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, 2007 and 2006

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, 2007 and 2006

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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, 2007 and 2006, 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, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2007, 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 should be read in conjunction with this report in considering 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 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.

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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 17, 2007

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, 2007. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Toll revenues for the fiscal year ended June 30, 2007 were $58.2 million, a decrease of 6.0% from toll revenues in the previous fiscal year.
- Total operating expenses, exclusive of depreciation, were approximately $38.9 million in the fiscal year ended June 30, 2007, a decrease of 3.2%.
- Restaurant and service station concession revenues from four travel plazas totaled approximately $2.7 million for fiscal year ended June 30, 2007, an increase of 6.8% over the prior year.
- Sales of *Tamarack-The Best of West Virginia* at the Caperton Center arts and crafts center were approximately $7.9 million during the fiscal year ended June 30, 2007, an increase of 3.3% over the prior year.

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.

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.

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.

West Virginia Parkways, Economic Development and Tourism Authority
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2007 and 2006
(Continued)

FINANCIAL ANALYSIS OF THE PARKWAYS AUTHORITY

A condensed balance sheet for June 30, 2007, 2006 and 2005 follows (in thousands):

ASSETS	2007	2006	2005	Change '07-'06
Current assets	$ 28,141	$ 28,644	$ 28,034	(1.8)%
Long-term investments	21,396	20,662	15,460	3.6%
Investments in economic development projects, net	2,000	2,125	2,125	5.9)%
Capital assets, net	517,772	531,202	546,919	(2.5)%
	$ 569,309	$ 582,633	$ 592,538	(2.3)%

LIABILITIES AND NET ASSETS	2007	2006	2005	Change '07-'06
Current liabilities	$ 15,211	$ 11,557	$ 11,208	31.6%
Long-term revenue bonds, net	87,194	96,448	102,051	(9.6)%
Other long-term liabilities	3,478	4,403	3,044	(21.0)%
	105,883	112,408	116,303	(5.8)%
Net assets:				
Invested in capital assets, net of related debt	422,455	429,571	441,961	(1.7)%
Restricted	39,246	34,138	24,688	15.0%
Unrestricted	1,725	6,516	9,586	(73.5)%
	463,426	470,225	476,235	(1.4)%
	$ 569,309	$ 582,633	$ 592,538	(2.3)%

ASSETS

Net capital assets decreased $13.4 million as a result of $16.7 million in highway and facility improvements and equipment purchases offset by $30.1 million of depreciation expense. Included in the PRAG report, the Authority provided a base cost five year capital needs plan that includes needs of $161 million. At present, approximately $12 million is available on an annual basis to fund projects identified in the plan. The Authority has not financed with bond issues any highway project since 1989. Major projects this year included $6.3 million towards asphalt resurfacing between mileposts 24 and 27 northbound and $2.4 million towards asphalt resurfacing between mileposts 56 and 52 southbound. Detailed information on capital assets is located in Note 5 of the financial statements.

West Virginia Parkways, Economic Development and Tourism Authority
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2007 and 2006
(Continued)

LIABILITIES

Current liabilities increased $3.7 million due to an increase of $3.4 million in current maturities of bonds payable. This increase is the result of the final payment due on the 1993 capital appreciation bonds. The Authority continues to maintain level debt service obligations of approximately $10.2 million on Turnpike Bonds. The balance of long-term revenue bonds payable decreased $9.3 million as a result of 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 to enhance the economic development mission of the Authority. The remaining outstanding Series 1993, 2002 and 2003 bonds are payable from toll revenues.

The West Virginia Parkways, Economic Development and Tourism 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, 2007, 2006 and 2005 follows (in thousands):

	2007	2006	2005	Change '07-'06
Revenues:				
Operating revenues:				
Toll revenues	$ 58,165	$ 61,858	$ 57,999	(6.0)%
Other revenues	7,657	7,383	6,911	3.7%
Nonoperating revenues:				
Net investment revenue	2,710	1,445	1,285	87.5%
Total revenues	68,532	70,686	66,195	(3.0)%
Expenses:				
Operating expenses:				
Maintenance	16,837	18,004	16,290	(6.5)%
Toll collection	9,195	9,426	9,574	(2.5)%
Traffic enforcement	2,746	2,785	2,443	(1.4)%
General and administrative	10,221	10,083	10,095	1.4%
Depreciation	30,127	29,877	29,779	0.8%
Nonoperating expenses:				
Interest expense	6,205	6,521	7,096	(4.8)%
Total expenses	75,331	76,696	75,277	(1.8)%
Net loss	$ (6,799)	$ (6,010)	$ (9,082)	(13.1)%

Toll revenues decreased 6.0% in fiscal year 2007 from fiscal year 2006 after an increase of 6.6% in fiscal year 2006. Excluding the impact of the temporary rate increase in fiscal year 2006, toll revenue would have decreased 0.3%.

On January 1, 1994, the Authority created its Parkways Authority Commuter Card (PACC) program for high frequency users of the West Virginia Turnpike that include non commercial passengers, automobiles, and light trucks. This discount program costs the user $25 per quarter or $95 per year, per mainline barrier. There were approximately 14,400 PAC cards issued at June 30, 2007. Daily commuters can achieve up to an 85% savings through participation in this program.

Other revenues increased 3.7% in fiscal year 2007 due to increased sales occurring at the Caperton Center and increased rents from travel plaza restaurants that increased 9.5% to $1.8 million after increasing 5.7% in 2006. The increase in food sales is due to the growth in traffic after establishing and continuing to update food concepts in demand by the general public. A ten-year agreement with HMS Host (restaurant operator) took effect on January 1, 2000, and provides the Authority revenue equal to 18% of store gross receipts. Revenues from service stations increased 1.4% to $.9 million after decreasing 1.2% in fiscal year 2006. On January 3, 2005, the Authority signed a five-year contract with PM Terminals, Inc. (the service station operator) providing the Authority revenue at the fixed rate of $.1057 per gallon of gasoline and $.1006 per gallon of diesel fuel sold.

Total expenses decreased 1.8% to $75.2 million after an increase of 1.8% in 2006. Excluding charges of $1.2 million for engineering and design costs related to the discontinued Shady Spring, project expenses would have increased only 0.2% in fiscal year 2006. Fiscal year 2007 savings include $0.8 million in Turnpike wages expense as a result of staff cutbacks related to normal attrition and overtime savings as a result of a mild winter. Health insurance benefits decreased $0.3 million, mainly as a result of increases in employee's overall percentage share of premiums paid. Roadway painting expense decreased $0.5 million due to the establishment of a new painting scheme. New equipment expense decreased $0.2 million due to delays of needed equipment purchases. The decrease in interest expense is the result of principal payments on the Authority's outstanding bonds.

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, 2007 and 2006
(In Thousands)

ASSETS	2007	2006
Current assets:		
Cash and cash equivalents	$ 17,648	$ 14,644
Short-term investments	5,266	9,615
Accounts receivable	1,594	1,445
Accrued interest receivable	329	250
Inventory	2,360	2,352
Other	944	338
Total current assets	28,141	28,644
Noncurrent assets:		
Investments in securities maturing beyond one year	21,396	20,662
Investments in economic development projects, less valuation allowance of $250 at June 30, 2007 and 2006	2,000	2,125
Capital assets	954,551	937,854
Less: accumulated depreciation	436,779	406,652
	517,772	531,202
Total noncurrent assets	541,168	553,989
Total assets	$ 569,309	$ 582,633
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 1,028	$ 1,327
Accrued interest payable	712	777
Customer Deposits	975	1,006
Other accrued liabilities	5,294	4,708
Current portion of capital lease payable	522	500
Current portion of long-term obligations	6,680	3,239
Total current liabilities	15,211	11,557
Noncurrent liabilities:		
Long-term revenue bonds, net of unamortized premiums, discounts and issuance costs, less current portion:		
Series 1993 revenue bonds	-	3,472
Series 2001 revenue bonds	6,875	7,610
Series 2002 revenue bonds	27,760	29,475
Series 2003 revenue bonds	52,559	55,891
	87,194	96,448
Capital lease payable, less current portion	921	1,444
Unused sick leave	2,557	2,959
Total noncurrent liabilities	90,672	100,851
Total liabilities	105,883	112,408
Net assets:		
Invested in capital assets, net of related debt	422,455	429,571
Restricted by trust indenture	39,246	34,138
Unrestricted	1,725	6,516
Total net assets	463,426	470,225
Total net assets and liabilities	$ 569,309	$ 582,633

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, 2007 and 2006
(In Thousands)

	2007	2006
Operating revenues:		
Toll revenues	$ 58,165	$ 61,858
Other revenues	7,657	7,383
Total revenues	65,822	69,241
Operating expenses:		
Maintenance	16,837	18,004
Toll collection	9,195	9,426
Traffic enforcement and communications	2,746	2,785
General and administrative	10,221	10,083
Depreciation	30,127	29,877
	69,126	70,175
Operating loss	(3,304)	(934)
Nonoperating revenues (expenses):		
Interest expense	(6,205)	(6,521)
Net investment revenue	2,710	1,445
Nonoperating revenues (expenses), net	(3,495)	(5,076)
Net loss	(6,799)	(6,010)
Net assets, beginning of year	470,225	476,235
Net assets, end of year	$ 463,426	$ 470,225

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, 2007 and 2006
(In Thousands)

	2007	2006
Cash flows from operating activities:		
Cash received from customers and users	$ 65,674	$ 69,066
Cash paid to employees	(20,802)	(21,429)
Cash paid to suppliers	(18,833)	(19,424)
Net cash provided by operating activities	26,039	28,213
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(16,697)	(12,215)
Debt service for revenue bonds:		
Principal	(7,369)	(6,650)
Interest	(5,215)	(5,306)
Net cash used in capital and related financing activities	(29,281)	(24,171)
Cash flows from investing activities:		
Purchase of investments	(14,279)	(27,851)
Proceeds from sales and maturities of investments	17,894	32,844
Interest from investments	2,631	2,046
Net cash provided by investing activities	6,246	7,039
Increase in cash and cash equivalents	3,004	11,081
Cash and cash equivalents, beginning of year	14,644	3,563
Cash and cash equivalents, end of year	$ 17,648	$ 14,644
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (3,304)	$ (934)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	30,127	29,877
Provision for loss on investment in economic development projects	125	-
Change in assets and liabilities:		
Increase in accounts receivable	(149)	(175)
Increase in inventory	(8)	(204)
(Increase) decrease in other assets	(606)	54
Increase (decrease) in accounts payable and other liabilities	256	(320)
Decrease in unused sick leave	(402)	(85)
Net cash provided by operating activities	$ 26,039	$ 28,213
Noncash transactions affecting financial position:		
Amortization of deferred charges related to revenue bonds	$ (1,055)	$ (1,239)
Capital assets acquired through capital lease	$ -	$ 1,945

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

<u>Basis of Accounting</u>

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 further economic development and tourism within a prescribed service area. From time to time, the Authority evaluates proposals for investment in economic development and tourism projects, which may be unrelated to improvements in the Authority's infrastructure. Investments in such projects are generally varied forms of equity participation, and typically provide for below-market returns relative to investment risk. The Authority accounts for the majority of such investments on the cost-recovery method. Annually, the investments are evaluated for impairment in value based upon a review of the investee's current financial condition, anticipated future levels of operations, and consideration of the likelihood of the investee ultimately being capable of returning to the Authority its original investment. To the extent any such returns are in excess of the Authority's original investment, the excess is recorded as income when received.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

Compensated Absences and Post-Employment Benefits Other Than Pension Benefits

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 pays employees for one-fourth of the unused sick leave earned in the current period at the employees' current pay rate. The Authority accrues its estimated obligation for unused sick leave. In accordance with State personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits, using the "termination payments" method. The cost of retiree health care benefits is recognized as an expense as incurred.

Customer Deposits

Customer deposits consist of prepaid deposits made by private and commercial customers into E-ZPass 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.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Reclassifications

Certain amounts in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

3 - 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 servicing as the trustee for the Authority. The Authority has not adopted a formal investment policy beyond the requirements of the bond indentures.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - DEPOSITS AND INVESTMENTS (Continued)

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, 2007, the Authority had the following investments and maturities (in thousands):

Investment Type	Fair Value	Less than 1	1-5	6-10	10+
Mutual bond funds	$ 4,556	$ 4,556	$ -	$ -	$ -
U.S. Treasury Obligations	103	103	-	-	-
Government agency bonds	21,880	756	14,626	2,421	4,077
State government bonds	486	-	295	191	-
Municipal government bonds	398	-	-	398	-
Corporate bonds	4,795	300	3,163	723	609
Repurchase agreements	5,516	5,516	-	-	-
	$ 37,734	$ 11,231	$ 18,084	$ 3,733	$ 4,686

Concentration of Credit Risk – Investments

As of June 30, 2007, 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	31%
	Federal Home Loan Mortgage Corp.	11%
	Federal National Mortgage Association	6%
	Federal Farm Credit Bank	5%
Repurchase Agreement	United National Bank	15%

3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk – Cash Deposits

The Authority's cash deposits with financial institutions were $6,576 at June 30, 2007. These deposits, which had a bank balance of $8,778, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in the Authority's name by its agent.

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	$ 4,556
Government agency bonds	AAA	Aaa	AAA	21,880
State government bonds	AAA	Aaa	AAA	486
Municipal government bonds	AAA	Aaa	AAA	398
Corporate bonds	AAA	Aaa	AAA	4,795
				$ 32,115

Unrated securities included a repurchase agreement of $5,516. 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, 2007, the Authority held no securities that were subject to custodial credit risk.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Credit Risk – All Investments

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

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	$ 6,576
Total other investments	37,734
	$ 44,310
As reported on the Balance Sheet:	
Cash and cash equivalents	$ 17,648
Short-term investments	5,266
Investments in securities maturing beyond one year	21,396
	$ 44,310

The cost of investment securities and related accrued interest receivable is allocated at June 30, 2007 and 2006, among the following restricted accounts created under the various Trust Indentures or by the adoption of Authority resolution (in thousands):

	June 30	
	2007	2006
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	644
Renewal and Replacement	4,352	4,331
Operating and Maintenance	3,985	3,990
Series 2001 Debt Service	112	111
Series 2002 Debt Service	561	645
Series 2003 Debt Service	380	441
Insurance Liability	1,000	1,000
Economic Development and Tourism	4,416	4,332
	26,058	26,416

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - DEPOSITS AND INVESTMENTS (Continued)

	June 30	
	2007	2006
Reserve Revenue, restricted by Tri-Party Agreement	15,210	15,763
Facility Improvement	865	636
Highway/Bridge Contingency, restricted by Tri-Party Agreement	1,000	1,000
Unredeemed coupons	228	228
Total restricted and designated assets	$ 43,361	$ 44,043

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 all 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.

3 - DEPOSITS AND INVESTMENTS (Continued)

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.

4 - ECONOMIC DEVELOPMENT PROJECTS

In May 1996, as part of the Authority's focus 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 which will further enhance the image of West Virginia and attract more visitors. Its operations are funded in part by Authority revenues that are unrestricted under the terms of the Authority's existing 1989 and 1993 Trust Indentures and the Tri-Party Agreement.

Prior to the development of the Caperton Center, the Authority invested approximately $4,700,000 primarily to foster economic development, including employment stimulation, in the Authority's service area. These investments provide the Authority with minimal economic return. Included in these investments is a $2,000,000 limited partnership interest in certain real property to be held for lease. The lessee is utilizing the facility as an insurance claims processing center and has created or maintained nearly 625 jobs. The Authority has also made additional permitted economic development investments in various light manufacturing and high technology concerns. Certain of the investees have encountered economic difficulties and management has established a valuation allowance, based on an evaluation of the investees' prospects for future economic success and anticipated return of the Authority's investment.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - ECONOMIC DEVELOPMENT PROJECTS (Continued)

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, 2007 and 2006, is presented below (in thousands):

Condensed Balance Sheet

	2007	2006
Assets:		
Cash and cash equivalents	$ 636	$ 278
Accounts receivable	312	331
Inventory	933	967
Investments	4,527	4,443
Capital assets, net	21,023	21,426
Economic development investments, net	2,000	2,125
	$ 29,431	$ 29,570
Liabilities:		
Accounts payable and accrued liabilities	$ 750	$ 598
Accrued interest payable	37	40
Current portion of long-term obligations	795	750
Long-term obligations, net	6,875	7,610
Total liabilities	8,457	8,998
Net assets:		
Invested in capital assets, net of related debt	13,353	13,066
Restricted	4,527	4,443
Unrestricted	3,094	3,063
Total net assets	20,974	20,572
	$ 29,431	$ 29,570

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - ECONOMIC DEVELOPMENT PROJECTS (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets

	2007	2006
Operating revenue	$ 10,959	$ 10,527
Cost of goods sold	(3,604)	(3,503)
	7,355	7,024
General and administrative expense	6,041	6,004
Depreciation expense	1,016	996
	7,057	7,000
Operating income	298	24
Nonoperating revenues (expenses):		
Interest expense	(487)	(527)
Interest earned on investments	591	894
	104	367
Net income	402	391
Net assets, beginning of year	20,572	20,181
Net assets, end of year	$ 20,974	$ 20,572

Condensed Statement of Cash Flows

	2007	2006
Net cash provided by (used in):		
Operating activities	$ 1,519	$ 896
Capital and related financing activities	(1,793)	(1,328)
Investing activities	632	346
Increase (decrease) in cash and cash equivalents	358	(86)
Cash and cash equivalents, beginning of year	278	364
Cash and cash equivalents, end of year	$ 636	$ 278

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)

4 - ECONOMIC DEVELOPMENT PROJECTS (Continued)

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

5 - CAPITAL ASSETS

A summary of capital assets at June 30, 2007 and 2006, follows (in thousands):

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

2006	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	$ 53,247	$ -	$ -	$ 53,247
Capital assets, being depreciated:				
Buildings	95,834	15	-	95,849
Equipment	7,356	2,315	(1,699)	7,972

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - CAPITAL ASSETS (Continued)

2006	Beginning Balance	Increases	Decreases	Ending Balance
Infrastructure	768,956	13,071	(1,241)	780,786
Total capital assets, being depreciated	872,146	15,401	(2,940)	884,607
Less accumulated depreciation for:				
Buildings	(38,755)	(3,280)	-	(42,035)
Equipment	(5,017)	(296)	1,699	(3,614)
Infrastructure	(334,702)	(26,301)	-	(361,003)
Total accumulated depreciation	(378,474)	(29,877)	1,699	(406,652)
Total capital assets, being depreciated, net	493,672	(14,476)	(1,241)	477,955
Total capital assets, net	$ 546,919	$ (14,476)	$ (1,241)	$ 531,202

Buildings include the Caperton Center, which has a cost of approximately $27,749,490 and $27,202,000, and accumulated depreciation of $8,306,076 and $7,395,000, at June 30, 2007 and 2006, respectively.

Approximately $104,241 and $218,000 of interest costs were capitalized during the years ended June 30, 2007 and 2006, respectively.

6 - REVENUE BONDS PAYABLE

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

	2007	2006
Series 1993 Premium Capital Appreciation Bonds, issued March 1993, $981 at 23%, due in varying installments totaling $14,417, including accumulated appreciation (see below), from May 2003 through May 2007	$ -	$ 174

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - REVENUE BONDS PAYABLE (Continued)

	2007	2006
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	2,755	3,340
Series 2001B Bonds, issued serial bonds of $1,505 in December 2001, at 3.50% to 5.00%, due in varying installments from June 2002 through 2011	740	905
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	32,870	34,885
Series 2003 Variable Rate Demand Revenue Refunding Bonds, $63,900 at variable rates, due in varying installments through May 2019	63,000	63,300
Total revenue bonds payable	103,760	106,999
Add:		
Unamortized premium	1,743	5,396
Less:		
Unamortized deferred loss on advance refunding	(10,231)	(11,230)
Unamortized discount and issuance costs	(1,398)	(1,478)
Current portion of revenue bonds payable	(6,680)	(3,239)
	$ 87,194	$ 96,448

6 - REVENUE BONDS PAYABLE (Continued)

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 and $63,000 in 2007 and 2006, respectively. 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.

The outstanding 1993 Revenue Refunding Bonds were comprised of premium capital appreciation bonds as of June 30, 2006.

Interest on the Series 1993 Capital Appreciation Bonds was compounded on May 15 and November 15 of each year and was payable at maturity of such bonds.

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, of which $3,710,000 remains outstanding but is considered defeased and accordingly has been removed from the Authority's financial statements. 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 $61,000 and $60,000 in 2007 and 2006, 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

6 - REVENUE BONDS PAYABLE (Continued)

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 $269,000 and $270,000 in 2007 and 2006 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 $566,000 and $569,000 in 2007 and 2006, 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:

<u>Objective of the Interest Rate Swap</u>

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 change the Authority’s variable interest rate on the bonds to a synthetic fixed rate of 4.387%.

<u>Terms of the Interest Rate Swap</u>

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).

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - REVENUE BONDS PAYABLE (Continued)

Terms of the Interest Rate Swap (Continued)

Under the swap, the Authority pays the counterparty a fixed payment of 4.387% and receives a variable payment computed as 67 percent of the London Interbank Offered Rate (LIBOR). Conversely, the bond's variable rate is based on The Bond Market Association Municipal Swap Index (BMA).

Fair Value

Because interest rates have declined since the execution of the swap, the swap had a negative fair value of $2,536,251 as of June 30, 2007. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable rate bonds, creating a lower synthetic interest rate. Because the Authority's bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. 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.

Credit Risk

As of June 30, 2007, 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 and Standards & Poor's and Aa by Moody's Investor's Service as of June 30, 2007.

Basis Risk

The swap exposes the Authority to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. The effect of this difference would be indicated by a difference between the intended synthetic rate and the synthetic rate as of June 30, 2007. If a change occurs that results in rates moving to convergence, the expected cost saving may not be realized. As of June 30, 2007, the BMA rate was 3.730 percent, whereas 67 percent of the LIBOR was 3.62 percent.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - 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.

Swap Payments and Associated Debt

Using rates as of June 30, 2007, 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	Variable-Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swap, Net	Total
2008	$ 3,900	$ 1,993	$ 911	$ 6,804
2009	4,300	2,243	485	7,028
2010	4,300	2,079	451	6,830
2011	4,700	1,916	413	7,029
2012	4,700	1,738	404	6,842
2013-2017	28,000	5,768	1,221	34,989
2018-2019	13,100	751	129	13,980
	$ 63,000	$ 16,488	$ 4,014	$ 83,502

Bonds Payable Progression and Maturities

The following schedule summarizes the revenue bonds outstanding as of June 30, 2007 and 2006 (in thousands):

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

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

6 - REVENUE BONDS PAYABLE (Continued)

Bonds Payable Progression and Maturities (Continued)

2006	Beginning Balance	Additions	Retired	Amortization	Ending Balance	Due Within One Year
Series 1993	$ 7,125	$ -	$ (3,820)	$ 339	$ 3,644	$ 174
Series 2001	9,009	-	(710)	60	8,359	750
Series 2002	33,141	-	(1,920)	270	31,491	2,015
Series 2003	55,823	-	(200)	570	56,193	300
	$ 105,098	$ -	$ (6,650)	$ 1,239	$ 99,687	$ 3,239

Debt service requirements for the Revenue Bonds subsequent to June 30, 2007, are as follows (in thousands):

Year Ending June 30	Principal Maturities	Interest, Including Accretion	Total
2008	$ 6,680	$ 5,059	$ 11,739
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
2013-2017	47,045	11,556	58,601
2018-2019	20,090	1,435	21,525
	$ 103,760	$ 34,795	$ 138,555
Add:			
Unamortized premium and accumulated appreciation on Premium Capital Appreciation Bonds	1,743		
Less:			
Unamortized deferred loss on advance refunding	(10,231)		
Unamortized discount and issuance costs	(1,398)		
Current portion of revenue bonds payable	(6,680)		
	$ 87,194		

6 - REVENUE BONDS PAYABLE (Continued)

Bond Payable Progression and Maturities (Continued)

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, 2007 and 2006, the Authority's estimated arbitrage rebate liability was zero.

7 - 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. 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	$ 1,703
Less accumulated depreciation	(340)
Total	$ 1,363

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows (in thousands):

Year Ending June 30	
2008	$ 571
2009	514
2010	310
2011	136
Total minimum lease payments	1,531
Less amount representing interest	(88)
Present value of minimum lease payments	$ 1,443

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

8 - UNUSED SICK LEAVE

Following is a summary of the liability for unused sick leave for the year ended June 30, 2007 (in thousands):

	Balance June 30, 2006	Increases	Decreases	Balance June 30, 2007	Due Within One Year
Termination payments related to sick leave	$ 2,959	$ -	$ (402)	$ 2,557	$ 256

9 - 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, 2007, 2006, and 2005 are as follows (in thousands):

	2007	2006	2005
Authority contributions	$ 1,474	$ 1,453	$ 1,649
Employee contributions	632	623	726
Total contributions	$ 2,106	$ 2,076	$ 2,375

10 - 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.

10 - 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, 2007, the Authority's insurance coverage has been sufficient to meet all claims and settlements against the Authority.

11 - 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, 2007, the Authority had contractual commitments totaling $11,151,369 for various Turnpike System improvement projects.

Economic Development Commitments

As a result of State legislation enacted in 1998, amended in 2003, the Authority is required to pay $250,000 per year through fiscal year 2008 to the Hatfield-McCoy Regional Recreation Authority (HMRRA).

12 – SUBSEQUENT EVENT

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, which will be recognized as of the sale date.

13 – NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. These Statements establish standards for the measurement, recognition, and display of *other postemployment benefit* (OPEB) (including health care and life insurance) expense/ expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The State of West Virginia nor the Authority has previously reported in its financial statements costs associated with future participation of retirees in health benefit plans. The GASB statements are based on the premise that the "costs" of employee services should be reported during the periods when the services are rendered. Beginning with the fiscal year ending June 30, 2007, the State will implement financial reporting requirements for OPEB "substantive plans" under GASB Statement No. 43; beginning with the fiscal year ending June 30, 2008, the State will implement accounting and financial reporting requirements as an employer under GASB Statement No. 45. The financial statements will report OPEB funded status and funding progress and any "premium subsidy" resulting from the pooling of retiree participants with active employees in the health benefit plans. For "employer" OPEB reporting, the State will report "expense" on an accrual basis in the amount of the "annual required contribution" and a "liability" for the amounts of the "annual required contribution" that was not actually paid.

Funds have not been set aside to pay future costs of retirees, but the West Virginia Legislature, in response to the aforementioned GASB statements, has made statutory changes to create the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs may be accumulated and invested, and which is expected to facilitate the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB No. 43, the ARC (Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound matter. The ARC shall be allocated to respective employers including the Authority who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB health-care claims and administrative expenses with residue funds held in trust for future OPEB costs. Because the necessary actuarial study has not yet been

13 – NEW ACCOUNTING PRONOUNCEMENTS (Continued)

completed, the annual required contribution rates are not yet available. The Authority expects to remit the annual required contribution to the State. The impact of this statement on these financial statements has not yet been determined by management.

The Governmental Accounting Standards Board (GASB) issued Statement No. 47, *Accounting for Termination Benefits*, in June 2005. This Statement establishes accounting standards for termination benefits and requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities.

The requirements of this Statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this Statement is effective for financial statements for periods beginning after June 15, 2005. No other termination benefits are offered or provided that required implantation in the years ended June 30, 2007 and 2006. The impact of this statement on these financial statements is not expected to have a material effect.

The Governmental Accounting Standards Board (GASB) issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, in 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements for Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, and management has not yet determined what impact, if any, it will have on the financial statements.

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, 2007, and have issued our report thereon dated October 17, 2007. 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.

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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. 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. We consider the deficiencies described in the accompanying schedule of findings and responses as 2007-1 to be a material weakness.

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 17, 2007

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

2007-1 Journal Entry Review and Approval

Condition:

We noted that general journal entries are posted to the Authority's general ledger by the Director of Finance without adequate supervisory review and approval.

Criteria:

All transactions that are posted to the Authority's general ledger should be subjected to appropriate supervisory review and approval to ensure that the transaction is correctly accounted for and appropriate in nature.

Context:

The amount of these journal entries were material to the Authority's financial statements.

Effect:

Without appropriate supervisory review, errors or irregularities in the Authority's financial statements may not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Cause:

The Authority has not designed and implemented an appropriate control regarding review and approval of journal entries posted to the Authority's general ledger.

Recommendation:

Management should develop procedures to ensure that all significant general journal entries posted to the Authority's general ledger system have been reviewed and approved by someone with the requisite knowledge of the Authority's operations and the accounting principles used in the preparation of its basic financial statements.

Management's Response:

Management concurs with the finding and recommendation. The Authority will implement formal documenting procedures whereby the General Manager, who is knowledgeable of the Authority's operations and appropriate accounting principles, will document his review and approval of all significant general journal entries on a monthly basis. Previously, the General Manager was involved in the supervision and review of the preparation of the financial statements on an informal basis through his review and analysis of the various accounting reports. Consequently, the Authority is confident any anomalies in the financial statements have been detected and corrected on a timely basis. In accordance with this finding, the General Manager's review will be appropriately documented as recommended.

2007-2 Cash Reconciliation Review and Approval

Condition:

We noted that the Authority's monthly bank reconciliations are not subjected to supervisory review and approval by an individual independent of the cash receipts, disbursements, and reconciliation process.

Criteria:

A significant component of an effective system of internal control is the timely supervisory review and approval of all significant account reconciliations, including cash.

Effect:

Without appropriate supervisory review, errors or irregularities in the Authority's bank statements and cash reconciliations may not be detected in a timely manner by employees in the normal course of performing their assigned functions.

Cause:

The Authority has not established formal policies and procedures requiring appropriate supervisory review and approval of cash reconciliations.

Recommendation:

The Authority should establish a policy that requires all cash account reconciliations to be reviewed by an individual that is independent of the cash disbursement, cash receipt, and reconciliation process. This review should be documented on the monthly reconciliation form.

Management's Response:

Management concurs with the finding and recommendation. The Authority will implement formal documenting procedures whereby all cash reconciliations will be reviewed by an individual independent of the cash disbursement, cash receipt, and reconciliation process on a monthly basis. The Authority will document this review on the monthly reconciliation form. However, management is confident that any errors or irregularities occurring in the Authority's cash reconciliations have been detected in a timely manner through other methods.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

2007-3 Payroll Review and Approval

Condition:

During our procedures, we noted that the payroll is currently prepared by a single employee who submits the payroll for processing to the third-party payroll service provider without independent review and approval prior to submission.

Criteria:

Management is responsible for developing and establishing an effective system of internal control. A significant component of an effective system of internal control is the timely supervisory review and approval of all disbursements, including payroll, prior to payments being distributed.

Effect:

Errors or fraud could occur and not be detected in a timely manner.

Cause:

The Authority has not established formal policies and procedures requiring appropriate supervisory review and approval of payroll preparation prior to transmitting the payroll to the service provider.

Recommendation:

We recommend that management require review and approval of payroll by an employee independent of the payroll preparation prior to transmitting the payroll to the service provider.

Management's Response:

Management concurs with the finding and recommendation. The Authority will implement formal documenting procedures whereby an independent review and approval of payroll will be performed prior to its submission to the third-party payroll service. The Authority will document this review on a form that has been created for that purpose.

2007-4 Cash Reconciliation Process

Condition:

We noted two instances in which the reconciled book balance did not agree with the Authority's general ledger. This difference resulted in an ineffective reconciliation process that did not detect significant errors in the reported balance of cash.

Criteria:

Management is responsible to ensure that all significant cash bank accounts are accurately reconciled from the reported statement balance from the financial institution to the amounts reported on the Authority's general ledger. This reconciliation process should be designed to determine that cash is accurately reported in the Authority's general ledger and that all significant reconciling items are valid and appropriate.

Effect:

Cash as of year end was understated by approximately $226,000 due to cash transfers between Authority's accounts which were not recorded in the general ledger and the result of a series of July 2007 checks erroneously being posted to the June 30, 2007, general ledger.

Causes:

The Authority's cash reconciliation process was not designed to ensure that the book amounts used in the reconciliations are in agreement with the amounts reported in the Authority's general ledger. The specific errors that were not detected were the result of a failure to record the effects of certain transfers between financial institution accounts in the Authority's name and the failure to close the accounting year in the Authority's accounting software before any July 2007 checks were written.

Recommendation:

Management should develop procedures to ensure that the cash account reconciliation process is performed accurately and that all discrepancies are addressed timely.

Management's Response:

Management concurs with the finding and recommendation. However, management would like to note that (1) the identified unrecorded transfer, which did cause an inaccuracy in the individual general ledger accounts, did not cause a discrepancy in the overall reported balance of cash and (2) that management was aware of the "July" checks but effectively chose to report the amounts as outstanding checks rather than as an accrued liability. Management does commit to develop further procedures to ensure that the cash account reconciliation process is performed accurately and that all discrepancies are addressed timely.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

2007-5 Fraud Risk Assessment

Condition:

We noted that the Authority has not yet developed a formal program of fraud risk assessment and monitoring.

Criteria:

A significant component of an effective system of internal control is the formal assessment and monitoring of fraud risks. A formal risk assessment forms the basis for controls that reduce the risk of financial reporting errors. A formal risk monitoring program tests the quality of internal controls over time.

Effect:

Errors or fraud could occur and not be detected in a timely manner.

Cause:

The Authority has not implemented a formal process of fraud risk assessment and monitoring.

Recommendation:

We recommend that management perform a formal assessment of the fraud risks present in the organization. This process should assess the Authority's vulnerability to fraudulent activity and whether any of those exposures could result in a material misstatement of the financial statements or misappropriation of assets. The assessment should identify the fraud risks, determine if mitigating controls are in place, and develop appropriate actions to reduce or eliminate these risks.

Management's Response:

Management concurs with the finding and recommendation. The General Manager has already taken steps to initiate this process.

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	6,576	-	6,576	8,778	300	8,478	-	-	-	n/a	n/a	-
Cash in Escrow	-	-	-		-	-	-	-	-	n/a	n/a	-
Certificates of Deposits	-	-	-	-	-	-	-	-	-	n/a	n/a	-
Other: ___________________	-	-	-	-	-	-	-	-	-	n/a	n/a	-
Total	$ 6,576	$ -	$ 6,576	$ 8,778	$ 300	$ 8,478	$ -	$ -	$ -			$ -

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	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
			(Based on reported amounts)															
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				103	-	-	-			
U.S. Government Agencies	21,880	-	21,880	-	-	21,880	(F)	21,880	AAA	Aaa	AAA	756	14,626	2,421	4,077			
Other Government Bonds		-	-	-	-	-	( )	-				-				n/a	n/a	-
Corporate Bonds	4,795	-	4,795	-	-	4,795	(F)	4,795	AAA	Aaa	AAA	300	3,163	723	609	n/a	n/a	-
Corporate Stocks	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
Mutual Bond Funds	4,556	-	4,556	-	-	4,556	(F)	4,556	AAA	Aaa	AAAm	4,556	-	-	-	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 ****	5,516	-	5,516	-	-	5,516	(F)	5,516	n/a	n/a	n/a	5,516	-	-	-	n/a	n/a	-
State/Local Gov't Securities	884	-	884	-	-	884	(F)	884	AAA	Aaa	AAA	-	295	589	-			
Other Investments (describe):	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	-
	-	-	-	-	-	-	( )	-				-	-	-	-	n/a	n/a	
Total	$ 37,734	$ -	$ 37,734	$ -	$ -	$ 37,734		$ 37,734				$ 11,231	$ 18,084	$ 3,733	$ 4,686			-

****** 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).

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	$ 17,648
Less: cash equivalents disclosed as investments	(11,072)
Add: restricted assets disclosed as deposits	-
Other (describe)	
	-
Carrying amount of deposits as disclosed on Form 7	$ 6,576
Investments:	
Investments as reported on balance sheet	$ 26,662
Add: restricted assets disclosed as investments	-
Add: cash equivalents disclosed as investments	11,072
Other (describe)	
	-
Reported amount of investments as disclosed on Form 8	$ 37,734

See Independent Auditors' Report.

WEST VIRGINIA PARKWAYS, ECONOMIC DEVELOPMENT
AND TOURISM AUTHORITY

REVENUE BOND COVERAGE (1)

Form 13-Supplement

Year Ended June 30, 2007
(In Thousands)

	2007	2006	2005
Revenues:			
Toll revenues	$ 58,165	$ 61,858	$ 57,999
Adjustments to toll revenues per Trust Indentures	54	(52)	153
Total revenues	58,219	61,806	58,152
Operating expenses	69,124	70,176	68,253
Adjustments to operating expenses per Trust Indentures:			
Depreciation	(30,127)	(29,877)	(29,779)
Renewal and replacement provided for by reserves	(1,366)	(2,700)	(2,098)
Economic development and tourism costs	(6,166)	(6,004)	(6,051)
Other	1,141	(117)	(67)
Total operating expenses	32,606	31,478	30,258
Net revenues available for debt service	$ 25,613	$ 30,328	$ 27,894
Revenue bond coverage items:			
Total debt service	10,876	10,801	10,505
Renewal and replacement reserve requirement per recommendation of consulting engineer	9,073	4,352	4,331
Total debt service and renewal and replacement	$ 19,949	$ 15,153	$ 14,836
Coverage percentages:			
Total debt service (150% required since 2002, 125% previously required)	235.50 %	280.79 %	265.53 %
Total debt service and renewal and replacement per recommendation of consulting engineer (100% required)	128.39 %	200.15 %	188.02 %

(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.

2004	2003	2002	2001	2000	1999	1998
$ 56,854	$ 54,757	$ 54,939	$ 53,631	$ 55,156	$ 53,481	$ 52,631
972	93	(118)	485	(746)	(44)	267
57,826	54,850	54,821	54,116	54,410	53,437	52,898
66,016	65,103	63,542	62,171	62,313	57,765	55,662
(28,675)	(28,265)	(29,167)	(28,525)	(27,767)	(25,207)	(24,449)
(3,672)	(2,577)	(1,839)	(2,068)	(3,065)	(2,376)	(2,142)
(5,420)	(4,406)	(3,919)	(3,842)	(3,933)	(3,523)	(3,358)
457	(2,272)	(1,251)	(1,444)	(1,337)	(1,711)	2,617
28,706	27,583	27,366	26,292	26,211	24,948	28,330
$ 29,120	$ 27,267	$ 27,455	$ 27,824	$ 28,199	$ 28,489	$ 24,568
12,439	12,693	11,240	11,176	11,249	11,115	11,125
4,151	3,460	2,383	2,917	3,942	3,818	2,949
$ 16,590	$ 16,153	$ 13,623	$ 14,093	$ 15,191	$ 14,933	$ 14,074
234.10 %	214.82 %	244.26 %	248.96 %	250.68 %	256.31 %	220.84 %
175.53 %	168.80 %	201.53 %	197.43 %	185.63 %	190.78 %	174.56 %