Audited Financial Statements with
Other Financial Information

West Virginia Parkways, Economic Development and Tourism Authority
(A Component Unit of the State of West Virginia)

Years Ended June 30, 2008 and 2007

Gibbons & Kawash
Certified Public Accountants

Audited Financial Statements
with Other Financial Information

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY
(A Component Unit of the State of West Virginia)

Years Ended June 30, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Members of the
West Virginia Parkways, Economic Development
and Tourism Authority

We have audited the accompanying balance sheet of the West Virginia Parkways, Economic Development and Tourism Authority, a component unit of the State of West Virginia, as of June 30, 2008 and 2007, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Parkways, Economic Development and Tourism Authority as of June 30, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2008, on our consideration of the West Virginia Parkways, Economic Development and Tourism Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally

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accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the West Virginia Parkways, Economic Development and Tourism Authority. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Gibbons & Kawash

October 14, 2008

This section of the West Virginia Parkways, Economic Development and Tourism Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended June 30, 2008. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Toll revenues were approximately $56.6 million compared to $58.2 million for the fiscal year ended June 30, 2007 a decrease of approximately $1.6 million or 2.8%.

- Total operating expenses, exclusive of depreciation, were approximately $40.3 million in the fiscal year, an increase of $1.3 million or 3.3%.

- The Authority's Series 2003 Bonds were issued with a municipal bond insurance policy issued by Financial Guaranty Insurance Company (FGIC) and a standby bond purchase agreement. In the first quarter of 2008, the financial strength rating of FGIC was downgraded by Moody's, Standard & Poors and Fitch. Although the Authority's long-term credit rating remained unchanged, as a result of the downgrades of FGIC, the short-term credit rating of the Series 2003 Bonds was affected, and these bonds were no longer compliant with SEC Rule 2(a)(7). Consequently, the Series 2003 Bonds were not eligible for purchase by tax-exempt money market funds, and the interest rate borne by these bonds was negatively impacted. The weekly rate was increased to 10% and the Authority incurred approximately $1.9 million additional interest expense in addition to the synthetic fixed rate. As a means of making the Series 2003 Bonds compliant with SEC Rule 2(a)(7), and therefore eligible for purchase by tax-exempt money market funds, on July 2, 2008, the Authority issued $59.1 million Series 2008 Variable Rate Demand Bonds to provide funds to currently refund for savings the Series 2003 Bonds. The uninsured Series 2008 Bonds are now compliant with SEC Rule 2(a)(7) based on the Authority's long-term credit rating of Aa3 by Moody's and AA- by S&P. It is anticipated the Series 2008 Bonds will bear an interest rate similar to that borne prior to the reduction in the financial strength rating of FGIC.

- The Authority made capital improvements totaling approximately $19.0 million.

In 2003, the Authority received reports from its traffic and consulting engineers indicating that traffic in and around Beckley, West Virginia was exceeding the design level of service during weekend peak traffic hours. To prevent unacceptable delays and congestion, it was recommended that the Authority resurface and widen an approximately eight mile section of the turnpike in the vicinity of Beckley.

In March 2004, legislation was enacted that increased the Authority's toll revenue bonding limit. This legislation included a requirement that the Authority adopt an irrevocable resolution to complete and fund a Shady Spring connector and interchange, also near Beckley, before any new bonds could be issued.

FINANCIAL HIGHLIGHTS (Continued)

In April 2004, the Authority gave its engineers a notice to proceed for the preliminary studies, surveys, mapping and design needed for both projects. By November 2005, cost estimates for both projects had been increased and a backlog of other highway rehabilitation projects had been refined. In consultation with the Authority's financial advisor, and pursuant to appropriate trust indentures, the Authority supported a new toll rate schedule, as recommended and certified by the Authority's traffic engineers.

Effective January 1, 2006, the new toll schedule increased mainline rates by approximately 60%. The North Beckley Plaza tolls and the PACC program rates remained the same. The increase was the first rate increase on the West Virginia Turnpike since 1981. However, on January 3, 2006, the Authority became aware of a court challenge to the toll increase.

On February 13, 2006, a Kanawha County Circuit Judge issued a letter ruling that amounted to a preliminary injunction barring the toll rate increase. Steps were taken to immediately comply with the judge's ruling and the previous toll rate schedule was reinstated effective February 14, 2006. In March 2006, legislation was passed with numerous provisions relating to the Authority including removal of the Shady Spring requirement, elimination of the Authority's ability to issue new revenue bonds, additional requirements relating to public hearings and provisions for a new discount program.

As a result of the letter ruling and legislative changes, Governor Manchin requested that Public Resources Advisory Group, Inc. (PRAG) conduct an independent financial review and analysis of the Authority to assist in the evaluation of the need for future toll increases and the relationship of toll increases to maintaining the turnpike in a manner that provides a safe facility and an acceptable level of service to its users. This report was submitted February 5, 2007. On April 12, 2007, the Authority adopted a resolution refocusing the Authority to its core and principal mission of operating the Turnpike as a modern, efficient, and safe roadway. The resolution also included initiatives to eliminate economic development and tourism projects of the Authority and to transfer Tamarack operations to another West Virginia state agency. Various options are being evaluated to complete this process.

The rollback of the recommended toll increase, together with mature traffic patterns, and rapidly increasing costs to repair, rehabilitate and reconstruct the Turnpike's aging roadways and facilities, have led the Authority to reschedule general maintenance and proposed upgrades and to prioritize projects considering patron safety, facility preservation, ride quality and aesthetics, in that order. While the Authority will continue to maintain sufficient liquidity levels and strong debt service ratios, its ability to maintain system assets and adequately fund capital needs will continually be evaluated by its consulting engineers.

West Virginia Parkways, Economic Development and Tourism Authority
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2008 and 2007
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of management's discussion and analysis (this section), the basic financial statements, and the notes to the financial statements.

The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Fund Net Assets. All assets and liabilities associated with the operation of the Authority are included in the Balance Sheet.

FINANCIAL ANALYSIS OF THE PARKWAYS AUTHORITY

A condensed balance sheet for June 30, 2008, 2007 and 2006 follows (in thousands):

ASSETS	2008	2007	2006	Change '08-'07
Current assets	$ 18,633	$ 28,141	$ 28,644	(33.8)%
Long-term investments	27,589	21,396	20,662	28.9%
Investments in economic development projects, net	-	2,000	2,125	(100.0)%
Capital assets, net	506,746	517,772	531,202	(2.1)%
	$ 552,968	$ 569,309	$ 582,633	(2.9)%

LIABILITIES AND NET ASSETS	2008	2007	2006	Change '08-'07
Current liabilities	$ 16,443	$ 15,211	$ 11,557	8.1%
Long-term revenue bonds, net	80,763	87,194	96,448	(7.4)%
Other long-term liabilities	1,638	3,478	4,403	(52.9)%
	98,844	105,883	112,408	(6.6)%
Net assets:				
Invested in capital assets, net of related debt	416,812	422,455	429,571	(1.3)%
Restricted	32,096	39,246	34,138	(18.2)%
Unrestricted	5,216	1,725	6,516	202.4%
	454,124	463,426	470,225	(2.0)%
	$ 552,968	$ 569,309	$ 582,633	(2.9)%

West Virginia Parkways, Economic Development and Tourism Authority
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2008 and 2007
(Continued)

ASSETS

Cash and investments decreased $5.3 million as a result of a combination of decreased toll revenues, increased operating and interest costs and increased capital improvement expenditures. Net capital assets decreased $11.0 million after $19.0 million in highway and facility improvements and equipment purchases offset by $31.1 million of depreciation expense. The Authority's consulting engineers have identified approximately $170 million of deferred maintenance costs and capital needs through 2013. At present, approximately $12 million is available on an annual basis to fund projects identified in this analysis. The Authority has not financed with new money bond issues any highway project since 1989. Major projects completed this year included $5.2 million towards asphalt overlays and full depth repairs between mileposts 56 and 52 southbound and mill and inlay from mileposts 41 to 44 and 48 to 53 northbound and $5.6 million towards pavement rehabilitation to mill and inlay at various locations northbound and southbound from milepost 30 to milepost 94. Further detailed information on capital assets is located in Note 5 of the financial statements.

LIABILITIES

Total liabilities decreased $7.0 million mainly due to regularly scheduled principal payments and amortization of bond deferrals. As detailed in Note 6 of the financial statements, the Authority issued Series 2001 revenue bonds payable from concession, *Tamarack,* and other non-toll revenues. The remaining outstanding Series 1993, 2002 and 2003 bonds are payable from toll revenues.

The Authority's credit ratings are among the best for similar facilities worldwide. The current agency ratings are as follows:

Agency	Rating
Standard & Poor's	AA-
Moody's Investors Service	AA3

A schedule of results of operations for the years ended June 30, 2008, 2007 and 2006 follows (in thousands):

	2008	2007	2006	Change '08-'07
Revenues:				
Operating revenues:				
Toll revenues	$ 56,563	$ 58,165	$ 61,858	(2.8)%
Other revenues	7,459	7,657	7,383	(2.6)%
Nonoperating revenues:				
Net investment revenue	2,293	2,710	1,445	(15.4)%
On-behalf contribution	496	-	-	100.0%
Total revenues	66,811	68,532	70,686	(2.5)%

West Virginia Parkways, Economic Development and Tourism Authority
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2008 and 2007
(Continued)

	2008	2007	2006	Change '08-'07
Expenses:				
Operating expenses:				
Maintenance	17,448	16,837	18,004	3.6%
Toll collection	10,117	9,195	9,426	10.0%
Traffic enforcement	2,815	2,746	2,785	2.5%
General and administrative	9,896	10,221	10,083	(3.2)%
Depreciation	31,064	30,127	29,877	3.1%
Nonoperating expenses:				
Interest expense	7,330	6,205	6,521	18.1%
Total expenses	78,670	75,331	76,696	4.4%
Net loss	$ (11,859)	$ (6,799)	$ (6,010)	74.4%

Toll revenues decreased 2.8% in fiscal year 2008 from fiscal year 2007 after a decrease of 6.0% in fiscal year 2007. Excluding the impact of the temporary rate increase in fiscal year 2006, toll revenue would have decreased 0.3% in fiscal year 2007. Passenger car transactions decreased 2.0% in fiscal year 2008 after an increase of 0.8% in 2007. Commercial transactions, which average approximately 53% of total revenue decreased 3.0% in fiscal year 2008 and 2.0% in fiscal year 2007.

On January 1, 1994, the Authority created its Parkways Authority Commuter Card program for high frequency users of the West Virginia Turnpike that include non commercial automobiles and light trucks. This discount program costs the user $25 per quarter or $95 per year, per mainline barrier. Daily commuters can achieve up to an 85% savings through participation in this program. Net discounts were $1.6 million for the year ended June 30, 2008.

Total expenses increased by $3.3 million or 4.4% compared to the prior year. Higher expenses are the result of inflationary pressures including fuel and wages, adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, and increasing depreciation expense due to shorter pavement life cycles and interest expense triggered by the downgrade of the bond insurer.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the West Virginia Parkways Authority, Director of Finance, P. O. Box 1469, Charleston, WV 25325-1469.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

BALANCE SHEET

June 30, 2008 and 2007
(In Thousands)

ASSETS	2008	2007
Current assets:		
Cash and cash equivalents	$ 11,980	$ 17,648
Short-term investments	1,174	5,266
Accounts receivable	1,721	1,594
Accrued interest receivable	278	329
Inventory	2,451	2,360
Other	1,029	944
Total current assets	18,633	28,141
Noncurrent assets:		
Investments in securities maturing beyond one year	27,589	21,396
Investments in economic development projects, less valuation allowance of $250 at June 30, 2007	-	2,000
Capital assets	974,589	954,551
Less: accumulated depreciation	467,843	436,779
	506,746	517,772
Total noncurrent assets	534,335	541,168
Total assets	$ 552,968	$ 569,309
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 1,014	$ 1,028
Accrued interest payable	713	712
Customer deposits	1,063	975
Other accrued liabilities	5,636	5,294
Current portion of capital lease payable	687	522
Current portion of long-term obligations	7,330	6,680
Total current liabilities	16,443	15,211
Noncurrent liabilities:		
Long-term revenue bonds, net of unamortized premiums, discounts and issuance costs, less current portion:		
Series 2001 revenue bonds	6,090	6,875
Series 2002 revenue bonds	25,845	27,760
Series 2003 revenue bonds	48,828	52,559
	80,763	87,194
Capital lease payable, less current portion	1,154	921
Accrued post-employment benefits other than pensions	484	2,557
Total noncurrent liabilities	82,401	90,672
Total liabilities	98,844	105,883
Net assets:		
Invested in capital assets, net of related debt	416,812	422,455
Restricted by trust indenture	32,096	39,246
Unrestricted	5,216	1,725
Total net assets	454,124	463,426
Total net assets and liabilities	$ 552,968	$ 569,309

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

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Operating revenues:		
Toll revenues	$ 56,563	$ 58,165
Other revenues	7,459	7,657
Total revenues	64,022	65,822
Operating expenses:		
Maintenance	17,448	16,837
Toll collection	10,117	9,195
Traffic enforcement and communications	2,815	2,746
General and administrative	9,896	10,221
Depreciation	31,064	30,127
	71,340	69,126
Operating loss	(7,318)	(3,304)
Nonoperating revenues (expenses):		
Interest expense	(7,330)	(6,205)
Net investment revenue	2,293	2,710
On-behalf contributions	496	-
Nonoperating revenues (expenses), net	(4,541)	(3,495)
Net loss	(11,859)	(6,799)
Net assets, beginning of year, as previously reported	463,426	470,225
Cumulative effect of implementation of GASB Statement 45	2,557	-
Net assets, beginning of year, as restated	465,983	470,225
Net assets, end of year	$ 454,124	$ 463,426

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

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT AND TOURISM AUTHORITY

STATEMENT OF CASH FLOWS

Years Ended June 30, 2008 and 2007
(In Thousands)

	2008	2007
Cash flows from operating activities:		
Cash received from customers and users	$ 63,895	$ 65,674
Cash paid to employees	(21,596)	(20,802)
Cash paid to suppliers	(17,460)	(18,833)
Net cash provided by operating activities	24,839	26,039
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(18,994)	(16,697)
Debt service for revenue bonds and capital leases:		
Principal	(7,326)	(7,369)
Interest	(6,430)	(5,215)
Net cash used in capital and related financing activities	(32,750)	(29,281)
Cash flows from investing activities:		
Purchase of investments	(23,320)	(14,279)
Proceeds from sales and maturities of investments	23,219	17,894
Interest from investments	2,344	2,631
Net cash provided by investing activities	2,243	6,246
Increase (decrease) in cash and cash equivalents	(5,668)	3,004
Cash and cash equivalents, beginning of year	17,648	14,644
Cash and cash equivalents, end of year	$ 11,980	$ 17,648
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (7,318)	$ (3,304)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	31,064	30,127
Provision for loss on investment in economic development projects	-	125
Change in assets and liabilities:		
Increase in accounts receivable	(127)	(149)
Increase in inventory	(91)	(8)
Increase in other assets	(85)	(606)
Increase in accounts payable and other liabilities	416	256
Increase (decrease) in accrued postemployment benefits	980	(402)
Net cash provided by operating activities	$ 24,839	$ 26,039
Noncash transactions affecting financial position:		
Amortization of deferred charges related to revenue bonds	$ (899)	$ (1,055)
Capital assets acquired through capital lease	$ 1,044	$ -
On-behalf of payments transferred from State of West Virginia to the West Virginia Retiree Health Benefit Trust Fund	$ 496	$ -

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

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1 - FINANCIAL REPORTING ENTITY

The West Virginia Parkways, Economic Development and Tourism Authority (the Authority) was created as the successor-in-interest to the West Virginia Turnpike Commission (the Turnpike Commission) by an Act (the Act) of the West Virginia Legislature effective June 1, 1989. All the duties, powers, and functions of the Turnpike Commission were transferred to the Authority. Under the Act, the Authority assumed all assets, property, obligations, indebtedness, and other liabilities of the Turnpike Commission and personnel of the Turnpike Commission were transferred to the employment of the Authority. The Authority has the power to enact and amend its operating budget, and receives no appropriations from the State of West Virginia (the State). The State's Governor or his designee serves as chairman of the Authority and the State's Secretary of Transportation serves as a board member. The other five Authority members are appointed by the Governor with the approval of the Senate. As the State is able to impose its will over the Authority, the Authority is considered a component unit of the State and its financial statements are discretely presented in the comprehensive annual financial report of the State.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles. Generally accepted accounting principles define component units as those entities which are legally separate governmental organizations for which the appointed members of the Authority are financially accountable, or other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading. Since no such organizations exist which meet the above criteria, the Authority has no component units.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority is accounted for as a 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 accounting principles generally accepted in the Untied States of America, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized 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.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Authority is included in the State's basic financial statements as a business type activity using the accrual basis of accounting. Because of the Authority's business type activities, there may be differences between the amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value as determined by published sources and realized and unrealized gains or losses are reported in the statement of revenues, expenses, and changes in fund net assets as a component of investment income.

Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market.

Economic Development Projects

In accordance with the Act, and as provided for under the Trust Indentures, as defined elsewhere herein, certain funds of the Authority are unrestricted and available to promote economic development and tourism. The Authority evaluated proposals and made investments in economic development and tourism projects, which may have been unrelated to improvements in the Authority's infrastructure. Investments in such projects were generally varied forms of equity participation, and typically provided for below-market returns relative to investment risk.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported at historical cost and include interest on funds borrowed to finance construction. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $30,000 for turnpike activities and $2,500 for economic development activities and an estimated useful life in excess of one year. Contributed infrastructure assets were valued at the Turnpike Commission's (predecessor's) cost basis, adjusted for depreciation occurring from the date the assets were placed in service through the date of transfer of such assets to the Authority. Depreciation is computed using the straight-line method over the following estimated economic useful lives of the assets; buildings (30 years); equipment (5-10 years); and infrastructure (10-50 years).

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Annually, the Authority may pay employees for one-fourth of the unused sick leave earned in the current period at the employees' current pay rate. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Authority participates in an other post-employment benefit plan (see Note 9).

Customer Deposits

Customer deposits consist of prepaid deposits made by private and commercial customers into E-ZPass toll collection accounts held by the Authority.

Bond Discounts, Premiums, Issuance Costs and Deferred Loss on Advance Refunding

Bond discounts, premiums, and issuance costs are being accreted and amortized using the effective interest method over the varying terms of the bonds issued. The difference between the reacquisition price and the net carrying amount of refunded debt is reported in the financial statements as a deduction from the refunding bonds, with the related amortization of such deferral being charged to interest expense using the effective interest method.

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets consist of all capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors, or grantors. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Revenues

Other revenues primarily consist of concession sales at the travel centers on the West Virginia Turnpike and craft and food sales at the Caperton Center (also known as TAMARACK-*The Best of West Virginia*). The amount of sales reported is net of costs of goods sold. The related general and administrative expenses are included under operating expenses in the statement of revenues, expenses, and changes in fund net assets.

3 - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

Beginning July 1, 2008, the Authority adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on other postemployment benefit reporting by employers, effectively revising the provisions of GASB 16. As a result of adopting the new standard, the Authority has restated net assets as of July 1, 2007, to account for the cumulative effect of this change in accounting principle related to accounting for other postemployment benefits. The effect of the restatement was an increase to beginning net assets and a corresponding decrease to previously reported liabilities of $2,557,000.

4 - DEPOSITS AND INVESTMENTS

The Authority has adopted investment guidelines that are consistent with those specified in the bond trust indentures for its outstanding bonds. Those guidelines authorize the Authority to invest all bond proceeds and other revenues in obligations of the United States and certain of its agencies, certificates of deposit, direct and general obligations of states, repurchase agreements relating to certain securities, and guaranteed investment contracts. Investments are managed by the financial institution serving as the trustee for the Authority. The Authority has not adopted a formal investment policy beyond the requirements of the bond indentures.

Interest Rate Risk - Investments

As a means of limiting its exposure to fair value losses resulting from rising interest rates, the Authority's bond indentures limit at least half of the Authority's investment portfolio to maturities of less than five years. As of June 30, 2008, the Authority had the following investments and maturities (in thousands):

4 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - Investments (Continued)

Investment Type	Fair Value	Less than 1	1-5	6-10	10+
Mutual bond funds	$ 4,468	$ 4,468	$ -	$ -	$ -
U.S. Treasury Obligations	103	33	70	-	-
Government agency bonds	17,002	533	4,263	2,065	10,141
State government bonds	1,125	-	677	448	-
Corporate bonds	10,534	340	5,047	4,503	644
Repurchase agreements	4,665	4,665	-	-	-
	$ 37,897	$ 10,039	$ 10,057	$ 7,016	$ 10,785

Concentration of Credit Risk - Investments

As of June 30, 2008, the Authority had investment balances with the following issuers which were greater than or equal to 5% of the total investment balance:

Type	Issuer	Percentage of Investments
Mutual bond funds	Federated Government Obligations Fund	12%
Government agency bonds	Federal Home Loan Bank	9%
	Federal Home Loan Mortgage Corp.	9%
	Federal National Mortgage Association	8%
	Government National Mortgage Association	16%
Repurchase Agreement	United National Bank	12%

Concentration of Credit Risk - Cash Deposits

The Authority’s cash deposits with financial institutions were $2,846 at June 30, 2008. These deposits, which had a bank balance of $2,984, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in the Authority’s name by its agent.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk - Investments

The following table provides information on the credit ratings of the Authority's investments (in thousands):

Security Type	Fitch	Moody's	S&P	Fair Value
Mutual bond funds	AAA	Aaa	AAA	$ 4,468
Government agency bonds	AAA	Aaa	AAA	17,002
State government bonds	AAA	Aaa	AAA	1,125
Corporate bonds	AAA	Aaa	AAA	10,534
				$ 33,129

Unrated securities included a repurchase agreement of $4,665. Acceptable collateral for the repurchase agreement includes United States Treasury and government agency securities equal to 105% of the carrying value, all of which carry the highest credit rating.

Credit risk is managed by limiting investments to the following types of debt securities in accordance with the Authority's bond indentures: direct obligations of or obligations guaranteed by the United States of America, the State of West Virginia or any other state, provided that obligations of other states meet certain requirements, obligations of certain federal agencies, certain types of indebtedness of public agencies or municipalities, and corporate indebtedness meeting certain requirements.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2008, the Authority held no securities that were subject to custodial credit risk.

Foreign Currency Credit Risk - All Investments

There are no securities that are subject to foreign currency risk.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of the investments disclosed in this Note to the amounts reported in the Balance Sheet is as follows (in thousands):

As disclosed in this Note:		
Total deposits	$	2,846
Total other investments		37,897
	$	40,743
As reported on the Balance Sheet:		
Cash and cash equivalents	$	11,980
Short-term investments		1,174
Investments in securities maturing beyond one year		27,589
	$	40,743

The cost of investment securities and related accrued interest receivable is allocated at June 30, 2008 and 2007, among the following restricted accounts created under the various Trust Indentures or by the adoption of Authority resolution (in thousands):

	June 30	
	2008	2007
Restricted and designated assets:		
Assets restricted by Trust Indenture:		
Series 1989, 1993, 2002, and 2003 Reserves	$ 10,922	$ 10,922
Series 1989 and 1993 Debt Service	-	330
Renewal and Replacement	9,073	4,352
Operating and Maintenance	4,025	3,985
Series 2001 Debt Service	113	112
Series 2002 Debt Service	1,296	561
Series 2003 Debt Service	2,607	380
Insurance Liability	1,000	1,000
Economic Development and Tourism	7,489	4,416
	36,525	26,058
Reserve Revenue, restricted by Tri-Party Agreement	644	15,210
Facility Improvement	1,089	865
Highway/Bridge Contingency, restricted by Tri-Party Agreement	1,000	1,000
Unredeemed coupons	-	228
Total restricted and designated assets	$ 39,258	$ 43,361

4 - DEPOSITS AND INVESTMENTS (Continued)

The assets restricted by the 1993 Trust Indenture, as supplemented, must be used for construction, turnpike maintenance and operation, and debt service. The Trust Indentures require that the balance in the 1993, 2002, and 2003 Reserve Account equal maximum annual debt service for such bonds. The balance in the 1993, 2002, and 2003 Debt Service Accounts are required by the Trust Indentures to have a balance equal to accrued debt service for the current year plus one-twelfth of the debt service which will accrue in the next succeeding fiscal year. The Trust Indentures also require that a reserve be established for Renewal and Replacement that equals the consulting engineer's recommendations for the year. The Operations and Maintenance Account is required by the Trust Indentures to maintain a balance equal to one-eighth of budgeted operating expenses for the fiscal year.

The Insurance Liability account is a self-insured fund that covers the Authority against risk of loss from natural disaster, among other items, and is designated as the Authority's percentage of contribution in the event of a disaster.

The Economic Development and Tourism Account is designated to be used for economic development and tourism projects by the Authority. All revenues derived from these projects, including recovery of principal, are pledged as security for the 2001A and 2001B Bonds.

The Reserve Revenue Account, restricted by the Tri-Party Agreement dated December 1988 among the West Virginia Department of Transportation, the Federal Highway Administration, and the Authority, can only be used for maintenance and operation of the Turnpike and for debt service.

The Facility Improvement account was established in March 2004 by dedicating funds from the superload fees that are collected by the Division of Highways on the Authority's behalf. This fund will be used at the Board's discretion for either facility repairs and improvements or as a sinking fund for future facilities rehabilitation.

The Contingency Highway and Bridge Reserve Account, established by the Authority and restricted by the Tri-Party Agreement, was established in February 2002 in the event that the Authority needed additional cash or liquidity for highway and bridge projects for any reason (for example, without limitation, due to unanticipated traffic reductions resulting in toll revenue reductions, unanticipated cost overruns on one or more projects, the need to begin or complete a project before originally planned, terrorist events, or failure to achieve all anticipated savings from the issuance of the Series 2002 and 2003 Refunding Bonds). This reserve is not a requirement by the bondholders and will not be used to pay debt service on any bonds of the Authority, but it will be used at the Board's discretion for costs of highway and/or bridge projects in emergency situations.

The Unredeemed Coupons Account has been designated by the Authority to fund redemption of interest coupons that have matured but are not yet redeemed for bonds issued under previous bond indentures.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - ECONOMIC DEVELOPMENT PROJECTS

In May 1996, as part of the Authority's mandate on economic development and tourism, the Authority opened the Caperton Center, a 59,000 square-foot arts and crafts center near Beckley, West Virginia. The Caperton Center's main purposes are to stimulate economic growth for small producers of high quality arts, crafts, and food products, and promote tourism. The facility serves as a demonstration area and retail outlet for West Virginia arts, crafts, and food products, and contains a theater for performing arts and presentations of West Virginia attractions. In June 2004, a 22,000 square foot expansion for a conference center was completed. Its operations are funded in part by Authority revenues that are unrestricted under the terms of the Authority's existing 1993 Trust Indentures as supplemented and the Tri-Party Agreement.

The Authority issued revenue bonds to finance the construction of the Caperton Center within the economic development and tourism activities. Both the turnpike operations and the economic development and tourism activities are accounted for in a single fund. However, investors in these revenue bonds rely solely on the revenue generated by the economic development and tourism activities for repayment. Summary financial information for the economic development and tourism segment activities for the years ended June 30, 2008 and 2007, is presented below (in thousands):

Condensed Balance Sheet

	2008	2007
Assets:		
Cash and cash equivalents	$ 820	$ 636
Accounts receivable	322	312
Inventory	1,095	933
Investments	7,602	4,527
Capital assets, net	20,069	21,023
Economic development investments, net	-	2,000
Total assets	$ 29,908	$ 29,431
Liabilities:		
Accounts payable and accrued liabilities	$ 921	$ 750
Accrued interest payable	37	37
Current portion of long-term obligations	845	795
Long-term obligations, net	6,090	6,875
Total liabilities	7,893	8,457
Net assets:		
Invested in capital assets, net of related debt	13,134	13,353
Restricted	7,602	4,527
Unrestricted	1,279	3,094
Total net assets	22,015	20,974
	$ 29,908	$ 29,431

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - ECONOMIC DEVELOPMENT PROJECTS (Continued)

Condensed Statement of Revenues, Expenses & Changes in Net Assets

	2008	2007
Operating revenue	$ 10,554	$ 10,959
Cost of goods sold	(3,461)	(3,604)
	7,093	7,355
General and administrative expense	5,590	6,041
Depreciation expense	1,047	1,016
	6,637	7,057
Operating income	456	298
Nonoperating revenues (expenses):		
Interest expense	(446)	(487)
Interest earned on investments	1,031	591
	585	104
Net income	1,041	402
Net assets, beginning of year	20,974	20,572
Net assets, end of year	$ 22,015	$ 20,974

Condensed Statement of Cash Flows

	2008	2007
Net cash provided by (used in):		
Operating activities	$ 1,502	$ 1,519
Capital and related financing activities	(1,274)	(1,793)
Investing activities	(44)	632
Increase in cash and cash equivalents	184	358
Cash and cash equivalents, beginning of year	636	278
Cash and cash equivalents, end of year	$ 820	$ 636

Funding of any future economic development initiatives will be provided solely from available designated reserves and concessions and other nontoll revenues, including returns on existing economic development projects.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - ECONOMIC DEVELOPMENT PROJECTS (Continued)

During April 2007, the Authority, at the request of the Governor, approved a resolution to eliminate economic development projects and transfer the operations of the Caperton Center to the Department of Commerce. As of June 30, 2008, this transfer had not taken place and the Authority was continuing the operations of the Caperton Center.

On August 21, 2007, the Authority sold its economic development project investment in the Parkways Enterprise Limited Partnership (PELP) to the general partner, a not-for-profit organization, for $2,300,000. As of June 30, 2007, the Authority's investment in PELP had a carrying value of $2,000,000, thus resulting in a $300,000 gain on the sale.

6 - CAPITAL ASSETS

A summary of capital assets at June 30, 2008 and 2007, follows (in thousands):

2008	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 53,247	$ -	$ -	$ 53,247
Capital assets, being depreciated:				
Buildings	96,682	117	-	96,799
Equipment	8,374	270	-	8,644
Infrastructure	796,248	19,651	-	815,899
Total capital assets, being depreciated	901,304	20,038	-	921,342
Less accumulated depreciation for:				
Buildings	(45,296)	(3,498)	-	(48,794)
Equipment	(4,269)	(516)	-	(4,785)
Infrastructure	(387,214)	(27,050)	-	(414,264)
Total accumulated depreciation	(436,779)	(31,064)	-	(467,843)
Total capital assets, being depreciated, net	464,525	(11,026)	-	453,499
Total capital assets, net	$ 517,772	$ (11,026)	$ -	$ 506,746

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - CAPITAL ASSETS

2007	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 53,247	$ -	$ -	$ 53,247
Capital assets, being depreciated:				
Buildings	95,849	833	-	96,682
Equipment	7,972	402	-	8,374
Infrastructure	780,786	15,462	-	796,248
Total capital assets, being depreciated	884,607	16,697	-	901,304
Less accumulated depreciation for:				
Buildings	(42,035)	(3,261)	-	(45,296)
Equipment	(3,614)	(655)	-	(4,269)
Infrastructure	(361,003)	(26,211)	-	(387,214)
Total accumulated depreciation	(406,652)	(30,127)	-	(436,779)
Total capital assets, being depreciated, net	477,955	(13,430)	-	464,525
Total capital assets, net	$ 531,202	$ (13,430)	$ -	$ 517,772

Buildings include the Caperton Center, which has a cost of approximately $27,860,518 and $27,749,490, and accumulated depreciation of $9,250,010 and $8,306,076, at June 30, 2008 and 2007, respectively.

Approximately $198,120 and $104,241 of interest costs were capitalized during the years ended June 30, 2008 and 2007, respectively.

7 - REVENUE BONDS PAYABLE

Revenue bonds payable consisted of the following at June 30 (in thousands):

	2008	2007
Series 2001A Taxable Serial Bonds, issued $5,695 in December 2001 at 4.75% to 7.00%, due in varying installments from June 2002 through June 2011	2,130	2,755

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - REVENUE BONDS PAYABLE (Continued)

	2008	2007
Series 2001B Bonds, issued serial bonds of $1,505 in December 2001, at 3.50% to 5.00%, due in varying installments from June 2003 through 2011	570	740
Series 2001B term bonds, $2,090 at 5.00%, due June 2013	2,090	2,090
Series 2001B term bonds, $2,305 at 5.125%, due June 2015	2,305	2,305
Series 2002 Serial Bonds, issued $44,205 in February 2002 at 3.50% to 5.25%, due in varying installments from May 2002 through May 2019	30,885	32,870
Series 2003 Variable Rate Demand Revenue Refunding Bonds, $63,900 at variable rates, due in varying installments through May 2019	59,100	63,000
Total revenue bonds payable	97,080	103,760
Add:		
Unamortized premium	1,592	1,743
Less:		
Unamortized deferred loss on advance refunding	(9,250)	(10,231)
Unamortized discount and issuance costs	(1,329)	(1,398)
Current portion of revenue bonds payable	(7,330)	(6,680)
	$ 80,763	$ 87,194

In 1993, the Authority issued $118,781,000 of Revenue Refunding Bonds for the express purpose of defeasing $111,245,000 of 1989 Series Bonds, all of which are no longer outstanding. The advance refunding resulted in a $14,350,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019 (subsequently defeased by the 2002 refunding, see below), approximated $31,000 in 2007. The Authority completed the advance refunding to reduce its aggregate debt service payments by almost $7,400,000 over a 26-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of $5,200,000.

7 - REVENUE BONDS PAYABLE (Continued)

The Revenue Bonds under the 1993, 2002 and 2003 Trust Indentures are secured by a pledge of substantially all Authority operating revenues and all monies deposited into accounts created by the Trust Indentures.

In 2002, $5,695,000 of Raleigh County, West Virginia, Taxable Commercial Development Revenue Refunding Bonds, Series 2001A and $5,900,000 of Commercial Development Revenue Bonds, Series 2001B (the Series 2001 Bonds) were issued pursuant to a bond resolution adopted by the County Commission of Raleigh County, West Virginia (the issuer), and a Trust Indenture, dated December 1, 2001 (the Indenture). The bond proceeds of the Series 2001A were used to advance refund $1,735,000 of the Series 1994 Bonds and $4,075,000 of the Series 1996 Bonds. The advance refunding resulted in a $491,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2011, approximated $60,000 and $61,000 in 2008 and 2007, respectively. The Series 2001B Bonds were issued to construct and furnish an expansion of the Caperton Center. The Series 2001 Bonds are limited obligations of the Issuer payable solely from loan payments by the Authority pledged under the Indenture, and are also secured equally and ratably by a Trust Agreement among the Authority, the Issuer and a trustee, wherein the Authority has pledged certain non-toll revenues of the Authority including (i) net revenues of the Caperton Center; (ii) certain interest and other investment earnings; and (iii) gross revenues derived from concessionaire or other contracts with third parties relating to operations conducted by such third parties at any of the Authority’s service plazas. Toll revenues derived by the Authority in connection with the operation of the Turnpike are not pledged or otherwise available to pay debt service on the Series 2001 Bonds. The Authority completed the advance refunding to remove certain restrictive indenture requirements of the Series 1994 and Series 1996 bonds. The refunding resulted in an economic loss (difference between the present values of the old and new debt service payments) of $582,582.

Additionally in 2002, $44,205,000 of Revenue Refunding Bonds were issued for the express purpose of defeasing $36,036,000 of Series 1993 Bonds. The advance refunding resulted in a $6,313,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated $270,000 and $269,000 in 2008 and 2007 respectively. The Authority completed the advance refunding to reduce its aggregate debt service payments by almost $3,003,064 over an 18-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,623,705.

In 2003, the Authority issued $63,900,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding $61,280,000 of the Authority’s Series 1993 Bonds. This refunding resulted in a $7,896,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated $568,000 and $566,000 in 2008 and 2007,

7 - REVENUE BONDS PAYABLE (Continued)

respectively. The Authority completed the refunding to reduce its aggregate debt service payment by $7,270,000 over a 17-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of $4,851,000.

The Series 2003 bonds bear interest at the Weekly Interest Rate determined by the remarketing agent on Tuesday of each week. The Authority has entered into an interest rate swap agreement on the Series 2003 bonds as follows:

Objective of the Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in February 2003, the Authority entered into an interest rate swap in connection with its 2003 Variable Rate Demand Revenue Refunding Bonds. The intention of the swap was to effectively convert the Authority's variable interest rate to a synthetic fixed rate of 4.387%.

Terms of the Interest Rate Swap

The bonds and the related swap agreement mature on May 1, 2019, and the swap's notional amount of $63,900,000 matches the $63,900,000 variable rate bonds, Series 2003. The swap was entered at the same time the bonds were issued (February 14, 2003).

Due to an Alternative Floating Rate Date, which occurred September 3, 2003, under the swap, the Authority pays the counterparty a fixed payment of 4.387 percent and receives a variable payment computed as 67 percent of the London Interbank Offer Rate (LIBOR). Conversely, the bond's variable rate is the Weekly Interest Rate determined by the Remarketing Agent.

Credit Risk

As of June 30, 2008, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings, AA- by Standards & Poor's and AA2 by Moody's Investor's Service as of June 30, 2008.

Basis Risk

The swap exposes the Authority to basis risk should the relationship between LIBOR and the Bond Market Association Municipal Swap Index (BMA) converge, causing a change in the floating rate on the swap. This Alternative Floating Rate Date occurred September 3, 2003. As a result, the expected cost savings have not been realized.

7 - REVENUE BONDS PAYABLE (Continued)

Termination Risk

The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

On February 14, 2008, the insurer of the Series 2003 Variable Rate Demand Revenue Refunding Bonds, Financial Guaranty Insurance Company had its credit rating downgraded below the minimum bond insurer rating specified in the Liquidity Facility for the Series 2003 Bonds. Once the bond insurer's credit rating remains at this level for a period of thirty consecutive days, the Liquidity Provider for the Series 2003 Bonds has the right to elect to terminate the Liquidity Facility by giving written notice to the Trustee, the Authority, the Remarketing Agent and the Insurer not less than 30 days from the date of receipt of such notice by the Trustee. The Liquidity Provider did not exercise this option. However, a majority of bondholders had exercised their option to tender for purchase their interest in the Series 2003 Bonds since February 14, 2008.

Upon receipt of an irrevocable written notice, the Tender Agent must purchase the principal amount of such identified bonds no later than seven days after the receipt of the notice. In the event any bonds having been so tendered are not then remarketed by the Remarketing Agent, the Liquidity Provider must purchase the tendered bonds under the Liquidity Facility. Upon such purchase by the Liquidity Provider, such Series 2003 Bonds become "Purchased Bonds" with the Liquidity Provider as the holder thereof.

In the event that the Liquidity Provider had elected to give notice of termination as a result of the bond insurer's credit rating remaining below the specified level for 30 or more days, as noted above, then the effect on the Authority would be as follows: (a) the Trustee would be required to give notice of a mandatory tender of those Series 2003 Bonds that are not already "Purchased Bonds" on a date prior to the expiration of the Liquidity Facility, (b) the Liquidity Provider would be required to purchase such tendered Bonds, (c) all Series 2003 Bonds then would become "Purchased Bonds," (d) the interest rate on all "Purchased Bonds" becomes the Wall Street Journal prime rate for 90 days from the date of their compulsory purchase by the Liquidity Provider, then after 90 days have elapsed the interest rate becomes the Wall Street Journal prime rate plus 100 basis points, and ultimately, after 180 days, the interest rate becomes the Wall Street Journal prime rate plus 200 basis points. In addition, after 180 days from the date they were purchased by the Liquidity Provider, the principal amount of "Purchased Bonds" must be redeemed by the Authority in ten equal semi-annual installments commencing approximately six months after the 180th day together with all unpaid interest at the Wall Street Journal prime rate plus 200 basis points, with the final installment of principal due no later than the fifth anniversary of the beginning of such special redemption period.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - REVENUE BONDS PAYABLE (Continued)

Fair Value

As a result of the credit rating downgrade of the bond insurer, the Weekly Interest Rate on the Series 2003 Bonds has increased above historical levels and the Authority's interest rate swap is not sufficient to fully hedge the interest rate risk of the variable rate bonds and accordingly, as long as such condition persists, the intention of the swap to synthetically fix the interest rate will not be maintained. Further, because the variable interest rates related to the swap have declined further, the swap had a negative fair value of $4,613,049 as of June 30, 2008. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

To resolve the above technical violation of the bond indenture regarding the Series 2003 Variable Rate Demand Revenue Refunding Bonds, the Authority refinanced these bonds through the issuance of the Series 2008 Variable Rate Demand Revenue Refunding Bonds (see Note 13).

Swap Payments and Associated Debt

Using rates as of June 30, 2008, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swap, Net	Total
2009	$ 4,300	$ 3,551	$ (823)	$ 7,028
2010	4,300	3,961	(1,431)	6,830
2011	4,700	3,651	(1,322)	7,029
2012	4,700	3,311	(1,169)	6,842
2013	5,200	2,971	(1,082)	7,089
2014-2018	29,200	8,964	(3,274)	34,890
2019	6,700	484	(193)	6,991
	$ 59,100	$ 26,893	$ (9,294)	$ 76,699

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - REVENUE BONDS PAYABLE (Continued)

Bonds Payable Progression and Maturities

The following schedule summarizes the revenue bonds outstanding as of June 30, 2008 and 2007 (in thousands):

2008	Beginning Balance	Additions	Retired	Amortization	Ending Balance	Due Within One Year
Series 2001	7,670	-	(795)	60	6,935	845
Series 2002	29,745	-	(1,985)	270	28,030	2,185
Series 2003	56,459	-	(3,900)	569	53,128	4,300
	$ 93,874	$ -	$ (6,680)	$ 899	$ 88,093	$ 7,330

2007	Beginning Balance	Additions	Retired	Amortization	Ending Balance	Due Within One Year
Series 1993	$ 3,644	$ -	$ (3,803)	$ 159	$ -	$ -
Series 2001	8,359	-	(750)	61	7,670	795
Series 2002	31,491	-	(2,015)	269	29,745	1,985
Series 2003	56,193	-	(300)	566	56,459	3,900
	$ 99,687	$ -	$ (6,868)	$ 1,055	$ 93,874	$ 6,680

Debt service requirements for the Revenue Bonds subsequent to June 30, 2008, are as follows (in thousands):

Year Ending June 30	Principal Maturities	Interest, Including Accretion	Total
2009	$ 7,330	$ 4,736	$ 12,066
2010	7,405	4,375	11,780
2011	8,090	4,006	12,096
2012	7,120	3,628	10,748
2013	9,985	3,196	13,181
2014-2018	46,865	9,316	56,181
2019	10,285	480	10,765
	$ 97,080	$ 29,737	$ 126,817

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NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - REVENUE BONDS PAYABLE (Continued)

Bonds Payable Progression and Maturities (Continued)

Principal outstanding June 30, 2008	$ 97,080
Add:	
Unamortized premium	1,592
Less:	
Unamortized deferred loss on advance refunding	(9,250)
Unamortized discount and issuance costs	(1,329)
Current portion of revenue bonds payable	(7,330)
Long-term portion	$ 80,763

The Revenue Bonds are subject to the arbitrage rebate provisions of the Internal Revenue Code (the Code). The Code requires that 90% of excess investment earnings on the Bond proceeds be paid to the Internal Revenue Service every five years in order for the Bonds to maintain their tax-exempt status. At June 30, 2008 and 2007, the Authority's estimated arbitrage rebate liability was zero.

8 - CAPITAL LEASING

The Authority entered into four lease agreements during FY 2006 for the financing of roadside maintenance vehicles, police cruisers, miscellaneous maintenance vehicles, and roadway maintenance vehicles. Additionally, the Authority entered into three additional leases during the year ended June 30, 2008 for the purpose of constructing certain infrastructure assets. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

In accordance with the Authority's capitalization guidelines, the Authority expensed $437,031 of the equipment. The remaining assets acquired through capital leases are as follows (in thousands):

Equipment	$ 2,747
Less accumulated depreciation	(546)
Total	$ 2,201

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
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NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - CAPITAL LEASING (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows (in thousands):

Year Ending June 30		
2009	$	687
2010		505
2011		347
2012		221
2013		193
Total minimum lease payments		1,953
Less amount representing interest		(112)
Present value of minimum lease payments		1,841
Less current portion		687
Long-term portion	$	1,154

9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Authority participates in the West Virginia Other Postemployment Benefit Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia, 25305-0710, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

9 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The Authority's contributions to the OPEB Plan for the year ended June 30, 2008 (year of implementation of GASB Statement 45, in accordance with the required implementation of that statement), was $914,944 and the billed ARC was $1,894,496. During the year ended June 30, 2008, the Authority received on-behalf payments from the WVPEIA in the amount of $495,504. These amounts were transferred to the OPEB Plan which resulted in a net ARC liability of $484,048, which is included in the Authority's liabilities as of June 30, 2008.

10 - PENSION PLAN

All full-time Authority employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system. Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life 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. The PERS also provides deferred retirement, early retirement, death and disability benefits. The PERS issues an annual report, a copy of which can be obtained by contacting PERS.

Covered employees are required to contribute 4.5% of their salary to the PERS while the Authority is required to contribute 10.5% of covered employee's salaries to the PERS. The required employee and employer contribution percentages are determined by actuarial advisement within ranges set by statute. A summary of the Authority and employee contributions required and made for the years ended June 30, 2008, 2007, and 2006 are as follows (in thousands):

	2008	2007	2006
Authority contributions	$ 1,594	$ 1,474	$ 1,453
Employee contributions	683	632	623
Total contributions	$ 2,277	$ 2,106	$ 2,076

11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

11 - RISK MANAGEMENT (Continued)

The Authority has obtained coverage for job-related injuries of employees and health coverage for its employees through its participation in the former West Virginia State Workers Compensation Fund and effective January 1, 2006, Brickstreet Mutual Insurance Company (Brickstreet), a state government mandated private business entity, and the West Virginia Public Employees Insurance Agency (PEIA). In exchange for the payment of premiums to PEIA and Brickstreet, the Authority has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Authority, for an annual premium, obtains insurance coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters through the West Virginia Board of Risk and Insurance Management, a public risk pool entity insuring the State of West Virginia, its component units, local government entities, and eligible not-for-profit organizations. Liability coverage provided to all insured entities under this policy is limited to $1,000,000 per occurrence, subject to an annual aggregate limit of coverage of $22,000,000. To further reduce its risk of loss, the Authority, for an annual premium paid to a commercial insurer, has obtained an additional liability policy which provides coverage of $10,000,000 over and above the coverage provided by the West Virginia Board of Risk and Insurance Management. In each of the three fiscal years in the period ending June 30, 2008, the Authority's insurance coverage has been sufficient to meet all claims and settlements against the Authority.

12 - COMMITMENTS AND CONTINGENCIES

Litigation

The Authority is a defendant in certain legal proceedings pertaining to matters incidental to routine operations. Based on the current status of these legal proceedings, it is the opinion of Authority management and counsel that the ultimate resolution of these matters will not have a material effect on the Authority's financial position.

Construction Commitments

At June 30, 2008, the Authority had contractual commitments totaling $14,711,343 for various Turnpike System improvement projects.

13 - SUBSEQUENT EVENT

Because of the downgrade of the bond insurer and the corresponding increase of the Series 2003 variable interest rate, the ability of the Authority to maintain its revenue bond requirements was significantly impaired. On July 2, 2008, subsequent to year end, the West Virginia Parkways, Economic Development and Tourism Authority issued $59,100,000 of Series 2008 Variable Rate Demand Revenue Refunding Bonds. The purpose of these bonds is to advance refund the outstanding balance of the Authority's Series 2003 Variable Rate Demand Revenue Refunding Bonds. The series 2008 bonds require payment of principle and interest at variable rates, due in varying installments through April 2019 on a schedule substantially similar to that of the Series 2003 bonds.

14 - NEW ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. Additionally, this statement requires disclosure of a summary of the government's derivative instrument activity and the information necessary to assess the government's objective's for derivative instruments, their significant terms, and the risks associated with the derivative instruments.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. Earlier application is encouraged. For potential hedging derivative instruments existing prior to the fiscal period during which this Statement is implemented, the evaluation of effectiveness should be performed as of the end of the current period. If determined to be effective, hedging derivative instruments are reported as if they were effective from their inception. If determined to be ineffective, the potential hedging derivative instrument is then evaluated as of the end of the prior reporting period. The Authority has not yet determined what impact this statement will have on its financial statements.

Gibbons & Kawash
Certified Public Accountants

gandkcpas.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the West Virginia Parkways, Economic
Development and Tourism Authority

We have audited the financial statements of the West Virginia Parkways, Economic Development and Tourism Authority (the Authority) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as identified above.

300 CHASE TOWER | 707 VIRGINIA STREET, EAST | CHARLESTON, WV 25301 | PHONE: 304.345.8400 | FAX: 304.345.8451

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Members of the Authority, the Members of the West Virginia Legislature, and the West Virginia Department of Administration and is not intended to be and should not be used by anyone other than these specified parties.

Gibbons & Kawash

October 14, 2008

OTHER FINANCIAL INFORMATION

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 7

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION
(In Thousands)

Audited Agency **W.V. Parkways, Economic Dev. & Tourism Authority**

Per GASB Statement 40 the Institution must disclose it's deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Institution's depo

See Note 3 to the financial statements.

	Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	Insured Amount	Collateralized Amount	Uncollateralized Amount	Collateralized with securities held by the pledging financial institution but not in the name of the depositor	Collateralized with securities held by the pledging financial institution trust department or agency but not in the name of the depositor	Foreign Currency Risk: Currency Type	Foreign Currency Risk: Maturity	Foreign Currency Risk: Fair Value
Cash with Treasurer Per Opening Balance Report	$ -	$ -	$ -									
Cash with Municipal Bond Commission	-	-	-									
Cash on Hand	-	-	-									
Cash in Transit to WVFIMS	-	-	-									
Cash with Board of Trustees	-	-	-									
Cash in Outside Bank Accounts	2,846	-	2,846	2,984	200	2,784	-	-	-	n/a	n/a	-
Cash in Escrow	-	-	-		-	-	-	-	-	n/a	n/a	-
Certificates of Deposits	-	-	-	-	-	-	-	-	-	n/a	n/a	-
Other: ___________________	-	-	-	-	-	-	-	-	-	n/a	n/a	-
Total	$ 2,846	$ -	$ 2,846	$ 2,984	$ 200	$ 2,784	$ -	$ -	$ -			$ -

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION
(In Thousands)

Audited Agency **W.V. Parkways, Economic Dev. & Tourism Authority**

Per GASB Statement 40 the Institution must disclose it's investment policy. The investment policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Institution's investment policy

	Reported Amount Unrestricted	Reported Amount Restricted	Custodial Credit Risk: Category 1 (Based on reported amounts)	Category 2	Category 3	Reported Amount**		Fair Value	Credit Ratings: Standard & Poor's	Moody's	Fitch	Interest Rate Risk - Segmented Time Distribution, Investment Maturities (in years): Less than 1	1 - 5	6 -10	More than 10	Foreign Currency Risk: Currency Type	Maturity	Fair Value
Investments with Investment Mgmt Board (IMB) **Per Opening Balance Report**	$ -	$ -				$ -		$ -										
Investment Earnings not Posted to WVFIMS As of 6/30/06	-	-				-		-										
Investments with Board of Treasury Investments (BTI) **Per Opening Balance Report**	-	-				-		-										
Investment Earnings not Posted to WVFIMS As of 6/30/06	-	-				-		-										
Investments Outside IMB:																		
U.S. Treasury Obligations	103	-	103	-	-	103	(F)	103				33	70	-	-			
U.S. Government Agencies	17,002	-	17,002	-	-	17,002	(F)	17,002	AAA	Aaa	AAA	533	4,263	2,065	10,141			
Other Government Bonds		-	-	-	-	-	( )	-				-				n/a	n/a	-
Corporate Bonds	10,534	-	10,534	-	-	10,534	(F)	10,534	AAA	Aaa	AAA	340	5,047	4,503	644	n/a	n/a	-
Corporate Stocks	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
Mutual Bond Funds	4,468	-	4,468	-	-	4,468	(F)	4,468	AAA	Aaa	AAAm	4,468	-	-	-	n/a	n/a	-
Mutual Stock Funds	-	-	-	-	-	-		-				-	-	-	-	n/a	n/a	-
Mutual Money Market Funds	-	-	-	-	-	-		-				-	-	-	-	n/a	n/a	-
Commercial Paper	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
Bank Investment Contract	-	-	-	-	-	-		-				-	-	-	-	n/a	n/a	-
Guaranteed Investment Contract	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
Repurchase Agreements ****	4,665	-	4,665	-	-	4,665	(F)	4,665	n/a	n/a	n/a	4,665	-	-	-	n/a	n/a	-
State/Local Gov't Securities	1,125	-	1,125	-	-	1,125	(F)	1,125	AAA	Aaa	AAA	-	677	448	-			
Other Investments (describe):	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	
Total	$ 37,897	$ -	$ 37,897	$ -	$ -	$ 37,897		$ 37,897				$ 10,039	$ 10,057	$ 7,016	$ 10,785			-

****** MUST COMPLETE THE BELOW INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:**

Collateral Description on the Repurchase Agreements	**Fair Market Value of Collateral**
See Note 3 to financial statements	

**NOTE: THE REPORTED AMOUNTS SHOULD BE IDENTIFIED AS EITHER AMORTIZED COST (A) OR FAIR VALUE (F).

See Independent Auditors' Report.

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8A

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION
(In Thousands)

Audited Agency **W.V. Parkways, Economic Dev. & Tourism Authority**

Reconciliation of cash, cash equivalents and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits:	
Cash and cash equivalents as reported on balance sheet	$ 11,980
Less: cash equivalents disclosed as investments	(9,134)
Add: restricted assets disclosed as deposits	-
Other (describe)	
	-
Carrying amount of deposits as disclosed on Form 7	$ 2,846
Investments:	
Investments as reported on balance sheet	$ 28,763
Add: restricted assets disclosed as investments	-
Add: cash equivalents disclosed as investments	9,134
Other (describe)	
	-
Reported amount of investments as disclosed on Form 8	$ 37,897

See Independent Auditors' Report.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

REVENUE BOND COVERAGE (1)

Form 13-Supplement

Year Ended June 30, 2008
(In Thousands)

	2008	2007	2006
Revenues:			
Toll revenues	$ 56,563	$ 58,165	$ 61,858
Adjustments to toll revenues per Trust Indentures	127	54	(52)
Total revenues	56,690	58,219	61,806
Operating expenses	71,340	69,124	70,176
Adjustments to operating expenses per Trust Indentures:			
Depreciation	(31,064)	(30,127)	(29,877)
Renewal and replacement provided for by reserves	(2,714)	(1,366)	(2,700)
Economic development and tourism costs	(5,590)	(6,166)	(6,004)
Other	(789)	1,141	(117)
Total operating expenses	31,183	32,606	31,478
Net revenues available for debt service	$ 25,507	$ 25,613	$ 30,328
Revenue bond coverage items:			
Total debt service	11,852	10,876	10,801
Renewal and replacement reserve requirement per recommendation of consulting engineer	9,073	4,352	4,331
Total debt service and renewal and replacement	$ 20,925	$ 15,228	$ 15,132
Coverage percentages:			
Total debt service (150% required since 2002, 125% previously required)	215.21 %	235.50 %	280.79 %
Total debt service and renewal and replacement per recommendation of consulting engineer (100% required)	121.90 %	168.20 %	200.42 %

(1) On December 1, 1989, the Turnpike Commission revenue bonds dated March 10, 1952 and March 3, 1954 (Prior Bonds) matured and were repaid with a portion of proceeds of the Series 1989 Revenue Bonds issued under the Trust Indenture dated October 15, 1989. On March 11, 1993, $111,245,000 of the Series 1989 Revenue Bonds were refunded with 1993 Series Revenue Bonds issued under a Trust Indenture dated February 15, 1993. On February 1, 2002, $36,036,000 of the Series 1993 Revenue bonds were refunded with the 2002 Series Revenue Bonds issued under a Trust Indenture dated February 1, 2002. On February 18, 2003, $61,280,000 of the Series 1993 Revenue bonds were refunded with the Series 2003 Variable Rate Demand Refunding Bonds issued under a Trust Indenture dated February 18, 2003. The revenue bond coverage requirements increased to 150% from 125% under the 2003 trust indenture. Accordingly, the above presentation for each of the ten years ended June 30, 2007, related only to debt services requirements under the 1992, 2002, and 2003 Trust Indentures. Under the terms of these trust indentures, revenues available for debt services are comprised of collected toll revenues less operating expenses, exclusive of depreciation, other costs funded by bond proceeds or designated established reserves and accruals, and further reduced by capital expenditures funded by amounts other than bond proceeds.

See Independent Auditor's Report.

2005	2004	2003	2002	2001	2000	1999
$ 57,999	$ 56,854	$ 54,757	$ 54,939	$ 53,631	$ 55,156	$ 53,481
153	972	93	(118)	485	(746)	(44)
58,152	57,826	54,850	54,821	54,116	54,410	53,437
68,253	66,016	65,103	63,542	62,171	62,313	57,765
(29,779)	(28,675)	(28,265)	(29,167)	(28,525)	(27,767)	(25,207)
(2,098)	(3,672)	(2,577)	(1,839)	(2,068)	(3,065)	(2,376)
(6,051)	(5,420)	(4,406)	(3,919)	(3,842)	(3,933)	(3,523)
(67)	457	(2,272)	(1,251)	(1,444)	(1,337)	(1,711)
30,258	28,706	27,583	27,366	26,292	26,211	24,948
$ 27,894	$ 29,120	$ 27,267	$ 27,455	$ 27,824	$ 28,199	$ 28,489
10,505	12,439	12,693	11,240	11,176	11,249	11,115
4,151	3,460	2,442	2,383	2,917	3,942	3,818
$ 14,656	$ 15,899	$ 15,135	$ 13,623	$ 14,093	$ 15,191	$ 14,933
265.53 %	234.10 %	214.82 %	244.26 %	248.96 %	250.68 %	256.31 %
190.32 %	183.16 %	180.16 %	201.53 %	197.43 %	185.63 %	190.78 %