

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

West Virginia Parkways Authority  
(A Component Unit of the State of West Virginia)

Fiscal Years Ended June 30, 2020 and 2019



WEST VIRGINIA PARKWAYS AUTHORITY  
(a Component Unit of the State of West Virginia)

*Comprehensive Annual Financial Report*

Fiscal Years Ended June 30, 2020 and 2019

Prepared by:

Director of Finance,  
West Virginia Parkways Authority

# **West Virginia Parkways Authority**

## **Comprehensive Annual Financial Report**

**Fiscal Years Ended June 30, 2020 and 2019**

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# **Introductory Section**

**West Virginia Parkways Authority**

## West Virginia Parkways Authority

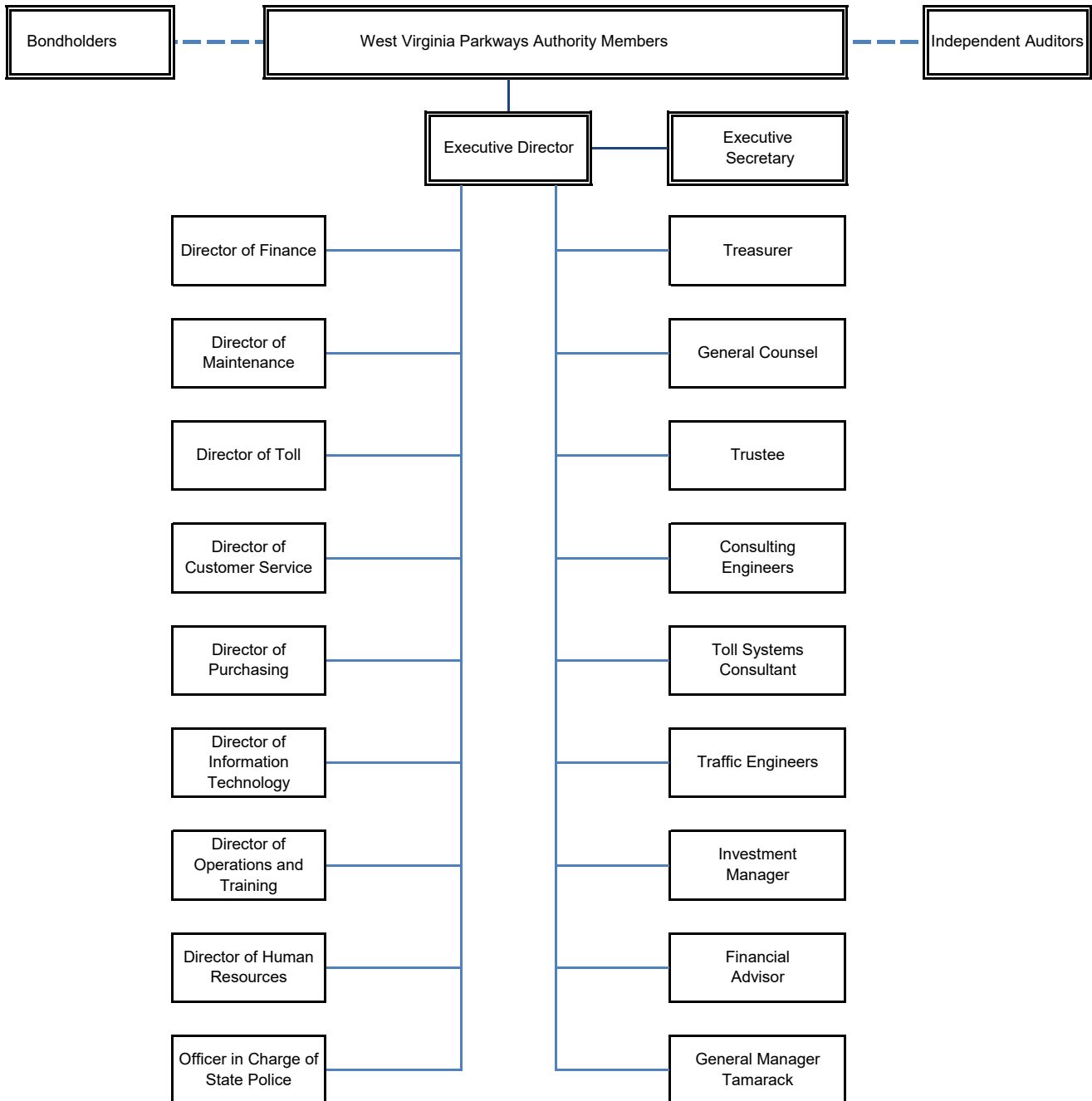
### List of Authority Members, Administrative Staff, and Professional Consultants

<u>Authority Members</u>		<u>Date Appointed</u>	<u>Term Expires (2)</u>
Chairman	The Honorable James C. Justice, II Governor, State of West Virginia	January 16, 2017	(1)
Governor's Chairman Designee	A. Bray Cary, Jr.	April 2, 2019	(1)
Secretary of Transportation	Byrd E. White, III	March 13, 2019	(1)
Vice Chairman, At Large			
Member	Mike Vinciguerra, Jr.	June 2, 2006	June 30, 2021
Secretary, 1 <sup>st</sup> Congressional District	Tom Mainella	July 10, 2010	June 30, 2020
3 <sup>rd</sup> Congressional District	William Seaver, IV	July 9, 2007	June 30, 2020
3 <sup>rd</sup> Congressional District	Douglas M. Epling	January 29, 2009	June 30, 2022
1 <sup>st</sup> Congressional District	William Cipriani	May 10, 2013	June 30, 2019
2 <sup>nd</sup> Congressional District	Alisha G. Maddox	July 1, 2017	June 30, 2021
 <b><u>Administrative Staff</u></b>			
Executive Director	Jeffrey A. Miller		
Executive Assistant	Robin Shamblin		
General Counsel	A. David Abrams, Jr.		
Director of Finance	Parrish T. French		
Director of Maintenance	Leslie Ball		
Director of Tolls	Douglas E. Ratcliff		
Director of Customer Service	D. Wayne Webb		
Director of Purchasing	Margaret Vickers		
Director of Information Technology	Brian Bowling		
Director of Operations and Training	Tyrone C. Gore		
Director of Human Resources	Sherry Lilly		
Officer in Charge of State Police	Captain D. A. Gunnoe		
Executive Director – Tamarack	Tammy Coffman		
 <b><u>Professional Consultants</u></b>			
Trustee	United Bank, Inc., Charleston, West Virginia		
Independent Auditor	Suttle & Stalnaker, PLLC, Charleston, West Virginia		
General Counsel	Abrams & Byron, Beckley, West Virginia		
Bond Counsel	Bowles Rice, LLP Charleston, West Virginia		
	Spilman, Thomas & Battle, Charleston, West Virginia		
Consulting Engineers	HNTB Corporation, Scott Depot, West Virginia		
Traffic Engineers	CDM Smith, New Haven, Connecticut		
Financial Advisor	Public Resources Advisory Group, New York, New York		

(1) Under the provisions of the Act which created the Authority, the Governor or his designee serves as Authority Chairman and the Secretary of Transportation is also a member.

(2) Public members may continue to serve until a successor has been appointed and has qualified.

# West Virginia Parkways Authority Organization Chart





# West Virginia Parkways Authority

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December 21, 2020

The Honorable James C. Justice, II, Governor and  
The Honorable Members of the West Virginia Parkways Authority

The *Comprehensive Annual Financial Report* (CAFR) of the West Virginia Parkways Authority (the Authority) for the fiscal years ended June 30, 2020 and 2019, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the financial presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the accompanying data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, changes in financial position, and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The accompanying financial statements include only the accounts and transactions of the Authority. The Authority has no component units. However, the Authority is considered a component unit of the State of West Virginia (the State) and the West Virginia Department of Transportation (the Department) and its financial statements are discretely presented in the comprehensive annual financial report of the State.

## **ORGANIZATION AND BACKGROUND**

The Authority was formed as successor-in-interest to the West Virginia Turnpike Commission (the Turnpike Commission) which had been created by the West Virginia Legislature in 1947. Because of highway funding limitations, the legislation authorized the construction of highways through the issuance of revenue bonds, with the bonds to be retired through the collection of tolls. The highway was envisioned to become part of a major highway network extending from Michigan to Florida.

For the first stage of development, a route was identified from Charleston to Princeton that would lessen by only 22 miles the original mileage between the two cities, but would reduce the estimated driving time from four to two hours. Due to financial constraints, the project plans were revised to build only a two-lane expressway with right turn only interchanges and no crossing lines of traffic.

The West Virginia Turnpike (Turnpike) opened in 1954 and was incorporated into the nationwide Interstate and Defense Highway System in 1958. The Federal Highway Act of 1968 included a provision permitting interstate funding to be used for the reconstruction of the Turnpike. Beginning in 1970 and concluding September 2, 1987, the Turnpike was upgraded to meet four-lane interstate design standards. Financing was accomplished using Federal highway funds on a 90% Federal/10% state-matching basis. The Authority repaid the Department for the matching funds with the last payment made in 1994. The repaid funds were used by the Department for highway projects located within 75 miles of the Turnpike.

In 2010, the Authority was renamed and reorganized as the West Virginia Parkways Authority. The Authority's governance board was expanded to nine members to include two members from each of the State's three congressional districts, one at-large member, the Secretary of Transportation and the Governor or his designee, as Chairman. Public members' appointments are made by the Governor with the advice and consent of the Senate for a term of five years. Public members may not serve more than two consecutive full five year terms but may continue to serve until a successor has been appointed and has qualified.

The West Virginia Turnpike consists of 88 miles of limited access highway, which are an integral part of the U.S. Interstate Highway System. It carries the designations of Interstate 77 (I-77) for its entire length and Interstate 64 (I-64) from Charleston to Beckley. I-77 is a north-south interstate route connecting Cleveland, Ohio to Columbia, South Carolina. I-64 is an east-west route connecting St. Louis, Missouri to Virginia Beach, Virginia.

Turnpike operations are financed almost entirely by Turnpike toll revenues. Toll revenues must pay for operating and routine maintenance expenses, debt service, renewal and replacement requirements and major maintenance and capital needs. The Turnpike does not regularly receive any other State or Federal funds to assist with maintenance or operations.

### **Traffic and Revenue**

From its beginning, the Turnpike has been an important route for commercial truck traffic serving the northeast and upper Midwest industrial areas to industrial areas and population centers of the South. Today, heavy truck traffic accounts for over 20% of total transactions and more than 55% of toll revenues. The Turnpike is also important to summer and holiday travelers. Average daily passenger car traffic normally increases by approximately 28% during the summer travel months of June, July and August. Annually, the Thanksgiving holiday weekend includes the busiest travel day of the year.

The Turnpike uses a toll barrier system with three mainline toll plazas strategically located between Charleston and Princeton. There are 18 entrance-exit ramps from the Turnpike serving local traffic. All ramps are toll-free except for the U.S. Rte. 19 interchange north of Beckley.

The Authority is a member of the E-ZPass® Group which develops guidelines for and facilitates the electronic collection of tolls among toll agencies from states in mainly the Eastern and Midwest portions of the U.S. The E-ZPass program is the largest, most successful interoperable toll collection program anywhere in the world, servicing more than 32 million customers and processing more than 3 billion electronic toll transactions a year. The West Virginia Turnpike now processes over 56.8% of toll transactions and collects 61.1% of toll revenue with the E-ZPass® system.

As a result of nationwide efforts to control the 2020 COVID-19 pandemic, passenger car traffic levels briefly fell to less than 50% of the prior year levels. Commercial traffic was also impacted, but not by the



same degree. Due to various attributes including the Authority's current rate schedule, the resilience of commercial traffic and the time of year of the stay-at-home orders, the actual revenue impact to the Authority has been muted. During the pandemic, the Authority has maintained operations as normally as possible including keeping all tolling lanes open as normal and continuing all planned maintenance and major maintenance projects.

### **Governor's Road to Prosperity Program**

On June 22, 2017, Governor James C. Justice, II signed Senate Bill 1003 (S.B. 1003) creating a "public-public" partnership between the Authority and the West Virginia Department of Transportation. Effective June 16, 2017, S.B. 1003 authorizes the Authority to continue collecting tolls on the Turnpike, to deposit proceeds from the issuance of Parkways Revenue Bonds to the newly created special State Road Construction Account and requires the Authority to implement the West Virginia Parkways Authority Single Fee program allowing non-commercial purchasers of West Virginia E-ZPass transponders to have unlimited passage on toll roads within the State for an annual flat fee once the Authority increases any of its currently existing tolling rates.

S.B. 1003 is part of a series of measures collectively referred to as the Governor's Roads to Prosperity Highway Program envisioned as a centerpiece of economic recovery for West Virginia. The program includes measures for the State to fund over \$2.6 billion in transportation infrastructure projects by issuing Parkways, General Obligation and GARVEE Bonds and by revising Private-Public Partnership and Design Build Project legislation. The Authority expects to issue toll revenue bonds to fund in total \$500 million or more in transportation projects in multiple issues over the next several years.

S.B. 1003 includes various provisions that govern the amounts and processes the Authority must follow in order to continue to charge tolls and the amount of revenues for which the tolls must generate. Specifically, the provisions required the Authority to implement a Single Fee Program to continue tolls on the Turnpike. The Single Fee Program enables purchasers of West Virginia E-ZPass transponders to have unlimited passage on toll roads within the State for an annual flat fee. The flat fee shall be set by the Authority (with certain limitations including, but not limited to, a cap at \$25 per year) at a rate or amount so that the aggregate of all toll revenues estimated to be received by the Authority at the time of fixing any such rate or amount, or any increase thereof, provides sufficient toll revenues to pay debt service, fund necessary reserves and to cover the administrative costs of the program.

The Single Fee Program only applies to passenger motor vehicles, not commercial vehicles, and would entitle purchasers of a West Virginia E-ZPass transponder to traverse all toll roads within the State of West Virginia without stopping to pay individual tolls for one year from the time of payment of the annual flat fee. The Single Fee Program will be made available to any purchaser of a West Virginia E-ZPass transponder, whether such purchaser is a resident of West Virginia or any other state. On September 25, 2018 existing customers were converted to the Single Fee program and the program became available to any new passenger vehicle customers.

On July 31, 2018, the Authority issued \$166.4 million Senior Lien Turnpike Toll Revenue Bonds with net original issue premium of \$18.0 million. \$172.0 million was deposited to the State Road Construction Account. The proceeds are being used to finance the costs of construction by the Division of Highways for transportation projects located not on the Turnpike but in counties adjacent to the Turnpike. The projects are from a list of projects to be constructed by the Division of Highways under its Roads to Prosperity Program and include the Powells Creek Bridge Project in Nicholas County, the Kenneth Shadrick Bridge Project in Wyoming County, the King Coal Highway: Airport Road to John Nash

Boulevard Project in Mercer County and several pieces of the West Virginia Route 10 Operation Improvements Project in Mercer County.

Separate from the Turnpike bonds, but included in the Roads to Prosperity Program, the Division of Highways will widen sections of the Turnpike north of the I-77/I-64 interchange by adding an additional lane over approximately eight miles each way including widening eight bridges. The lane-widening project will mainly be funded from proceeds of the State's General Obligation State Road Bonds, Series 2018 A and Series 2018 B except for project management expenses including contract administration and quality assurance that will be funded by the Authority. Also, additional bridge rehabilitation work identified and added since the start of the project will also be paid for by the Authority. Funding of this project by the Division of Highways eliminates a significant capital investment that otherwise would have been required of the Authority.

### **Highway and Bridge Rehabilitation Projects**

Effective August 1, 2009 the Authority adopted a revised toll rate schedule, its first rate increase in over 28 years. As a result, the Authority substantially increased the breadth and scope of its rehabilitation and repair projects on the Turnpike including full depth concrete repairs and undersealing, asphalt pavement overlay, bridge deck overlay, bridge and facilities retrofit work, guardrails, median barriers, retaining walls, buildings, toll plazas, culverts and drainage pipes, and signs and pavement markings. In accordance with a 10-year capital plan developed with the consulting engineer, the increased toll revenues were used to alleviate an estimated \$335 million in essential deferred maintenance and capital needs backlog, including \$242 million for paving.

Recent projects included the continuation of asphalt overlay and paving on the northern portion of the Turnpike. Following Memorial Day, most work is performed at night, Monday through Thursday from 6:00 p.m. to 6:00 a.m., in order to keep traffic delays at a minimum.

### **Bridge deck replacement using accelerated bridge construction (ABC) method**

In 2015, the Parkways Authority awarded a contract for the Turnpike's first bridge deck replacement on the Turnpike. It was the first use of the Accelerated Bridge Construction (ABC) method of replacing bridge decks in the State of West Virginia and it had a minimal impact on traffic. The contractor was given less than two weeks to complete the project from the time of the first lane closure until all lanes were open to traffic. This is in contrast to a 6-8 month construction period for a traditional method bridge deck replacement. The project replaced a 220 foot, two-lane bridge deck and was completed in May 2016. Accelerated Bridge Construction is a method in which the decks are brought in as pre-cast units and provides better quality control as the units are made in a casting plant. Once the casts are brought in, the old deck is replaced and the new deck is put into place with a crane and locked in place.

There are 116 bridges on the West Virginia Turnpike and this was the first bridge deck replacement since the Turnpike's upgrade was completed in 1987. The Authority began a program to rout and seal deck cracks in the late 1980's with a two-part epoxy which continues to this day. Starting in 2006, 36 bridge decks have been overlaid with a thin epoxy/aggregate combination for water sealing benefits and traction improvement. Since 2010, water based sealers have been applied to approximately 40 decks. Up to nine tons of salt are applied to some bridges each year. Over the next 30 years, at least 80% of bridge decks will need to be replaced.

## **Routine Maintenance**

In addition to snow removal and ice control, road and bridge maintenance crews perform activities associated with all aspects of highway maintenance including: pavements, drainage, signage and other traffic control devices, bridge repairs, bench cleaning, vegetation control and litter pickup.

Utilizing the Maintenance Management System (MMS), the Maintenance Division prepares periodic condition ratings on maintenance performance areas. Actual conditions are compared to established performance targets to assess the effectiveness of the maintenance program. The Division found that asphalt pavement conditions continued to exceed targets due to the pavement rehabilitation and preservation program as a result of the toll rate increase and the Division's aggressive crack sealing program.

The Authority continued its focus on preventive bridge maintenance including protective deck overlays which provides skid resistant surfaces and helps seal the bridge deck from salt intrusion and sizable spot painting contracts which help to preserve the steel structures.

## **Traffic Management and Safety**

The Turnpike is patrolled by an up to 31 member group designated as Troop 7 of the West Virginia State Police who are responsible for traffic safety management and drug interdiction. With its 24-hour patrol, the State Police are dedicated to making the road safer by monitoring compliance with posted speed limits, assisting disabled motorists, detecting impaired drivers, and apprehending drug traffickers. Troop 7's efforts are strengthened by three Public Service Commission (PSC) officers whose focus is inspection and enforcement of commercial vehicle safety and operating regulations.

The Authority provides roadside assistance to Turnpike travelers with disabled vehicles. In winter, snow and ice removal is a top priority and major concern of the Maintenance Department. The Authority's annual operating budget includes funds necessary to adequately maintain safe highways during the winter storm season. Speed monitoring awareness radar trailers are employed to remind motorists of their speed. Rumble strips and eight-inch edge lines are utilized to enhance the travel lane for the safety of motorists.

## **Travel Plazas and Tourist Information Centers**

The Authority has contracted with two private companies to operate restaurants and service stations at three travel plazas on the Turnpike. The facilities provide convenient service to Turnpike travelers and also serve as tourist information centers. On May 31, 2013, a trucker's shower facility opened at the Beckley Travel Plaza. Tickets for the showers are being sold at the shower facility. Attendants provide towels and other amenities to customers, and are available every day from 6:00 A.M. to 10:00 P.M.

Two other rest areas are accessible to southbound motorists. The rest area at mile 69 provides restrooms, snacks and sandwiches, and vending machines while the rest area at mile 18 has no facilities, but provides a scenic view. A new facility at the rest area at mile marker 69 was completed during 2017 and offers Turnpike customers a modern, state of the art rest area with additional car parking and an upgraded snack shop. The Authority also operates the West Virginia Welcome Center, located near milepost 9, Princeton, WV, which contains restrooms, vending machines and tourist information. Retail shops featuring The Best of West Virginia handmade crafts, art and specialty foods are also located at the travel plazas and the Welcome Center.

### **Long-Range Financial Planning**

The Authority is required by its Trust Indenture to prepare an annual budget prior to the start of each fiscal year. The adopted budget is used for control of operating and renewal and replacement expenditures and for financial planning. The budget is approved by the Authority, but does not require the approval of the State legislature. Additionally, the consulting engineer assists and presents the Authority each year with an updated needs assessment and five year plan.

### **Economic Development and Tourism**

In 1989, the Authority was tasked with supporting the State's tourism industry and was to assist in other economic and tourism development opportunities. The Authority designated revenues from restaurants and service stations to be used for this responsibility. No toll revenues were used for economic development and tourism projects. During the April 12, 2007 Authority meeting, the Board refocused the Authority's core and principal mission of operating and maintaining the Turnpike as a modern, efficient and safe roadway. All economic development and tourism projects, except Tamarack-the Best of West Virginia, were eliminated. Legislation approved in 2010 restricted the Authority from involvement in any other economic development projects.

### **Accounting Policies and Internal Controls**

The Authority's significant accounting policies are briefly described in Note 2 of the financial statements.

Management of the Authority is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Authority are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Tri-Party Agreement of 2018 and Trust Indentures**

In 1971, the Turnpike Commission, the Federal Highway Administration (FHWA), and the Department, adopted an agreement necessary for the Department to participate in the reconstruction of the Turnpike. This document charged the Turnpike Commission with the responsibility for maintenance of the improved facility utilizing toll revenues. The 1971 agreement was superseded and replaced in 1988 and then modified and restated in 2018.

The 2018 agreement specifies (a) that tolls collected will be used on the Turnpike for amounts necessary for operation and maintenance, debt service, reasonable return on investment of any private person or entity that may be authorized by the State to operate and maintain the facility and any cost necessary for improvement including reconstruction, resurfacing, rehabilitation and restoration; (b) that the use of excess toll revenues are authorized to be used for any other purpose for which Federal funds may be obligated under Title 23 of the United States Code; (c) that all records are subject to audit by the Department of Highways and/or FHWA; and, (d) that any bonds issued or any costs incurred will not cause tolls to be increased to an unreasonable amount.

Operations of the Authority are also controlled by the provisions of a Trust Indenture, dated July 31, 2018. The indenture requires, among other things, the establishment and maintenance of various accounts, which are restricted to use for construction, renewal and replacement, operations and debt service. The Authority's Trustee works closely with staff to ensure the Authority is in compliance with the terms and covenants of the Bond Indenture and that all financial and operational decisions are made in the best interest of the Authority's bondholders.

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Independent Audit**

The trust indentures also require an annual audit by independent certified public accountants. The accounting firm of Suttle & Stalnaker, PLLC was engaged by the Authority to perform the audit for the fiscal years ended June 30, 2020 and 2019.

### **Awards**

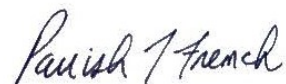
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its comprehensive annual financial report for each of the 30 years through the period ended June 30, 2019, including the first year of operations of the Authority. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgements**

The preparation of this comprehensive annual financial report on a timely basis was made possible with the assistance of the Authority's administrative and accounting staff, the consulting engineers, the independent auditor, and the leadership and support of the Members of the West Virginia Parkways Authority. We express our sincere appreciation for the professional contributions made by these individuals in the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Patricia French".



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**West Virginia Parkways Authority**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrell*

Executive Director/CEO

# **Financial Section**

**West Virginia Parkways Authority**

## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
West Virginia Parkways Authority  
Charleston, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the West Virginia Parkways Authority (the Authority), a component unit of the State of West Virginia, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 20, the schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of net other post-employment benefits (OPEB) liability, schedule of other post-employment benefits (OPEB) contributions and related notes on pages 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section on pages 1 through 10 and statistical section on pages 64 through 78 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## ***Emphasis of Matter***

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of the Authority. They do not purport to, and do not present fairly the financial position of the State of West Virginia, as of June 30, 2020 and 2019, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Charleston, West Virginia

October 13, 2020

WEST VIRGINIA PARKWAYS AUTHORITY  
(A Component Unit of the State of West Virginia)  
Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2020 and 2019

The management of the West Virginia Parkways Authority (hereinafter referred to as the Authority) offers this narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2020 which should be read in conjunction with the Authority's basic financial statements.

## **FINANCIAL HIGHLIGHTS**

### **2020**

- Toll revenues increased 18.0% due to 2020 being the first full year with the new toll rate schedule that became effective in January 15, 2019. The total number of transactions on the West Virginia Turnpike during fiscal year 2020 decreased 11.8% from fiscal year 2019 due to a stay-at-home order being in effect for a few months during 2020.
- Operating expenses increased by \$3.4 million or 3.6% from 2019. Increases in expenditures mainly related to an increase in depreciation expense.
- In 2020, capital spending on the Turnpike totaled \$96.7 million including \$35.4 million from the State under the "Roads to Prosperity" program.

### **2019**

- Toll revenues increased 37.4% due mainly to increases in the toll rate schedule which became effective January 15, 2019. Rates were increased by 100% for most vehicle classes except a single fee program was expanded to reduce rates for many passenger automobiles. The total number of transactions on the West Virginia Turnpike during fiscal year 2019 decreased 0.6% from fiscal year 2018.
- Operating expenses increased by \$7.1 million or 8.1% from 2018. Increases in expenditures mainly related to an increase in supplies and other costs related to the initiation of the single fee discount program and increases in credit card fees associated with increased revenues and increased administrative costs associated with debt issuance.
- The Authority deposited \$172.0 million to the State Road Construction Account under the State's "Roads to Prosperity" program.
- In 2019, capital spending on the Turnpike totaled \$58.2 million including \$13.7 million from the State under the "Roads to Prosperity" program.

WEST VIRGINIA PARKWAYS AUTHORITY  
(A Component Unit of the State of West Virginia)  
Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2020 and 2019

**Basic Financial Statements**

The Authority accounts for its operations and financial transactions in a manner similar to that used by private business enterprises: the accrual basis of accounting. In these statements, revenue is recognized in the period in which it is earned, and an expense is recognized in the period in which it is incurred, regardless of the timing of its related cash flow.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. For each fiscal year, the Authority's basic financial statements are comprised of the following:

- Statements of Net Position
- Statements of Revenues, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

The Statements of Net Position present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Increases or decreases in net position, over time, may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position present revenue and expense information and how the Authority's net position changed during the fiscal year as a result of these transactions.

The Statements of Cash Flows present sources and uses of cash for the fiscal year, displayed in the following categories: cash flows from operating activities, cash flows from noncapital and related financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

The Notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. They are an integral part of the basic financial statements.

WEST VIRGINIA PARKWAYS AUTHORITY  
(A Component Unit of the State of West Virginia)  
Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2020 and 2019

## FINANCIAL ANALYSIS

### Operating Revenue

Toll revenues represent the major source of funding for the Authority. Passenger car traffic volume decreased 14.2% and large commercial traffic volume decreased by 4.2% during 2020. Due to the current year being the first full fiscal year since the adoption of the new toll rate schedule, passenger car toll revenues increased 11.2% and large commercial toll revenues increased by 29.9%. Total net toll revenues and other recoveries increased approximately \$23.6 or 18.0%.

### CHANGES IN NET POSITION INFORMATION (in Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	Change <u>'20 -'19</u>
Revenues:				
Operating revenues:				
Toll revenues	\$ 154,468	\$ 130,910	\$ 95,288	18.0%
Other revenues	5,128	7,198	7,182	(28.8)%
Nonoperating revenues:				
Net investment revenue	2,187	1,905	632	14.8%
Payments on behalf	<u>411</u>	<u>552</u>	<u>584</u>	(25.5)%
Total revenues	<u>162,194</u>	<u>140,565</u>	<u>103,686</u>	15.4%
Expenses:				
Operating expenses:				
Maintenance	24,113	22,418	23,599	7.6%
Toll collection	13,875	14,143	11,436	(1.9)%
Traffic enforcement and communications	4,074	3,967	2,888	2.7%
General and administrative	8,771	9,650	8,291	(9.1)%
Depreciation	46,472	43,734	40,639	6.3%
Nonoperating expenses:				
Interest expense	<u>5,648</u>	<u>5,697</u>	<u>1,051</u>	(0.9)%
Total expenses	<u>102,953</u>	<u>99,609</u>	<u>87,904</u>	3.4%
Change in net position before transfers	59,241	40,956	15,782	44.6%
Transfers out	-	(172,000)	-	(100.0)%
Transfers in	<u>35,421</u>	<u>13,653</u>	<u>-</u>	159.4%
Change in net position	94,662	(117,391)	15,782	180.6%
Net position, beginning of year	400,466	517,857	501,018	(22.7)%
Net effect of change in accounting policy	<u>-</u>	<u>-</u>	<u>1,057</u>	0.0%
Net position, beginning of year, as restated	<u>400,466</u>	<u>517,857</u>	<u>502,075</u>	(22.7)%
Net position, end of year	<u>\$ 495,128</u>	<u>\$ 400,466</u>	<u>\$ 517,857</u>	23.6%

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On June 27, 2017 Senate Bill 1003 was enacted giving the Authority the ability to issue bonds for the purpose of funding infrastructure projects as defined in the statute. The legislation created a special revenue account known as the State Road Construction Account within the State Road Fund to be expended by the Division of Highways for construction, maintenance and repair of public highways and bridges in the state. The bill also included new authorizations, requirements and limitations on the Authority's electronic toll collection programs and discounts to the published cash rates. An unlimited use single annual fee discount program for passenger cars utilizing an Authority issued E-ZPass transponder is required under these new provisions.

The Authority issued Senior Lien Turnpike Toll Revenue Bonds Series 2018 in the amount of \$166.37 million on August 15, 2018 and deposited \$172 million to the State Road Construction account. The proceeds will be used to finance the costs of construction by the Division of Highways for transportation projects located not on the Turnpike but in counties adjacent to the Turnpike. The projects are from a list of projects to be constructed by the Division of Highways under its Roads to Prosperity Program.

As an additional part of the Roads to Prosperity Program, the Division of Highways intends to widen certain sections of the Turnpike north the I-77/I-64 interchange by adding an additional lane each way including widening eight bridges. The lane-widening project will mainly be funded from proceeds of the State's General Obligation State Road Bonds, Series 2018 A and Series 2018 B except for project management expenses including contract administration and quality assurance that will be paid by the Authority. Funding of this project by the Division of Highways eliminates a significant capital investment that otherwise would have been required of the Authority.

In conjunction with the issuance of 2018 Senior Lien Bonds, the adoption of the unlimited use single annual fee discount plan for passenger cars, and to provide for projected operation and maintenance expenses, renewal and replacement costs and capital needs and projected debt service on bonds to be issued under the indenture, the Authority adopted toll rate increases that became effective January 15, 2019. The new toll rate schedule increased the previous toll rates by 100% for all classes of vehicles except for vehicles eligible for the discount plan. In addition, the Authority authorized forward-looking automatic toll increases that will begin on January 1, 2022, equal to 1.6% per year.

### **Operating Expenses**

For the year ended June 30, 2020, total operating expenses increased \$3.4 million or 3.6%. Depreciation expense increased \$2.7 million due to the increasing amount of infrastructure projects being placed in service. General and administrative expenses decreased 9.1% due mainly to administrative costs associated with debt issuance in prior year as no new debt was issued during the current year.

For the year ended June 30, 2019, total operating expenses increased \$7.1 million or 8.1%. Depreciation expense increased \$3.1 million due to the increasing amount of infrastructure projects being placed in service. Toll collection expenses increased 23.7% due to purchases of supplies and other costs related to the initiation of the single fee discount program and increases in credit card fees associated with increased revenues. General and administrative expenses increased 16.4% due mainly to administrative costs associated with debt issuance.

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**Non-operating Revenue and Expense**

Interest expense decreased 0.9% in 2020 due to the decrease in outstanding debt. Interest expense increased 442.1% in 2019 due to new debt issuance. Net investment revenue has increased 14.8% for 2020 and 201.4% in the prior year due to increases in market interest rates.

**CONDENSED STATEMENTS OF NET POSITION INFORMATION**  
(in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019	2018	Change '20 - '19
Current assets	\$ 177,299	\$ 135,137	\$ 75,418	31.2%
Long-term investments	515	2,982	19,770	(82.7)%
Capital assets, net	<u>522,032</u>	<u>471,790</u>	<u>457,290</u>	10.6%
Total assets	699,846	609,909	552,478	14.7%
Deferred outflows	<u>3,039</u>	<u>3,270</u>	<u>3,728</u>	(7.1)%
Total assets plus deferred outflows	<u>\$ 702,885</u>	<u>\$ 613,179</u>	<u>\$ 556,206</u>	14.6%
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current liabilities	\$ 22,044	\$ 20,568	\$ 21,012	7.2%
Long-term revenue bonds	172,130	176,886	-	(2.7)%
Other long-term liabilities	<u>9,079</u>	<u>11,467</u>	<u>14,236</u>	(20.8)%
Total liabilities	203,253	208,921	35,248	(2.7)%
Deferred inflows	<u>4,504</u>	<u>3,792</u>	<u>3,101</u>	18.8%
Total liabilities plus deferred inflows	<u>207,757</u>	<u>212,713</u>	<u>38,349</u>	(2.3)%
Net position:				
Net investment in capital assets	522,032	471,790	447,418	10.6%
Restricted	145,687	102,227	67,677	42.5%
Unrestricted	<u>(172,591)</u>	<u>(173,551)</u>	<u>2,762</u>	(0.6)%
Total net position	<u>495,128</u>	<u>400,466</u>	<u>517,857</u>	(23.6)%
Total liabilities, deferred inflows and net position	<u>\$ 702,885</u>	<u>\$ 613,179</u>	<u>\$ 556,206</u>	14.6%

**Assets**

Total cash, current and long-term investments increased \$39.9 million due to increased collections as a result of the new toll rate schedule being applicable for the full year. The Authority's cash and investment balances increased by \$39.3 million in the year ended June 30, 2019 due to increased collections as a result of the new toll rate schedule.

For the year ended June 30, 2020, net capital assets increased \$50.2 million with capital improvements of \$96.7 million less depreciation expense of \$46.5 million. For the year ended June 30, 2019, net capital assets increased \$14.5 million with capital improvements of \$58.2 million less depreciation expense of \$43.7 million.

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## Liabilities

For the year ended June 30, 2020, total liabilities and deferred inflows of resources decreased \$4.9 million. Current liabilities increased due to the timing of invoices related to infrastructure projects in progress. Payments made on the 2018 bonds contributed to the decrease in long-term debt. Other long-term liabilities decreased due to a decrease in the net pension liability and the other post-employment benefits liability.

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

<u>Agency</u>	<u>Rating</u>
S&P Global Ratings	AA-
Fitch Ratings, Inc.	AA-

## CAPITAL ASSETS

The Authority's capital assets consist of land, buildings, equipment and infrastructure. Infrastructure assets are typically items that are immovable such as highways and bridges. The Authority's investment in capital assets at June 30, 2020 amounted to approximately \$1.414 billion of gross asset value with accumulated depreciation of approximately \$892 million, leaving a net book value of approximately \$522 million. Capital assets represented 74.3% of the Authority's total assets and deferred outflows of resources at June 30, 2020. Additional information on the Authority's capital assets can be found in the Note 5 to the financial statements.

## LONG-TERM DEBT

In 2018, the Authority issued \$166.4 million Senior Lien Turnpike Toll Revenue Bonds which are due in varying installments through June 2048. These bonds were issued to fund off-Turnpike parkway projects. \$172 million was deposited into the State Road Construction Account for these purposes.

Additional information on the Authority's long-term liabilities activity can be found in Notes 6, 7, 8, and 9 to the financial statements.

WEST VIRGINIA PARKWAYS AUTHORITY  
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**FACTORS IMPACTING FUTURE OPERATIONS**

On June 27, 2017 Senate Bill 1003 was enacted giving the Authority the ability to issue bonds for the purpose of funding infrastructure projects as defined in the statute. The legislation created a special revenue account known as the State Road Construction Account within the State Road Fund to be expended by the Division of Highways for construction, maintenance and repair of public highways and bridges in the state. The bill also included new authorizations, requirements and limitations on the Authority's electronic toll collection programs and discounts to the published cash rates. An unlimited use single annual fee discount program for passenger cars utilizing an Authority issued E-ZPass transponder is required under these new provisions.

The Authority issued Senior Lien Turnpike Toll Revenue Bonds Series 2018 in the amount of \$166.37 million on August 14, 2018 and deposited \$172 million to the State Road Construction account. The proceeds are being used to finance the costs of construction by the Division of Highways for transportation projects located not on the Turnpike but in counties adjacent to the Turnpike. The projects are from a list of projects to be constructed by the Division of Highways under its Roads to Prosperity Program.

As an additional part of the Roads to Prosperity Program, the Division of Highways is currently widening certain sections of the Turnpike north of the I-77/I-64 interchange by adding an additional lane over more than 5 miles each way as well as widening eight bridges and other improvements. The lane-widening project will mainly be funded from proceeds of the State's General Obligation State Road Bonds, Series 2018 A and Series 2018 B except for project management expenses including contract administration and quality assurance that will be paid by the Authority. Funding of this project by the Division of Highways eliminates a significant capital investment that otherwise would have been required of the Authority.

In addition to the bonds issued in 2018, the Roads to Prosperity program will include, among other financing sources, toll revenue bonds to be issued by the Authority over the next few years, to finance transportation projects both on the Turnpike and off the Turnpike in a ten-county area adjacent to the Turnpike.

**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, West Virginia 25325-1469.



WEST VIRGINIA PARKWAYS AUTHORITY  
(A Component Unit of the State of West Virginia)

STATEMENTS OF NET POSITION

June 30, 2020 and 2019  
(In Thousands)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 77,861	\$ 32,219
Short-term investments	86,592	89,826
Accounts receivable	7,039	7,441
Accrued interest receivable	37	179
Inventory	5,307	4,891
Other	463	581
Total current assets	<u>177,299</u>	<u>135,137</u>
Noncurrent assets:		
Investments in securities maturing beyond one year	515	2,982
Capital assets, net	<u>522,032</u>	<u>471,790</u>
Total noncurrent assets	<u>522,547</u>	<u>474,772</u>
 Total assets	 <u>699,846</u>	 <u>609,909</u>
Deferred outflows of resources:		
Deferred outflows related to pension	1,812	1,804
Deferred outflows related to other post-employment benefits	<u>1,227</u>	<u>1,466</u>
Total deferred outflows of resources	<u>3,039</u>	<u>3,270</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	10,308	9,161
Accrued interest payable	625	636
Customer deposits	2,608	2,249
Other accrued liabilities	4,460	4,785
Current portion of compensated absences	1,258	1,087
Current portion of long-term revenue bonds	<u>2,785</u>	<u>2,650</u>
Total current liabilities	<u>22,044</u>	<u>20,568</u>
Noncurrent liabilities:		
Noncurrent portion of long-term revenue bonds, net of unamortized premiums:		
Series 2018 revenue bonds	<u>172,130</u>	<u>176,886</u>
	172,130	176,886
Net pension liability	2,294	2,742
Accrued post-employment benefits other than pensions	<u>6,785</u>	<u>8,725</u>
Total noncurrent liabilities	<u>181,209</u>	<u>188,353</u>
 Total liabilities	 <u>203,253</u>	 <u>208,921</u>
Deferred inflows of resources:		
Deferred inflows related to pension	1,498	1,707
Deferred inflows related to other post-employment benefits	<u>3,006</u>	<u>2,085</u>
Total deferred inflows of resources	<u>4,504</u>	<u>3,792</u>
 Total liabilities plus deferred inflows of resources	 <u>207,757</u>	 <u>212,713</u>
Net position:		
Net investment in capital assets	522,032	471,790
Restricted by trust indenture and tri-party agreement	145,687	102,227
Unrestricted (deficit)	<u>(172,591)</u>	<u>(173,551)</u>
Total net position	<u>\$ 495,128</u>	<u>\$ 400,466</u>

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

WEST VIRGINIA PARKWAYS AUTHORITY  
(A Component Unit of the State of West Virginia)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30, 2020 and 2019  
(In Thousands)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Toll revenues	\$ 154,468	\$ 130,910
Other revenues	5,128	7,198
Total operating revenues	<u>159,596</u>	<u>138,108</u>
Operating expenses:		
Maintenance	24,113	22,418
Toll collection	13,875	14,143
Traffic enforcement and communications	4,074	3,967
General and administrative	8,771	9,650
Depreciation	46,472	43,734
Total operating expenses	<u>97,305</u>	<u>93,912</u>
Operating income	62,291	44,196
Nonoperating revenues (expenses):		
Interest expense	(5,648)	(5,697)
Net investment revenue	2,187	1,905
Payments on behalf	411	552
Nonoperating revenues (expenses), net	<u>(3,050)</u>	<u>(3,240)</u>
Change in net position before transfers	59,241	40,956
Transfers out	-	(172,000)
Transfers in	<u>35,421</u>	<u>13,653</u>
Change in net position	94,662	(117,391)
Net position, beginning of year	<u>400,466</u>	<u>517,857</u>
Net position, end of year	<u>\$ 495,128</u>	<u>\$ 400,466</u>

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

WEST VIRGINIA PARKWAYS AUTHORITY  
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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019  
(In Thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 159,954	\$ 138,177
Cash paid to employees	(30,675)	(25,615)
Cash paid to suppliers	(19,710)	(26,952)
Net cash provided by operating activities	<u>109,569</u>	<u>85,610</u>
Cash flows from noncapital and related financing activities:		
Proceeds from bond issuance	-	184,324
Transfer to West Virginia Division of Highways	-	(172,000)
Debt service for revenue bonds:		
Principal	(2,650)	(2,830)
Interest	(7,630)	(6,195)
Net cash provided by (used in) noncapital and related financing activities	<u>(10,280)</u>	<u>3,299</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(61,547)	(40,154)
Debt service for revenue bonds:		
Principal	-	(10,285)
Interest	-	(1,046)
Net cash used in capital and related financing activities	<u>(61,547)</u>	<u>(51,485)</u>
Cash flows from investing activities:		
Purchase of investments	(87,674)	(136,081)
Proceeds from sales and maturities of investments	93,387	100,508
Interest from investments	2,187	1,905
Net cash provided by (used in) investing activities	<u>7,900</u>	<u>(33,668)</u>
Increase (decrease) in cash and cash equivalents	45,642	3,756
Cash and cash equivalents, beginning of year	32,219	28,463
Cash and cash equivalents, end of year	<u>\$ 77,861</u>	<u>\$ 32,219</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 62,291	\$ 44,196
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	46,472	43,734
Other post-employment benefits expense - special funding situation	411	552
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	544	(3,775)
(Increase) decrease in inventory	(416)	(773)
(Increase) decrease in other current assets	118	946
(Increase) decrease in deferred outflows of resources	231	(200)
Increase (decrease) in accounts payable and other liabilities	1,594	2,483
Increase (decrease) in deferred inflows of resources	712	848
Increase (decrease) in net pension liability	(448)	(1,873)
Increase (decrease) in accrued post-employment benefits	(1,940)	(528)
Net cash provided by operating activities	<u>\$ 109,569</u>	<u>\$ 85,610</u>
Noncash transaction		
Donated capital assets	<u>\$ 35,421</u>	<u>\$ 13,653</u>

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

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019  
(In thousands)

**NOTE 1 - FINANCIAL REPORTING ENTITY**

Effective July 1, 2010, the Authority's legal name was changed to the West Virginia Parkways Authority. The West Virginia Parkways Economic Development and Tourism Authority was created as the successor-in-interest to the West Virginia Turnpike Commission (the Turnpike Commission) by the West Virginia Legislature effective June 1, 1989. All the duties, powers, and functions of the Turnpike Commission were transferred to the Authority and 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 own 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 seven 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.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Authority is accounted for as a government entity 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 United 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.

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.

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019  
(In thousands)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 statements of revenues, expenses, and changes in net position as a component of investment income.

Allowance for Doubtful Accounts

It is the Authority's policy to provide for future losses on uncollectible accounts based on an evaluation of the underlying accounts, the historical collectability experienced by the Authority on such balances and such other factors which, in the Authority's judgment, require consideration in estimating doubtful accounts.

As of June 30, 2020 and 2019, management believes that all accounts receivable will be collected; therefore, no allowance for doubtful accounts has been booked.

Inventory

Supplies inventory is reported at cost. Inventory held for resale is valued at the lower of cost (first-in, first-out method) or market.

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. Donated capital assets are recorded at acquisition value. 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 are stated at the Department of Highways 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).

Deferred Outflow of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
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(In thousands)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences

Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Authority participates in another post-employment benefit plan (see Note 8).

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefit (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 for further discussion.

Customer Deposits

Customer deposits consist of prepaid deposits made by personal and commercial customers into E-ZPass® toll collection accounts held by the Authority. Deposits are refundable upon request.

Bond Premiums

Bond premiums are being amortized over the varying terms of the bonds issued. Amortization of the premium is charged to interest expense using the effective interest rate method.

Net Position

Net position represents assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources. Net investment in capital assets consists of all capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is 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 position are available, restricted resources are applied first.

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2020 and 2019  
(In thousands)

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Restricted net position consists of amounts restricted by trust indenture and the tri-party agreement that can only be used for maintenance and operation of the Turnpike and for debt service.

Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods. Revenues and expenses related to capital and related financing, non-capital financing, or investing activities are not included as operating revenues and expenses. Other items not meeting these definitions 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 statements of revenues, expenses, and changes in net position.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation. Such reclassifications had no effect on the 2019 net position or changes in net position.

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**NOTE 3 - DEPOSITS AND INVESTMENTS**

All of the Authority's cash on hand is held with outside bank accounts and the West Virginia State Treasurer's Office, totaling approximately \$77,861 and \$32,219 in 2020 and 2019, respectively.

A reconciliation of the investments disclosed in this Note to the amounts reported in the Statements of Net Position is as follows:

	June 30, 2020
As disclosed in this Note:	
Total deposits with outside banks	\$ 75,805
Total WV State Treasurer's Office	2,056
Total WV Short Term Bond Pool	3,579
Total other investments	<u>83,528</u>
	<u>\$ 164,968</u>
As reported on the Statement of Net Position:	
Cash and cash equivalents	\$ 77,861
Short-term investments	86,592
Investments in securities maturing beyond one year	<u>515</u>
	<u>\$ 164,968</u>
	June 30, 2019
As disclosed in this Note:	
Total deposits with outside banks	\$ 28,644
Total WV State Treasurer's Office	3,575
Total WV Short Term Bond Pool	3,431
Total other investments	<u>89,377</u>
	<u>\$ 125,027</u>
As reported on the Statement of Net Position:	
Cash and cash equivalents	\$ 32,219
Short-term investments	89,826
Investments in securities maturing beyond one year	<u>2,982</u>
	<u>\$ 125,027</u>



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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

Investment securities are allocated at June 30, 2020 and 2019, among the following restricted and designated accounts created under the various Trust Indentures or by the adoption of Authority resolution:

	<u>2020</u>	<u>June 30</u> <u>2019</u>
Restricted and designated assets:		
Assets restricted by 2018 trust indenture		
Turnpike Capital Improvement Fund	\$ 106,591	\$ 63,272
Renewal and Replacement Reserve Fund	18,800	18,800
Operating and Maintenance Reserve Account	7,606	7,606
Senior Lien Debt Service Reserve Fund	10,648	10,478
Series 2018 Interest and Principal Accounts	1,923	1,865
Other Restrictions		
Insurance liability	1,000	1,000
Patron account	<u>2,608</u>	<u>2,250</u>
 Total restricted	 <u>149,176</u>	 <u>105,271</u>
 Non toll revenue fund	 <u>4,060</u>	 <u>3,097</u>
 Total restricted and designated assets as allocated by trust indentures	 <u>\$ 153,236</u>	 <u>\$ 108,368</u>

The assets restricted by the 2018 Master Trust Indenture must be used for Turnpike capital costs, renewal and replacement costs, operation and maintenance expenses, and debt service. The Trust Indentures require that the balance in the 2018 Senior Lien Debt Service Reserve Fund equal maximum annual debt service for such bonds. The balance in the 2018 Interest and Principal 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-sixth of budgeted operating expenses for the fiscal year.

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 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 Non Toll Revenue Fund is designated to be used for Non Turnpike activities. This balance is included in unrestricted net position on the Statements of Net Position.

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Interest rate risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All of the Authority's investments are subject to interest rate risk. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the Authority's investment policies limit individual securities in the Authority's investment portfolio to remaining maturities of less than five years and the weighted dollar average maturity is capped at three years. As of June 30, 2020 and 2019, respectively, the Authority had the following investments and maturities (in years):

<u>Investment Type</u>	2020				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10+</u>
Government agency bonds	\$ 3,031	\$ 2,516	\$ 515	\$ -	\$ -
Corporate bonds	3,579	3,579	-	-	-
Mutual funds	80,497	80,497	-	-	-
	<u>\$ 87,107</u>	<u>\$ 86,592</u>	<u>\$ 515</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Investment Type</u>	2019				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10+</u>
Government agency bonds	\$ 22,792	\$ 19,810	\$ 2,982	\$ -	\$ -
Corporate bonds	3,431	3,431	-	-	-
Mutual Funds	1,865	1,865	-	-	-
U.S. Treasury notes	42,959	42,959	-	-	-
U.S. Treasury bills	21,761	21,761	-	-	-
	<u>\$ 92,808</u>	<u>\$ 89,826</u>	<u>\$ 2,982</u>	<u>\$ -</u>	<u>\$ -</u>

*Concentration of credit risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority's cash deposits with financial institutions were \$75,805 and \$28,644 at June 30, 2020 and 2019, respectively. These deposits, which had a bank balance of \$75,318 and \$27,343, respectively, are insured by the Federal Deposit Insurance Corporation and/or collateralized with securities held in the Authority's name by its agent.

As of June 30, 2020, the Authority did not have any investment balances with the any issuers which were greater than or equal to 5% of the Authority's total investment balance.

As of June 30, 2019, the Authority had investment balances with the following issuers which were greater than or equal to 5% of the Authority's total investment balance:

<u>Security Type</u>	<u>Issuer</u>	<u>Percentage of Investments</u>
Government agency bonds	Federal National Mortgage Association	14%
	Federal Home Loan Banks	6%

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

*Custodial credit risk* - Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the Authority's investments contain nonnegotiable certificates of deposit.

*Foreign currency risk* - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Authority does not hold any foreign currency or hold any interests in foreign currency.

**BTI DISCLOSURE INFORMATION**

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

*WV Short Term Bond Pool:*

*Credit Risk* — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all long-term corporate debt to be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments:

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

Security Type	Credit Rating		June 30, 2020	
	Moody's	S&P	Carrying Value	Percent of Pool Assets
U.S. Treasury notes*	Aaa	AA+	\$ 121,838	15.04%
U.S. agency collateralized mortgage obligations				
U.S. governmental guaranteed*	Aaa	AA+	20,539	2.54
Non- U.S. governmental guaranteed	Aaa	AA+	15,762	1.95
Corporate fixed- and floating-rate bonds and notes	Aaa	AAA	3,694	0.46
	Aaa	AA+	6,719	0.83
	Aa1	AA	2,565	0.32
	Aa2	AA+	5,181	0.64
	Aa2	AA	5,753	0.71
	Aa2	AA-	6,432	0.79
	Aa2	NR	5,954	0.73
	Aa3	AA+	2,076	0.26
	Aa3	AA-	18,385	2.27
	Aa3	A+	5,759	0.71
	Aa3	A	12,477	1.54
	A1	AA-	7,480	0.92
	A1	A+	30,064	3.71
	A1	A	5,150	0.64
	A1	A-	10,553	1.30
	A1	NR	5,283	0.65
	A2	A+	17,992	2.22
	A2	A	33,012	4.08
	A2	A-	28,326	3.50
	A2	NR	3,100	0.38
	A3	A+	9,595	1.18
	A3	A	9,366	1.16
	A3	A-	28,248	3.49
	A3	BBB+	44,538	5.50
	Baa1	A-	11,726	1.45
	Baa1	BBB+	17,585	2.17
	Baa1	BBB	8,656	1.07
	Baa1	NR	2,132	0.26
	Baa2	A-	10,242	1.26
	Baa2	BBB+	10,361	1.28
	Baa2	BBB	38,950	4.81
	Baa2	BBB-	4,404	0.54
	Baa3	BBB	10,276	1.27
	Baa3	BBB-	25,583	3.16
	Ba1	BBB	2,005	0.25
	Ba1	BBB-	8,289	1.02
	NR	A	6,478	0.80
	NR	AA-	1,817	0.22
	NR	BBB+	4,575	0.56
Collateralized mortgage obligations	NR	AAA	2,668	0.33
Municipal securities	Aaa	AAA	4,060	0.50
	Aa1	AA+	6,475	0.80
	Aa1	AA	8,928	1.10
	Aa1	NR	7,054	0.87
	Aa2	AA	9,872	1.22
	Aa2	AA-	8,337	1.03
	Aa2	NR	3,528	0.44
	NR	AAA	2,618	0.32
	NR	AA+	3,187	0.39
Asset-backed securities	Aaa	AAA	29,701	3.66
	Aaa	NR	40,232	4.97
	Aa1	NR	7,961	0.98
	NR	AAA	38,951	4.81
Money market funds	Aaa	AAAm	7,585	0.94
			<u>\$ 810,077</u>	<u>100.00%</u>

NR = Not Rated

\* \* U.S. Treasury issues and certain U.S. agency collateralized mortgage obligations are explicitly guaranteed by the United States government and are not considered to have credit risk.

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

Security Type	Credit Rating		June 30, 2019	
	Moody's	S&P	Carrying Value	Percent of Pool Assets
U.S. Treasury notes*	Aaa	AA+	\$ 115,292	15.75%
U.S. agency collateralized mortgage obligations				
U.S. governmental guaranteed*	Aaa	AA+	26,472	3.62
Non- U.S. governmental guaranteed	Aaa	AA+	23,674	3.23
Corporate fixed- and floating-rate bonds and notes	Aaa	AA+	2,147	0.30
	Aa2	AA+	5,024	0.69
	Aa2	AA	5,577	0.76
	Aa2	A+	8,566	1.17
	Aa2	NR	2,784	0.38
	Aa3	AA+	5,042	0.69
	Aa3	AA-	16,616	2.27
	Aa3	A+	13,139	1.80
	Aa3	A	2,765	0.38
	A1	AA-	18,323	2.50
	A1	A+	15,880	2.17
	A1	A	7,426	1.01
	A1	A-	8,612	1.18
	A1	NR	5,223	0.71
	A2	A	19,418	2.65
	A2	A-	24,214	3.31
	A3	A+	8,592	1.17
	A3	A	13,148	1.80
	A3	A-	35,050	4.79
	A3	BBB+	30,732	4.20
	Baa1	A-	6,889	0.94
	Baa1	BBB+	14,806	2.02
	Baa1	BBB	5,213	0.71
	Baa2	A-	6,143	0.84
	Baa2	BBB+	14,524	1.98
	Baa2	BBB	37,277	5.09
	Baa2	BBB-	6,369	0.87
	Baa3	BBB+	1,091	0.15
	Baa3	BBB	9,193	1.26
	Baa3	BBB-	36,044	4.92
	Ba1	BBB	2,013	0.28
	Ba1	BBB-	4,214	0.58
	NR	A	8,761	1.20
	NR	BBB+	2,658	0.36
Collateralized mortgage obligations	NR	AAA	5,958	0.81
Commercial mortgage-backed securities	Aaa	NR	377	0.05
Asset-backed securities	Aaa	AAA	45,739	6.25
	Aaa	NR	75,441	10.31
	NR	AAA	35,020	4.78
Money Market Fund	Aaa	AAAm	523	0.07
			<u>\$ 731,969</u>	<u>100.00%</u>

NR = Not Rated

\* U.S. Treasury issues and U.S. agency collateralized mortgage obligations are explicitly guaranteed by the United States Government and are not considered to have credit risk.

At June 30, 2020 and 2019, the Authority ownership of approximately \$3,579 represents 0.4% and ownership of approximately \$3,431 represents 0.5%, respectively, of these amounts held by the BTI.

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

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

The overall effective duration of the investments of the WV Short Term Bond Pool is limited to a +/- 20 percent band around the effective duration of the portfolio's benchmark (the ICE BofAML 1-3 US Corporate & Government Index). As of June 30, 2020, the effective duration of the benchmark was 662 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Type	2020		2019	
	Carrying Value (In Thousands)	Effective Duration (Days)	Carrying Value (In Thousands)	Effective Duration (Days)
Corporate fixed-rate bonds and notes	\$ 454,306	641	\$ 365,352	847
Corporate floating-rate bonds and notes	16,475	377	38,121	286
Commercial mortgage-backed securities	-	-	377	15
Collateralized mortgage obligations	2,668	752	5,958	752
U.S. Treasury bonds and notes	121,838	773	115,292	816
U.S. agency collateralized mortgage obligations	36,301	366	50,146	976
Municipal securities	54,059	800		
Asset-backed securities	116,845	442	156,200	393
Money market funds	7,585	-	523	-
	<u>\$ 810,077</u>	620	<u>\$ 731,969</u>	723

*Other Investment Risks* - Other risks of investing include concentration of credit risk, custodial credit risk, and foreign currency risk.

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

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**NOTE 4 - FAIR VALUE MEASUREMENTS**

The Authority uses fair value measurements of certain assets and liabilities to record fair value adjustments and to determine fair value disclosures. Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

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

Fair values of assets measured on a recurring basis at December 31, are as follows:

Fair Value Measurements at Reporting Date Using

<u>June 30, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Government agency bonds	\$ 3,031	\$ 3,031	\$ -	\$ -
Corporate bonds	3,579	3,579	-	-
Mutual funds	80,497	80,497	-	-
Total investments at fair value	<u>\$ 87,107</u>	<u>\$ 87,107</u>	<u>\$ -</u>	<u>\$ -</u>

<u>June 30, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Government agency bonds	\$ 22,792	\$ 22,792	\$ -	\$ -
Corporate bonds	3,431	3,431	-	-
Mutual funds	1,865	1,865	-	-
U.S. Treasury notes	42,959	42,959	-	-
U.S. Treasury bills	21,761	21,761	-	-
Total investments at fair value	<u>\$ 92,808</u>	<u>\$ 92,808</u>	<u>\$ -</u>	<u>\$ -</u>

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**NOTE 5 - CAPITAL ASSETS**

A summary of capital assets at June 30 follows:

<u>2020</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 53,247	\$ -	\$ -	\$ 53,247
Construction in process	13,653	35,421	-	49,074
Total non-depreciable capital assets	66,900	35,421	-	102,321
Capital assets, depreciable:				
Buildings	104,285	1,361	-	105,646
Equipment	23,261	3,637	-	26,898
Infrastructure	1,122,739	56,295	-	1,179,034
Total capital assets being depreciated	1,250,285	61,293	-	1,311,578
Less accumulated depreciation for:				
Buildings	(84,439)	(2,605)	-	(87,044)
Equipment	(14,101)	(1,891)	-	(15,992)
Infrastructure	(746,855)	(41,976)	-	(788,831)
Total accumulated depreciation	(845,395)	(46,472)	-	(891,867)
Total depreciable capital assets, net	404,890	14,821	-	419,711
Total capital assets, net	\$ 471,790	\$ 50,242	\$ -	\$ 522,032
<u>2019</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 53,247	\$ -	\$ -	\$ 53,247
Construction in process	-	13,653	-	13,653
Total non-depreciable capital assets	53,247	13,653	-	66,900
Capital assets, depreciable:				
Buildings	104,219	66	-	104,285
Equipment	21,816	1,445	-	23,261
Infrastructure	1,079,669	43,070	-	1,122,739
Total capital assets being depreciated	1,205,704	44,581	-	1,250,285
Less accumulated depreciation for:				
Buildings	(81,854)	(2,585)	-	(84,439)
Equipment	(12,459)	(1,642)	-	(14,101)
Infrastructure	(707,348)	(39,507)	-	(746,855)
Total accumulated depreciation	(801,661)	(43,734)	-	(845,395)
Total depreciable capital assets, net	404,043	847	-	404,890
Total capital assets, net	\$ 457,290	\$ 14,500	\$ -	\$ 471,790

There was no interest cost capitalized during the years ended June 30, 2020 and 2019, respectively.



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**NOTE 6 - REVENUE BONDS PAYABLE**

Revenue bonds payable consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Series 2018 Senior Lien Turnpike Toll Revenue Bonds, issued \$166,370 in August 2018 at 3.75% to 5.00%, due in varying installments from June 2019 through June 2048	\$ 160,710	\$ 163,360
Total revenue bonds payable	<u>160,710</u>	<u>163,360</u>
Add:		
Unamortized premium	14,205	16,176
Less:		
Current portion of revenue bonds payable	<u>(2,785)</u>	<u>(2,650)</u>
Total long term revenue bonds payable	<u>\$ 172,130</u>	<u>\$ 176,886</u>

The Revenue Bonds under the 1993, 2002, 2003, 2008, and 2018 Trust Indentures are secured by a pledge of the Authority's toll revenues and all monies deposited into accounts created by the Trust Indentures. Total debt service was \$10,280, \$9,025, and \$10,140, for the years ended June 30, 2020, 2019, and 2018, respectively. Total net pledged revenues were approximately \$112,627, \$88,866, and \$57,766, which represents 1,095.59%, 984.67%, and 569.68% of the total debt service, respectively, for the years ended June 30, 2020, 2019, and 2018.

In 2002, \$44,205 of Revenue Refunding Bonds were issued for the express purpose of defeasing \$36,036 of Series 1993 Bonds. The advance refunding resulted in a \$6,313 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 2020, approximated \$0 and \$371 in 2020 and 2019, respectively. The Authority completed the advance refunding to reduce its aggregate debt service payments by almost \$3,003 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 \$1,624. These bonds were paid off in 2019.

In July 2008, the Authority issued \$59,100 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$59,100 of the Authority's Series 2003 Bonds. This refunding resulted in a \$5,972 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 2020, approximated \$0 and \$569 in 2020 and 2019, respectively. The Authority completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds.

In July 2011, the Authority converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The supplemental indenture established eight distinct registered bonds in principal amounts identical to the principal maturity schedule prior to the conversion. The Indenture establishes an applicable factor ranging from 67% to 82% of the one-month LIBOR Index with an additional spread ranging from 70 to 110 basis points on each bond. The Interest Rate Swap associated with the Series 2008 Variable Rate Bonds was amended to relate to the new index rate bonds under substantially similar terms. These bonds were paid off in 2019.

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**NOTE 6 - REVENUE BONDS PAYABLE (Continued)**

In accordance with West Virginia Law and the Authority's Master Trust Indenture dated August 1, 2018, the Authority has issued Series 2018 Senior Lien revenue bonds payable solely from, and secured solely by a first lien on and pledge of the Trust Estate, consisting of Net Toll Road Revenues, amounts on deposit in certain Funds and Accounts created pursuant to and pledged by the Indenture and other property conveyed, pledged, assigned or transferred as and for additional security. Toll Road Revenues include tolls, certain interest income, insurance proceeds, condemnation awards, other amounts derived from or with respect to the operation of the Turnpike, and other additional revenues added to the Turnpike. Concession revenues and other revenues derived from the operation or use of service plazas, tourist information centers including Tamarack are excluded from Toll Road Revenues.

Under the terms of the Trust Agreement, the Authority covenants to establish, charge and collect tolls for the privilege of traveling on the Turnpike at rates sufficient in each fiscal year to meet operation and maintenance expenses and produce net toll road revenues of at least 125% of the annual debt service with respect to the Series 2018 Senior Lien Bonds and all other outstanding Senior Lien Bonds issued under the indenture and 100% of the sum of required annual debt service plus the renewal and replacement reserve fund requirement.

The Authority will uphold the Senior Lien Debt Service Reserve Fund Requirement which is to maintain a fund equal to the maximum annual debt service on the Series 2018 Senior Lien Bonds. The Authority has covenanted to maintain funds in its Operation and Maintenance Fund equal to one-sixth of the amount recommended by its Consulting Engineers as the operation and maintenance expenses for its current fiscal year as included in the Authority's annual budget. Also, the Authority will fund its Renewal and Replacement Reserve Fund Requirement in an annual amount equal to the amount recommended by its Consulting Engineers as the Renewal and Replacement Costs for its current fiscal year as included in the Authority's annual budget.

The Authority has covenanted, at all times, to operate or cause the Turnpike to be operated, in an efficient manner and at a reasonable cost, to maintain, preserve and keep, or cause to be maintained preserved and kept, in good repair, working order and condition, and that its consulting Engineers shall make a physical examination and inspection of the Turnpike each year and submit an annual report regarding the condition of the Turnpike and whether compliance with covenants under the Indenture related to the efficient management and maintenance of the Turnpike has been maintained.

In August 2018, the Authority issued \$166.4 million Senior Lien Turnpike Toll Revenue Bonds which are due in varying installments through June 2048. These bonds were issued to fund off-Turnpike parkway projects. \$172 million was deposited into the State Road Construction Account for these purposes.

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**NOTE 6 - REVENUE BONDS PAYABLE (Continued)**

Bonds Payable Progression and Maturities

The following schedule summarizes the revenue bonds outstanding as of June 30:

<u>2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Amortization</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2018	\$ 179,536	\$ -	\$ (2,650)	\$ (1,971)	\$174,915	\$ 2,785
	<u>\$ 179,536</u>	<u>\$ -</u>	<u>\$ (2,650)</u>	<u>\$ (1,971)</u>	<u>\$174,915</u>	<u>\$ 2,785</u>
<u>2019</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Amortization</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2002	\$ 3,673	\$ -	\$ (3,585)	\$ (88)	\$ -	\$ -
Series 2008	6,700	-	(6,700)	-	-	-
Series 2018	-	184,144	(2,830)	(1,778)	179,536	2,650
	<u>\$ 10,373</u>	<u>\$184,144</u>	<u>\$ (13,115)</u>	<u>\$ (1,866)</u>	<u>\$179,536</u>	<u>\$ 2,650</u>

Debt service requirements for the Revenue Bonds subsequent to June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,785	\$ 7,497	\$ 10,282
2022	2,925	7,358	10,283
2023	3,070	7,212	10,282
2024	3,225	7,058	10,283
2025	3,385	6,897	10,282
2026 - 2030	19,640	31,770	51,410
2031 - 2035	25,060	26,345	51,405
2036 - 2040	31,855	19,551	51,406
2041 - 2045	40,345	11,057	51,402
2046-2048	28,420	2,244	30,664
Total	<u>\$ 160,710</u>	<u>\$ 126,989</u>	<u>\$ 287,699</u>

Principal outstanding June 30, 2020

Add:	\$ 160,710
Unamortized premium	14,205
Less:	
Current portion of revenue bonds payable	<u>(2,785)</u>
Long-term portion	<u>\$ 172,130</u>

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**NOTE 6 - REVENUE BONDS PAYABLE (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, 2020 and 2019, the Authority's estimated arbitrage rebate liability was zero.

**NOTE 7 - PENSION PLAN**

Plan Description

The Authority contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement benefits as well as death and disability benefits. CPRB issues a publicly available financial report that includes financial statements and required supplemental information for PERS. That report can be obtained by writing to CPRB, 4101 MacCorkle Avenue, SE, Charleston, West Virginia 25304-1636 or by calling (304) 558-3570.

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

Tier I: 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 years or greater, 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 years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service 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 years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

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**NOTE 7 - PENSION PLAN (Continued)**

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 10%, 10%, and 11% for the years ended June 30, 2020, 2019, and 2018, respectively. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively. The Authority's contribution to the Plan, excluding the employee's contribution paid by the covered employees, approximated \$1,701, \$1,597, and \$1,619 for the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the Authority reported a liability of \$2,294 and \$2,742, respectively for its proportionate share of the net pension liability. The June 30, 2020 net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The June 30, 2019 net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Authority's proportionate share was 1.07%, which was an increase of .01% from its proportionate share measured as of June 30, 2018. At June 30, 2018, the Authority's proportionate share was 1.06%, which was a decrease of .01% from its proportionate share measured as of June 30, 2017.

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of \$1,009 and \$298, respectively. At June 30, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resource
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 829
Difference between expected and actual experience	89	201
Changes of assumptions	-	421
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	22	47
Authority's contributions subsequent to the measurement date	<u>1,701</u>	<u>-</u>
Total	<u>\$ 1,812</u>	<u>\$ 1,498</u>

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**NOTE 7 - PENSION PLAN (Continued)**

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,613
Difference between expected and actual experience	136	7
Changes of assumptions	-	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	71	87
Authority's contributions subsequent to the measurement date	1,597	-
Total	<u>\$ 1,804</u>	<u>\$ 1,707</u>

The Authority reported \$1,701 as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021	\$ (237)
2022	(1,161)
2023	(229)
2024	240
	<u>\$ (1,387)</u>

Actuarial assumptions and methods

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.1% - 6.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 for active members; 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy males; 122% of Pub-2010 Annuitant Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy females, 118% of Pub-2010 General/Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 for disabled males, and 118% of Pub-2010 General/Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018 for disabled females.

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**NOTE 7 - PENSION PLAN (Continued)**

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.0 - 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active members, 110% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy males, 101% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

*Long-term expected rates of return* - The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of long-term geometric rates of return for each major asset class as of June 30, 2019 and 2018, are summarized below:

June 30, 2019			
Asset Class	Long-term Expected Real Rate of Return	Target Allocation	Weighted Average Expected Real Rate of Return
Domestic equity	5.8%	27.5%	1.60%
International equity	7.7%	27.5%	2.12%
Fixed income	3.3%	15.0%	0.50%
Real estate	6.1%	10.0%	0.61%
Private equity	8.8%	10.0%	0.88%
Hedge funds	4.4%	10.0%	0.44%
Total		100.0%	6.15%
Inflation (CPI)			2.00%
			8.15%

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**NOTE 7 - PENSION PLAN (Continued)**

June 30, 2018			
Asset Class	Long-term Expected Real Rate of Return	Target Allocation	Weighted Average Expected Real Rate of Return
Domestic equity	4.5%	27.5%	1.24%
International equity	8.6%	27.5%	2.37%
Fixed income	3.3%	15.0%	0.50%
Real estate	6.0%	10.0%	0.60%
Private equity	6.4%	10.0%	0.64%
Hedge funds	4.0%	10.0%	0.40%
Total		100.0%	5.75%
Inflation (CPI)			2.10%
			7.85%

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

*Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate* - The following table presents the Authority's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as the Authority's proportionate share of the net pension liability if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

	Total Net Pension Asset (Liability)		
	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability 2020	<u>\$ (10,687)</u>	<u>\$ (2,294)</u>	<u>\$ 4,805</u>
Net Pension Liability 2019	<u>\$ (11,041)</u>	<u>\$ (2,742)</u>	<u>\$ 4,280</u>



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**NOTE 7 - PENSION PLAN (Continued)**

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report available at the Consolidated Public Retirement Board's website at [www.wvretirement.com](http://www.wvretirement.com).

**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS**

As related to the implementation of GASB 75, following are the Authority's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net OPEB liability	\$ 6,785	\$ 8,725
Deferred outflows of resources	1,227	1,466
Deferred inflows of resources	3,006	2,085
Revenues	411	552
OPEB expense	98	897
Contributions made by the Authority	763	880

Plan Description

The West Virginia Other Post-employment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with the approval of the PEIA Finance Board. The plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (CPRB). The plan is closed to new entrants.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses

Contributions

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
Paygo premium	\$ 183	\$ 177

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired after July 1, 1997 or hired before June 30, 2010 pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010 pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or annual leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or annual leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

The Authority's contributions to the OPEB plan for the years ended June 30, 2020, 2019, and 2018, were \$763, \$880 and \$904, respectively.

Assumptions

The June 30, 2020 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2018 and rolled forward to June 30, 2019. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.75%.
- Wage inflation rate: 4.00%.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Asset valuation method: Investments are reported at fair (market) value.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs - From Birth to Death."
- Mortality rates based on RP-2000 Mortality Tables.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the RHBT adopts revised assumptions.

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2017 and a measurement date of June 30, 2019. The net effect of assumptions changes to the State OPEB plan was approximately \$236 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 3.00% for assets invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

The target allocation and estimates of annualized long-term expected returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	49.5%	4.8%
Core plus fixed income	13.5%	2.1%
Core real estate	9.0%	4.1%
Hedge fund	9.0%	2.4%
Private equity	9.0%	6.8%
Cash and cash equivalents	10.0%	0.3%

Real returns by asset class, as shown in the above tables, were estimated using a static inflation assumption of 2.0%. Consequently, real returns may not reflect the potential volatility of inflation by asset class.

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

*Single discount rate* - A single discount rate of 7.15% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability did not change from the June 30, 2018 valuation from the June 30, 2017 valuation.

*Sensitivity of the net OPEB liability to changes in the discount rate* - The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the discount rate of 7.15%, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability 2020	<u>\$ 8,098</u>	<u>\$ 6,785</u>	<u>\$ 5,687</u>
Net OPEB liability 2019	<u>\$ 10,254</u>	<u>\$ 8,725</u>	<u>\$ 7,450</u>

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate* - The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2020 and 2019 calculated using the healthcare cost trend rate, as well as what the Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability 2020	<u>\$ 5,471</u>	<u>\$ 6,785</u>	<u>\$ 8,380</u>
Net OPEB liability 2019	<u>\$ 7,219</u>	<u>\$ 8,725</u>	<u>\$ 10,559</u>

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The June 30, 2020 net OPEB liability was measured as of June 30, 2019, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The June 30, 2019 net OPEB liability was measured as of June 30, 2018, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018.

At June 30, 2020, the Authority's proportionate share of the net OPEB liability was \$8,174. Of this amount, the Authority recognized \$6,785 as its proportionate share on the statement of net position. The remainder of \$1,389 denotes the Authority's proportionate share of net OPEB liability attributable to the special funding. At June 30, 2019, the Authority's proportionate share of the net OPEB liability was \$10,528. Of this amount, the Authority recognized \$8,725 as its proportionate share on the statement of net position. The remainder of \$1,803 denotes the Authority's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2019 and 2018. Employer contributions are recognized when due. At the June 30, 2019 measurement date, the Authority's proportion was 0.409%, an increase of 0.002% from its proportion of 0.407% calculated as of June 30, 2018. At the June 30, 2018 measurement date, the Authority's proportion was 0.407%, an increase of 0.031% from its proportion of 0.376% calculated as of June 30, 2017.

For the year ended June 30, 2020, the Authority recognized OPEB expense of \$98. Of this amount, (\$313) was recognized as the Authority's proportionate share of OPEB expense and \$411 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Authority also recognized revenue of \$411 for support provided by the State. For the year ended June 30, 2019, the Authority recognized OPEB expense of \$897. Of this amount, \$345 was recognized as the Authority's proportionate share of OPEB expense and \$552 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Authority also recognized revenue of \$552 for support provided by the State.

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

At June 30, 2020 and 2019, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual non-investment experience	\$ -	\$ 791
Changes in proportion and differences between employer contributions and proportionate share of contributions	462	583
Net difference between projected and actual investment earnings	-	73
Changes in assumptions	-	1,376
Reallocation of opt-out employer change in proportionate share	2	183
Contributions after the measurement date	<u>763</u>	<u>-</u>
Total	<u>\$ 1,227</u>	<u>\$ 3,006</u>

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual non-investment experience	\$ -	\$ 129
Changes in proportion and differences between employer contributions and proportionate share of contributions	586	923
Net difference between projected and actual investment earnings	-	162
Changes in assumptions	-	871
Contributions after the measurement date	<u>880</u>	<u>-</u>
Total	<u>\$ 1,466</u>	<u>\$ 2,085</u>

The Authority will recognize the \$763 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	Amortization
2021	\$ (982)
2022	(979)
2023	(590)
2024	9
	<u>\$ (2,542)</u>

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**NOTE 8 - OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Payables to the OPEB Plan

The Authority did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2020 and 2019.

**NOTE 9 - NONCURRENT LIABILITIES**

The following is a summary of long-term obligation transactions for the Authority for the years ended June 30:

	2020				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
OPEB liability	\$ 8,725	\$ -	\$ (1,940)	\$ 6,785	\$ -
Net pension liability	<u>2,742</u>	<u>1,217</u>	<u>(1,665)</u>	<u>2,294</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 11,467</u>	<u>\$ 1,217</u>	<u>\$ (3,605)</u>	<u>\$ 9,079</u>	<u>\$ -</u>

	2019				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
OPEB liability	\$ 9,253	\$ 931	\$ (1,459)	\$ 8,725	\$ -
Net pension liability	<u>4,615</u>	<u>298</u>	<u>(2,171)</u>	<u>2,742</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 13,868</u>	<u>\$ 1,229</u>	<u>\$ (3,630)</u>	<u>\$ 11,467</u>	<u>\$ -</u>

**NOTE 10 - LEASES**

The Authority leases certain facilities and service areas to third party businesses under operating lease agreements. The cost of the facilities and service areas were \$38,188 at June 30, 2020 and 2019. Accumulated depreciation on the facilities and service areas was \$32,418 and \$30,016 at June 30, 2020 and 2019, respectively.

The Authority receives both guaranteed payments and contingent payments under the leases. Aggregate rental income from the lease agreements was approximately \$2,444 and \$3,147 for the years ended June 30, 2020 and 2019, respectively. Total contingent rental income received was approximately \$1,677 and \$2,380 for the years ended June 30, 2020 and 2019, respectively. Future minimum rentals to be received during the year ended June 30, 2021 are \$383.



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**NOTE 11 - RISK MANAGEMENT**

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

The Authority has obtained coverage for job-related injuries of employees and health coverage for its employees from a commercial insurer, and the West Virginia Public Employees Insurance Agency (PEIA). In exchange for the payment of premiums to PEIA and the commercial insurer, 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 per occurrence, subject to an annual aggregate limit of coverage of \$22,000. 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 over and above the coverage provided by the West Virginia Board of Risk and Insurance Management. For the fiscal years ended June 30, 2020, 2019, and 2018, the Authority's insurance coverage has been sufficient to meet all claims and settlements against the Authority.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

Litigation

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

Construction Commitments

At June 30, 2020, the Authority had contractual commitments totaling \$30,267 for various Turnpike System improvement projects. Subsequent to June 30, 2020, the Authority entered into additional contractual commitments totaling \$3,609.

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**NOTE 13 - ACCOUNTING PRONOUNCEMENTS**

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Authority implemented GASB Statement No. 90, *Majority Equity Interests*, which is effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. This Statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in that component unit. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The adoption of GASB Statement No. 90 had no impact on the June 30, 2020 financial statements.

The Authority implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing for one year the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. Providing governments with sufficient time to apply the authoritative guidance addressed in this Statement will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements. The adoption of GASB Statement No. 95 by the Authority extended the implementation date of all statements through GASB Statement No. 94.

Recent Statements Issued by the Governmental Accounting Standards Board

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Authority has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

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**NOTE 13 - ACCOUNTING PRONOUNCEMENTS (Continued)**

GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Authority has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Authority has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

GASB has also issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The Authority has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

GASB has also issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The Authority has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

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**NOTE 13 - ACCOUNTING PRONOUNCEMENTS (Continued)**

GASB has also issued Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The Authority has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.

GASB has also issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is effective for fiscal years beginning after June 15, 2023. The requirements of this Statement will improve financial reporting by establishing the definitions of Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The Authority has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

GASB has also issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITA) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. The Authority has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

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**NOTE 13 - ACCOUNTING PRONOUNCEMENTS (Continued)**

GASB has also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, which is effective immediately for certain provisions, and for the other provisions, is effective for reporting periods beginning after June 15, 2021. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans. The portion of GASB Statement No. 97 that was implemented during the current fiscal year had no impact on the June 30, 2020 financial statements. The Authority has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

**NOTE 14 - UNRESTRICTED NET POSITION (DEFICIT)**

At June 30, 2020 and 2019 the Authority had an unrestricted net position (deficit) of \$172,591, and \$173,551, respectively. The deficit was created with the issuance of the Series 2018 Senior Lien revenue bonds. These bonds were issued to fund off-Turnpike parkway projects. \$172 million was transferred into the State Road Construction Account at the West Virginia Division of Highways for these purposes. Future toll revenues are expected to be sufficient to fulfill the debt service requirements on the bonds.

**WEST VIRGINIA PARKWAYS AUTHORITY**  
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**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**June 30, 2020**

**Public Employees Retirement System**  
Last 10 Fiscal Years\*  
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Authority's proportion of the net pension liability (asset) (percentage)	1.07%	1.06%	1.07%	1.09%	1.05%	1.06%	1.07%			
Authority's proportionate share of the net pension liability (asset)	\$ 2,294	\$ 2,742	\$ 4,615	\$ 10,007	\$ 5,848	\$ 3,925	\$ 9,756			
Authority's covered payroll	\$ 15,970	\$ 14,718	\$ 15,608	\$ 15,415	\$ 14,664	\$ 14,241	\$ 14,321			
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	14.36%	18.63%	29.57%	64.92%	39.88%	27.56%	68.12%			
Plan fiduciary net position as a percentage of the total pension liability	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%	79.70%			

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**WEST VIRGINIA PARKWAYS AUTHORITY**  
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**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**June 30, 2020**

**Public Employees Retirement System**  
Last 10 Fiscal Years  
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,701	\$ 1,597	\$ 1,619	\$ 1,873	\$ 2,081	\$ 2,053	\$ 2,065	\$ 2,005	\$ 2,061	\$ 1,787
Contributions in relation to the contractually required contribution	<u>(1,701)</u>	<u>(1,597)</u>	<u>(1,619)</u>	<u>(1,873)</u>	<u>(2,081)</u>	<u>(2,053)</u>	<u>(2,065)</u>	<u>(2,005)</u>	<u>(2,061)</u>	<u>(1,787)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 17,010	\$ 15,970	\$ 14,718	\$ 15,608	\$ 15,415	\$ 14,664	\$ 14,241	\$ 14,321	\$ 14,214	\$ 14,296
Contributions as a percentage of covered payroll	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%	14.50%	12.50%

WEST VIRGINIA PARKWAYS AUTHORITY  
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REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
June 30, 2020

Last 10 Fiscal Years\*  
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Authority's proportion of the net OPEB liability (asset) (percentage)	0.41%	0.41%	0.38%							
Authority's proportionate share of the net OPEB liability (asset)	\$ 6,785	\$ 8,725	\$ 9,253							
State's proportionate share of the net OPEB liability (asset)	<u>1,389</u>	<u>1,803</u>	<u>1,901</u>							
Total proportionate share of the net OPEB liability (asset)	<u>\$ 8,174</u>	<u>\$ 10,528</u>	<u>\$ 11,154</u>							
Authority's payroll (1)	\$ 16,840	\$ 15,637	\$ 15,606							
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its payroll (1)	40.29%	55.80%	59.29%							
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%							

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority should present information for those years for which information is available.

(1) Covered payroll related to the OPEB plan was unavailable; therefore total payroll for the Authority was used.



**WEST VIRGINIA PARKWAYS AUTHORITY**  
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**SCHEDULE OF OPEB CONTRIBUTIONS**  
**June 30, 2020**

Last 10 Fiscal Years  
(In Thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Statutorily required contribution	\$ 763	\$ 880	\$ 904	\$ 773						
Contributions in relation to the statutorily required contribution	<u>(763)</u>	<u>(880)</u>	<u>(904)</u>	<u>(773)</u>						
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
Authority's payroll (1)	\$ 18,576	\$ 16,840	\$ 15,637	\$ 15,606						
Contributions as a percentage of payroll (1)	4.11%	5.23%	5.78%	4.95%						

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority should present information for those years for which information is available.

(1) Covered payroll related to the OPEB plan was unavailable; therefore total payroll for the Authority was used.

WEST VIRGINIA PARKWAYS AUTHORITY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020

**Changes in Assumptions**

An experience study, which was based on the years 2013 through 2018, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2019 to reflect the most recent experience study:

	Projected Salary Increases			Mortality Rates	Withdrawal Rates		
	State	Nonstate	Inflation rate		State	Nonstate	Disability Rates
<b><u>2019</u></b>	3.1% - 5.3%	3.35% - 6.0%	3.00%	Active-100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018; Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018; Disabled females-118% of Pub-2010 General / Disabled Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	2.28-45.63%	2-35.88%	0.005-0.540%
<b><u>2018</u></b>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<b><u>2017</u></b>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<b><u>2016</u></b>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101 % of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<b><u>2015</u></b>	3.00% - 4.6%	3.35% - 6.0%	1.90%	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	1.75-35.1%	2-35.8%	0-.675%
<b><u>2014</u></b>	4.25% - 6.0%	4.25% - 6.0%	2.20%	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7	1-26%	2-31.2%	0-.8%

WEST VIRGINIA PARKWAYS AUTHORITY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2020

Actuarial Changes Other Postemployment Benefits Plan

The actuarial assumptions used in the total OPEB liability calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
<b>2019</b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
<b>2018</b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
<b>2017</b>	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

# **Statistical Section**

**West Virginia Parkways Authority**

## Statistical Section

This part of the West Virginia Parkways Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Authority's overall financial health.

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<b>Financial Trends .....</b>	<b>66</b>
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
<b>Debt Capacity .....</b>	<b>68</b>
These schedules contain trend information to help the reader understand the Authority's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.	
<b>Revenue Capacity .....</b>	<b>70</b>
This schedule contains trend information to help the reader understand the Authority's capacity to earn revenues and the primary sources of those revenues.	
<b>Demographic and Economic Information.....</b>	<b>71</b>
These schedules offer indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons.	
<b>Miscellaneous Statistics.....</b>	<b>76</b>
This information may provide the reader with more insight into the Authority's financial history and operating environment.	

WEST VIRGINIA PARKWAYS AUTHORITY  
CONDENSED SCHEDULES OF NET POSITION  
(In Thousands)

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b><u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u></b>										
Current assets	\$ 177,299	\$ 135,137	\$ 75,418	\$ 68,601	\$ 61,088	\$ 61,774	\$ 53,678	\$ 49,513	\$ 42,259	\$ 62,391
Long-term investments	515	2,982	19,770	27,806	25,603	22,989	26,240	20,401	24,528	8,662
Capital assets, net	522,032	471,790	457,290	451,041	453,833	458,292	458,490	470,889	470,161	466,398
Deferred outflows of resources	3,039	3,270	3,728	8,126	7,402	7,663	7,603	9,717	12,481	13,046
Total assets plus deferred outflows of resources	<u>\$ 702,885</u>	<u>\$ 613,179</u>	<u>\$ 556,206</u>	<u>\$ 555,574</u>	<u>\$ 547,926</u>	<u>\$ 550,718</u>	<u>\$ 546,011</u>	<u>\$ 550,520</u>	<u>\$ 549,429</u>	<u>\$ 550,497</u>
<b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u></b>										
Current liabilities	\$ 22,044	\$ 20,568	\$ 21,012	\$ 21,367	\$ 18,720	\$ 24,704	\$ 20,689	\$ 22,363	\$ 18,356	\$ 21,516
Long-term revenue bonds, net	172,130	176,886	-	10,523	20,479	29,939	39,084	47,775	55,836	63,881
Other long-term liabilities	9,079	11,467	14,236	21,465	17,033	14,495	10,039	9,901	9,522	6,908
Deferred inflows of resources	4,504	3,792	3,101	1,201	3,595	6,463	3,316	4,489	6,314	5,938
Total liabilities plus deferred inflows of resources	<u>207,757</u>	<u>212,713</u>	<u>38,349</u>	<u>54,556</u>	<u>59,827</u>	<u>75,601</u>	<u>73,128</u>	<u>84,528</u>	<u>90,028</u>	<u>98,243</u>
Net position:										
Net investment in capital assets	522,032	471,790	447,418	432,154	426,447	422,704	415,153	420,432	412,527	408,157
Restricted by trust indenture and tri-party agreement	145,687	102,227	67,677	65,834	58,626	51,094	56,020	43,824	45,127	40,961
Unrestricted (deficit)	<u>(172,591)</u>	<u>(173,551)</u>	<u>2,762</u>	<u>3,030</u>	<u>3,026</u>	<u>1,319</u>	<u>1,710</u>	<u>1,736</u>	<u>1,747</u>	<u>3,136</u>
Total net position	<u>495,128</u>	<u>400,466</u>	<u>517,857</u>	<u>501,018</u>	<u>488,099</u>	<u>475,117</u>	<u>472,883</u>	<u>465,992</u>	<u>459,401</u>	<u>452,254</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 702,885</u>	<u>\$ 613,179</u>	<u>\$ 556,206</u>	<u>\$ 555,574</u>	<u>\$ 547,926</u>	<u>\$ 550,718</u>	<u>\$ 546,011</u>	<u>\$ 550,520</u>	<u>\$ 549,429</u>	<u>\$ 550,497</u>

WEST VIRGINIA PARKWAYS AUTHORITY  
CONDENSED SCHEDULES OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION  
(In Thousands)

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating revenues:										
Toll revenues	\$ 154,468	\$ 130,910	\$ 95,288	\$ 93,249	\$ 93,579	\$ 88,697	\$ 84,907	\$ 83,519	\$ 83,907	\$ 81,960
Other revenues	5,128	7,198	7,182	7,370	7,404	6,797	6,749	6,944	7,217	7,010
	<u>159,596</u>	<u>138,108</u>	<u>102,470</u>	<u>100,619</u>	<u>100,983</u>	<u>95,494</u>	<u>91,656</u>	<u>90,463</u>	<u>91,124</u>	<u>88,970</u>
Operating expenses:										
Maintenance	24,113	22,418	23,599	25,056	24,791	25,488	23,028	21,907	22,337	23,827
Toll collection	13,875	14,143	11,436	9,857	9,566	9,273	9,826	10,332	11,411	10,984
Traffic enforcement	4,074	3,967	2,888	3,231	3,172	3,912	3,487	3,581	3,744	3,188
General and administrative	8,771	9,650	8,291	10,308	11,248	9,093	9,154	9,159	9,590	9,446
Depreciation	<u>46,472</u>	<u>43,734</u>	<u>40,639</u>	<u>37,318</u>	<u>36,929</u>	<u>35,357</u>	<u>36,294</u>	<u>35,595</u>	<u>32,924</u>	<u>32,227</u>
	<u>97,305</u>	<u>93,912</u>	<u>86,853</u>	<u>85,770</u>	<u>85,706</u>	<u>83,123</u>	<u>81,789</u>	<u>80,574</u>	<u>80,006</u>	<u>79,672</u>
Operating income (loss)	62,291	44,196	15,617	14,849	15,277	12,371	9,867	9,889	11,118	9,298
Nonoperating revenues (expenses):										
Net investment revenue	2,187	1,905	632	280	336	338	302	122	242	355
Intergovernmental	-	-	-	-	-	-	-	-	-	2,834
Interest expense	(5,648)	(5,697)	(1,051)	(2,210)	(2,631)	(2,784)	(3,278)	(3,420)	(4,213)	(4,630)
Payments on behalf	<u>411</u>	<u>552</u>	<u>584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(3,050)</u>	<u>(3,240)</u>	<u>165</u>	<u>(1,930)</u>	<u>(2,295)</u>	<u>(2,446)</u>	<u>(2,976)</u>	<u>(3,298)</u>	<u>(3,971)</u>	<u>(1,441)</u>
Change in net position before transfers	59,241	40,956	15,782	12,919	12,982	9,925	6,891	6,591	7,147	7,857
Transfers out	-	(172,000)	-	-	-	-	-	-	-	-
Transfers in	<u>35,421</u>	<u>13,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	94,662	(117,391)	15,782	12,919	12,982	9,925	6,891	6,591	7,147	7,857
Cumulative effect of implementation of GASB Statement 75 (2018), 68 (2015), and 65 (2011)	-	-	1,057	-	-	(7,691)	-	-	-	(849)
Net position, beginning of year	<u>400,466</u>	<u>517,857</u>	<u>501,018</u>	<u>488,099</u>	<u>475,117</u>	<u>472,883</u>	<u>465,992</u>	<u>459,401</u>	<u>452,254</u>	<u>445,246</u>
Net position, end of year	<u>\$ 495,128</u>	<u>\$ 400,466</u>	<u>\$ 517,857</u>	<u>\$ 501,018</u>	<u>\$ 488,099</u>	<u>\$ 475,117</u>	<u>\$ 472,883</u>	<u>\$ 465,992</u>	<u>\$ 459,401</u>	<u>\$ 452,254</u>

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

FINANCIAL RATIOS

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Long-term series 2002 revenue bonds to total assets plus deferred outflows of resources	0.00%	0.00%	0.00%	0.65%	1.28%	1.85%	2.43%	2.95%	3.45%	4.14%
Long-term series 2008 revenue bonds to total assets plus deferred outflows of resources	0.00%	0.00%	0.00%	1.21%	2.39%	3.49%	4.60%	5.58%	6.53%	7.46%
Long-term series 2018 revenue bonds to total assets plus deferred outflows of resources	24.49%	26.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total long-term revenue bonds to total assets plus deferred outflows of resources	24.49%	26.21%	0.00%	1.86%	3.67%	5.34%	7.03%	8.53%	9.98%	11.60%
Net position to total assets plus deferred outflows of resources	70.44%	65.31%	93.11%	90.18%	89.08%	86.27%	86.61%	84.65%	83.61%	82.15%
Long-term bonds to lane miles	404.06	415.23	0.00	24.70	48.07	70.28	91.75	112.15	131.07	149.96
Long-term bonds to number of transactions/vehicles	5.24	4.75	0.00	0.28	0.55	0.83	1.12	1.39	1.59	1.62



WEST VIRGINIA PARKWAYS AUTHORITY

REVENUE BOND COVERAGE (1)

(In Thousands)

	Year Ended June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues:										
Toll revenues	\$ 156,655	\$ 132,815	\$ 95,288	\$ 93,249	\$ 93,579	\$ 88,697	\$ 84,907	\$ 83,519	\$ 83,907	\$ 81,960
Adjustment to toll revenues per Trust Indentures	-	-	(73)	(303)	(356)	(72)	(177)	(81)	(333)	480
Total revenues	<u>156,655</u>	<u>132,815</u>	<u>95,215</u>	<u>92,946</u>	<u>93,223</u>	<u>88,625</u>	<u>84,730</u>	<u>83,438</u>	<u>83,574</u>	<u>82,440</u>
Operating expenses	97,305	93,912	86,853	85,770	85,706	83,123	81,789	80,574	80,006	79,496
Adjustments to operating expenses per Trust Indentures:										
Depreciation	(46,472)	(43,734)	(40,639)	(37,318)	(36,929)	(35,357)	(36,294)	(35,595)	(32,924)	(32,227)
Renewal and replacement provided for by reserves	(2,700)	(1,500)	(2,518)	(2,031)	(2,701)	(2,476)	(3,139)	(2,789)	(2,888)	(3,280)
Economic development and tourism costs	(4,105)	(4,729)	(4,892)	(4,931)	(4,899)	(4,850)	(5,087)	(5,132)	(6,748)	(5,000)
Other	-	-	(1,355)	641	(2,054)	464	1,801	(1,286)	(2,403)	(3,098)
Total operating expenses	<u>44,028</u>	<u>43,949</u>	<u>37,449</u>	<u>42,131</u>	<u>39,123</u>	<u>40,904</u>	<u>39,070</u>	<u>35,772</u>	<u>35,043</u>	<u>35,891</u>
Net revenues available for debt service	<u>\$ 112,627</u>	<u>\$ 88,866</u>	<u>\$ 57,766</u>	<u>\$ 50,815</u>	<u>\$ 54,100</u>	<u>\$ 47,721</u>	<u>\$ 45,660</u>	<u>\$ 47,666</u>	<u>\$ 48,531</u>	<u>\$ 46,549</u>
Revenue bond coverage items:										
Total debt service	10,280	9,025	10,140	10,760	10,755	10,577	10,529	11,186	10,541	10,515
Renewal and replacement reserve requirement per recommendation of consulting engineer	<u>18,800</u>	<u>16,988</u>	<u>13,184</u>	<u>12,553</u>	<u>13,952</u>	<u>11,187</u>	<u>11,163</u>	<u>10,280</u>	<u>11,128</u>	<u>8,673</u>
Total debt service and renewal and replacement	<u>\$ 29,080</u>	<u>\$ 26,013</u>	<u>\$ 23,324</u>	<u>\$ 23,313</u>	<u>\$ 24,707</u>	<u>\$ 21,764</u>	<u>\$ 21,692</u>	<u>\$ 21,466</u>	<u>\$ 21,669</u>	<u>\$ 19,188</u>
Coverage percentages:										
Total debt service (125% required since 2019, previously 150%) (1)	<u>1095.59%</u>	<u>984.67%</u>	<u>569.68%</u>	<u>472.26%</u>	<u>503.02%</u>	<u>451.18%</u>	<u>433.66%</u>	<u>426.12%</u>	<u>460.40%</u>	<u>442.69%</u>
Total debt service and renewal and replacement per recommendation of consulting engineer (100% required)	<u>387.30%</u>	<u>341.62%</u>	<u>247.67%</u>	<u>217.97%</u>	<u>218.97%</u>	<u>219.27%</u>	<u>210.49%</u>	<u>222.05%</u>	<u>223.97%</u>	<u>242.59%</u>

(1) See Note 6, Revenue Bonds Payable

## WEST VIRGINIA PARKWAYS AUTHORITY

## TRAFFIC STATISTICS

(In Thousands, except per transaction and per mile amounts)

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of transactions:										
Passenger cars	24,487	28,526	28,966	29,146	28,924	28,006	27,154	26,934	27,549	27,140
Commercial vehicles	8,342	8,709	8,484	8,250	8,057	7,890	7,621	7,462	7,515	7,328
Total transactions	<u>32,829</u>	<u>37,235</u>	<u>37,450</u>	<u>37,396</u>	<u>36,981</u>	<u>35,896</u>	<u>34,775</u>	<u>34,396</u>	<u>35,064</u>	<u>34,468</u>
ETC penetration rate - transactions	<u>56.81%</u>	<u>49.40%</u>	<u>40.91%</u>	<u>38.83%</u>	<u>37.24%</u>	<u>36.54%</u>	<u>35.70%</u>	<u>34.20%</u>	<u>32.69%</u>	<u>30.16%</u>
Number of miles:										
Passenger cars	557,353	657,214	671,565	680,261	676,651	651,789	629,908	623,890	639,854	634,053
Commercial vehicles	343,136	354,842	345,291	336,067	328,146	320,245	308,082	300,589	302,644	296,473
Total miles	<u>900,489</u>	<u>1,012,056</u>	<u>1,016,856</u>	<u>1,016,328</u>	<u>1,004,797</u>	<u>972,034</u>	<u>937,990</u>	<u>924,479</u>	<u>942,498</u>	<u>930,526</u>
Total revenues:										
Passenger cars	\$ 68,727	\$ 64,925	\$ 49,766	\$ 48,847	\$ 50,333	\$ 46,309	\$ 44,032	\$ 43,429	\$ 43,280	\$ 42,066
Commercial vehicles	85,741	65,985	45,522	44,402	43,246	42,388	40,875	40,090	40,627	39,894
Total toll revenues	<u>\$ 154,468</u>	<u>\$ 130,910</u>	<u>\$ 95,288</u>	<u>\$ 93,249</u>	<u>\$ 93,579</u>	<u>\$ 88,697</u>	<u>\$ 84,907</u>	<u>\$ 83,519</u>	<u>\$ 83,907</u>	<u>\$ 81,960</u>
ETC penetration rate - revenue	<u>61.07%</u>	<u>55.24%</u>	<u>48.34%</u>	<u>45.66%</u>	<u>43.63%</u>	<u>42.15%</u>	<u>40.80%</u>	<u>39.09%</u>	<u>36.70%</u>	<u>35.60%</u>
Toll revenue per transaction:										
Passenger cars	\$ 2.81	\$ 2.28	\$ 1.72	\$ 1.68	\$ 1.74	\$ 1.65	\$ 1.62	\$ 1.61	\$ 1.57	\$ 1.55
Commercial vehicles	10.28	7.58	5.37	5.38	5.37	5.37	5.36	5.37	5.41	5.44
Toll revenue per mile:										
Passenger cars	\$ 0.123	\$ 0.099	\$ 0.074	\$ 0.072	\$ 0.074	\$ 0.071	\$ 0.070	\$ 0.070	\$ 0.068	\$ 0.066
Commercial vehicles	0.250	0.186	0.132	0.132	0.132	0.132	0.133	0.133	0.134	0.135
Miles per transaction:										
Passenger cars	23	23	23	23	23	23	23	23	23	23
Commercial vehicles	41	41	41	41	41	41	40	40	40	40

WEST VIRGINIA PARKWAYS AUTHORITY

NUMBER OF EMPLOYEES

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Permanent employees										
Toll	136	138	152	154	156	160	156	160	160	162
Maintenance	148	146	158	159	147	145	146	141	140	141
Other	84	86	66	61	60	55	57	53	53	55
	368	370	376	374	363	360	359	354	353	358
Temporary	52	73	62	75	76	74	78	43	98	82
Leased employees										
State Police and Public Service Commission	30	31	32	30	28	28	29	31	31	27
Tamarack	105	120	132	134	144	132	147	149	146	146

Source: West Virginia Parkways Authority

TRAFFIC ACCIDENT AND POLICING STATISTICS

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of fatalities	4	13	9	8	7	5	1	8	7	7
Fatality rate per 100 million miles traveled	0.4	1.3	0.9	0.8	0.7	0.5	0.1	0.9	0.8	0.8
Policing statistics										
Arrests	2,471	4,186	5,123	6,065	10,445	9,604	10,189	12,019	10,943	11,033
Warning tickets	18,217	11,767	17,866	17,870	20,794	25,089	24,677	24,377	20,069	16,340
Assists to motorists	1,073	1,924	3,285	2,322	3,222	2,948	2,914	3,633	2,816	2,382

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

POPULATION DEMOGRAPHICS

	Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Population - WV (1)	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994
Personal income - WV (\$ in thousands) (2)	\$ 75,952,800	\$ 73,334,400	\$ 69,872,741	\$ 68,548,511	\$ 68,272,316	\$ 67,804,094	\$ 66,037,342	\$ 63,968,460	\$ 62,178,478	\$ 60,484,487
Per capital personal income - WV (2)	\$ 42,336	\$ 40,578	\$ 37,708	\$ 37,386	\$ 37,047	\$ 36,644	\$ 35,613	\$ 34,477	\$ 33,513	\$ 32,641
Unemployment Rate - WV (3)	10.50%	4.70%	4.60%	4.60%	6.00%	7.40%	6.20%	7.30%	8.00%	9.10%

(1) Data based on the US Decennial Census

(2) Bureau of Economic Analysis

(3) Work Force WV Labor Market Information

Principal Employers in the State of West Virginia

	Ranking	
	2019	2010
Local Government	1	1
State Government	2	2
Federal Government	3	3
WVU Medicine (formerly West Virginia United Health)	4	5
Wal-Mart Associates, Inc.	5	4
Charleston Area Medical Center, Inc.	6	6
Mountain Health System	7	
Kroger	8	7
Lowe's Home Centers, Inc.	9	9
Contura Energy	10	
Wheeling Hospital, Inc.	11	
Mylan Pharmaceuticals, Inc.	12	12
Murray American Energy, Inc.	13	
Consolidation Coal		8
St. Mary's Medical Center, Inc.		10
Res-Care, Inc.		11

Population - WV

White	1,732,549	93.50%
Black	66,708	3.60%
Native American	5,559	0.30%
Asian & Pacific Islanders	14,824	0.80%
Two or more Races	33,354	1.80%
<b>Total Population</b>	<b>1,852,994</b>	<b>100.00%</b>

Source: WorkForce WV

Most Current Data Available

Note: Due to confidentiality issues, the number of people employed is not available.

## WEST VIRGINIA PARKWAYS AUTHORITY

### Significant Dates

June 30, 2020

February 1947	West Virginia Turnpike Commission created by State Legislature
October 1949	West Virginia Turnpike Commission organized
April 1952	\$96 million revenue bonds issued to construct Turnpike
August 1952	Groundbreaking
April 1954	\$37 million revenue bonds issued
September 1954	36 miles of Turnpike opened (Princeton to Beckley)
November 1954	Final 52 miles of Turnpike opened (Beckley to Charleston)
August 1971	Tri-Party Agreement of 1971
May 1973	Commenced first contract for upgrade to interstate standards
December 1979	Interest paid up-to-date on 1952 and 1954 bonds for first time
October 1982	First bonds retired from 1952 and 1954 issues
September 1987	Final upgrade to interstate standards
July 1988	Final segment of I-64 completed
December 1988	Tri-Party Agreement of 1988
June 1989	West Virginia Parkways, Economic Development and Tourism Authority created to succeed the West Virginia Turnpike Commission by State Legislature
November 1989	Issued \$143 million of Revenue Bonds
November 1989	Removed side toll charges
April 1990	Implemented commuter passes at North Beckley
March 1991	The GFOA awarded the Authority a Certificate of Achievement for Excellence in Financial Reporting for the Authority's first component unit financial report for the year ended June 30, 1990

## WEST VIRGINIA PARKWAYS AUTHORITY

### Significant Dates (Continued)

June 30, 2020

March 1993	Issued \$118 million of Series 1993 Revenue Refunding Bonds resulting in approximately \$5.2 million in net present value savings
January 1994	Implemented Parkways Authority Commuter ("PAC") card program
December 1994	Issued \$9 million of Series 1994 Raleigh County, West Virginia Commercial Development Revenue Bonds to partially finance construction of <i>TAMARACK-The Best of West Virginia</i> arts and crafts center
May 1996	Opened <i>TAMARACK-The Best of West Virginia</i> and the new Beckley Interchange (Exit 45)
December 1999	New Electronic Toll Collection System with E-ZPass interoperability through Inter Agency Group membership began operations at the Ghent toll facility. The remaining mainline toll facilities began operation in January 2000 and North Beckley began operations in March 2000
December 2001	Issued \$5.7 million of Series 2001A Taxable Commercial Development Refunding Revenue Bonds and \$5.9 million of Series 2001B Commercial Development Bonds to advance refund series 1994 and 1996 Bonds and to construct Educational, Cultural, and Banquet facilities at the Caperton Center
February 2002	Issued \$44.2 million of Series 2002 Refunding Revenue Bonds to advance refund for savings \$36 million of Series 1993 Bonds
February 2003	Issued \$63.9 million of Series 2003 Variable Rate Demand Revenue Refunding Bonds to advance refund for savings \$61.3 million of Series 1993 Bonds
June 2003	Opened Tamarack Conference Center
February 2004	House Bill #4033 adopted raising bonding capacity to \$200 million
November 2004	Celebrated 50 <sup>th</sup> Anniversary of the WV Turnpike
January 2006	Tolls rates increased for first time since 1981
February 2006	Court orders Preliminary Injunction on procedural issues and orders rates put back to December 31, 2005 levels. Accordingly, Parkways Board passes resolution eliminate rate increases

## WEST VIRGINIA PARKWAYS AUTHORITY

### Significant Dates (Continued)

June 30, 2020

March 2006	Senate Bill #557 adopted that restricts bonding authority, requires public notice and hearings for future toll or rate increases, and requires discount program prior to any increase in rates
April 2007	Board adopted Resolution to refocus the core mission of the Parkways Authority to maintenance and upkeep of the Turnpike
July 2008	Issued \$59.1 million of Series 2008 Variable Rate Demand Revenue Refunding Bonds to advance refund for savings Series 2003 Bonds
August 2009	Adopted new toll rate schedule, the first increase in 28 years. Cash toll rates increased 60% and discounts given to E-ZPass users
July 2010	Renamed and reorganized as the West Virginia Parkways Authority
December 2011	Completed upgrade of electronic toll collection system
April 2012	Board approval of the final Incident Management Plan including use of new detour system and barrier wall gates
June 2017	Senate Bill #1003 adopted authorizing Authority to continue collecting tolls, deposit proceeds from Revenue Bonds to be deposited to State Road Construction Account and requires adoption of Single Fee program
June 2018	Tri-Party Agreement of 2018
August 2018	Issued \$166.37 million of Series 2018 Senior Lien Turnpike Toll Revenue Bonds and deposited \$172.0 million to State Road Construction Account
August 2018	Memorandum of Understanding with WVDOH regarding Turnpike Widening Project
January 2019	Adopted new toll rate schedule. Cash toll rates increased 100% with discounts given to E-ZPass users including single fee program

Source: West Virginia Parkways Authority

## WEST VIRGINIA PARKWAYS AUTHORITY

### Miscellaneous Data and Statistics

June 30, 2020

Length of West Virginia Turnpike	88 miles
Number of lane miles	426
Number of bridges	116
Steel surface of bridges	4 million square feet
Interchanges	18
Toll plazas	4
Service plazas	3
Welcome Center	1
Rest areas	2
Overlooks	2
Maintenance areas	7
Administration building	1
State Police administration buildings	2

Source: West Virginia Parkways Authority



# WEST VIRGINIA PARKWAYS AUTHORITY

## Toll Rates and Vehicle Classifications

June 30, 2020

Toll Class	Axles	Description	Cash Rate	
			Mainline Plazas	Corridor "L" (U.S. Route 119)
1*	2	Passenger car	\$ 4.00	\$ 0.75
2*	3+	Passenger car with trailer	5.00	1.50
3	2/3	Motor home	5.00	1.50
4	3+	Motor home with trailer	6.50	2.50
5	2	2-Axle, dual tire trucks, RVs and buses	6.50	1.50
6	3	3-Axle trucks and buses	9.00	2.50
7	4	4-Axle trucks and semi-trailers	13.00	3.25
8	5	5-Axle trucks and semi-trailers	13.50	3.25
9	6+	6-Axle trucks and semi-trailers	19.00	4.75
10	-	Oversize trucks	24.00	14.50

\* Vehicle must be less than 7'6" in height. Passenger cars include station wagons, pickups, vans, panel trucks, recreational vehicles, sport utility vehicles, motorcycles, and other two axle single-tired trucks.

## DISCOUNT PLANS

### Single Fee Discount Plan

Valid for Personal Account plans beginning January 1, 2019. Cost is \$25 (plus one-time transponder issuance fee of \$13) per transponder for unlimited use of the entire West Virginia Turnpike for a period of one year from date of activation. Single Fee Discount Plans and transponders are non-refundable.

### Commercial Discount Plan – West Virginia E-ZPass Account

There is a \$25.00 charge for the purchase of each E-ZPass® transponder (non-refundable). The plan provides a 35% discount from the cash rate for Toll Class 1 through 4 and a 20% discount for Toll Class 5 through 10.

Example: For a 5 axle tractor-trailer, the cost per toll plaza of \$10.80 will be deducted from an E-ZPass® pre-paid account as opposed to a cash rate of \$13.50.

### Commercial Discount Plan – Non-West Virginia E-ZPass Account

Accounts are opened and managed by other E-ZPass® agencies, so there is no account maintenance or charge for transponders. The plan provides a 13% discount from the cash rate for Toll Class 5 through 10.

Example: For a 5 axle tractor-trailer, the cost per toll plaza of \$11.74 will be charged to a Non-West Virginia E-ZPass® account, as opposed to the cash rate of \$13.50.

Source: West Virginia Parkways Authority

