-revolving, non-recourse promissory note in the amount of $25 million.

NOTE 8 – Commitments and Contingencies

Commitments to extend credit are agreements between the Authority and borrowers which generally require the borrowers to meet certain conditions regarding the extension of credit and which expire on specified dates. In making these commitments, the Authority evaluates each borrower's creditworthiness. Upon extension of credit, the Authority requires the loan to be collateralized by equipment and/or real estate. At June 30, 2009, the Authority had committed to make loans of $35,609,327. In order to fund these loans, the Authority will borrow $27,355,222 from the BTI. The remaining $8,254,105 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, 2009, loans of $319,482 were guaranteed under this program. During the year ended June 30, 2009, the Authority did not pay any claims under the loan guarantee program.

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

NOTE 9 – Risk Management

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

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

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

NOTE 10 – Retirement Plan

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

Funding Policy – The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 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, 2009, 2008, and 2007 were $56,028, $54,473, and $53,224 respectively.

NOTE 11 – CONDUIT DEBT OBLIGATIONS

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

As of June 30, 2009 and 2008, there were 49 revenue bonds outstanding each year with an approximate aggregate principal amount payable of $1,087,000,000 and $1,142,000,000, respectively.

West Virginia Economic Development Authority

Board of Directors

Kelley Goes
Chairman
Building 6, Room 525
Charleston, WV 25305-0311
(304) 558-2234
Fax: (304) 558-1189

Allen R. Butcher
800 Garfield Avenue
Parkersburg, WV 26101
(304) 424-2202
Fax: (304) 424-2782

Timothy R. Duke
P. O. Box 2547
Huntington, WV 25726
(304) 696-8213
Fax: (304) 529-1479

Marcus W. Estlack
1812 Garfield Avenue
Parkersburg, WV 26101
(304) 485-2300 ext. 101
Fax: (304) 485-2750

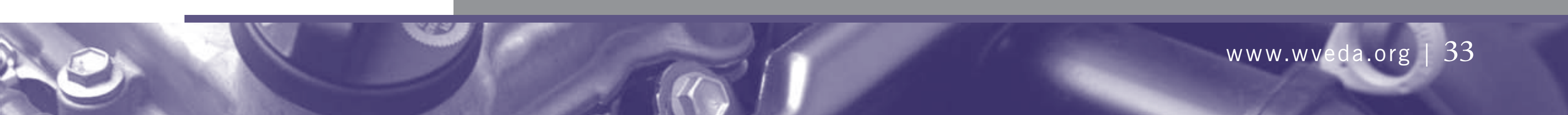
Kim Knopf
135 East Ridge Road
Charleston, WV 25314
(304) 586-2863 ext. 112
Fax: (304) 586-4442

Parween Sultany Mascari
P. O. Box 619
Morgantown, WV 26507
(304) 284-4164
Fax: (304) 284-4142

Christopher G. Morris
P. O. Box 11771
Charleston, WV 25324-1771
(304) 558-0751
Fax: (304) 558-8999

Greg Skidmore
455 Fox Den
Sutton, WV 26601
(304) 765-7880
Fax: (304) 765-5074

Richard L. Slater, CPA
P. O. Box 1747
Charleston, WV 25326
(304) 414-2605
Fax: (304) 343-1895



Return to Table of Contents

West Virginia Economic Development Authority

Staff

David A. Warner, Executive Director

Caren Wilcher, Associate Director

Tony Benedetto, Loan Officer

Joey D. Browning, Loan Officer

J. Steven Webb, Loan Officer

Beverly S. Dolin, Administrative Aide

Deborah J. Orcutt, Secretary

Jackie A. Browning, Accountant

Erin C. McCoy, Accountant

Sarah B. Hartwell, Accounting Technician

NorthGate Business Park
160 Association Drive
Charleston, WV 25311-1217
(304) 558-3650
Fax: (304) 558-0206

www.wveda.org

Consultants

Spilman, Thomas & Battle, PLLC

Legal Counsel
P. O. Box 273
Charleston, WV 25321-0273

Bowles Rice McDavid Graff & Love, PLLC

Legal Counsel
P. O. Box 1386
Charleston, WV 25325-1386

West Virginia Economic Development Authority
NorthGate Business Park
160 Association Drive
Charleston, WV 25311-1217