COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Fiscal Years Ended June 30, 2017 and 2016

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

Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2017 and 2016

Prepared by:

Director of Finance,
West Virginia Parkways Authority

West Virginia Parkways Authority

Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2017 and 2016

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Introductory Section

West Virginia Parkways Authority

West Virginia Parkways Authority

List of Authority Members, Administrative Staff, and Professional Consultants

Authority Members		Date Appointed	Term Expires (2)
Chairman	The Honorable James C. Justice, II Governor, State of West Virginia	January 16, 2017	(1)
Governor's Chairman Designee	Ann V. Urling	September 28, 2017	(1)
Secretary of Transportation	Thomas J. Smith	January 14, 2017	(1)
Vice Chairman, At Large Member	Mike Vinciguerra, Jr.	June 2, 2006	June 30, 2021
Secretary, 1st Congressional District	Tom Mainella	July 10, 2010	June 30, 2020
3rd Congressional District	William Seaver, IV	July 9, 2007	June 30, 2020
3rd Congressional District	Douglas M. Epling	January 29, 2009	June 30, 2022
1st Congressional District	William Cipriani	May 10, 2013	June 30, 2019
2nd Congressional District	Troy N. Giatras	January 12, 2017	June 30, 2019
2nd Congressional District	Alisha G. Maddox	July 1, 2017	June 30, 2021

Administrative Staff

General Manager	Gregory C. Barr
Executive Assistant	Robin Shamblin
General Counsel	A. David Abrams, Jr.
Director of Finance	Parrish T. French
Chief Engineer	Ronald B. Hamilton
Director of Maintenance	James F. Meadows
Director of Tolls	Douglas E. Ratcliff
Director of Customer Service	D. Wayne Webb
Director of Purchasing	Margaret Vickers
Director of Operations and Training	Tyrone C. Gore
Director of Human Resources	Sherry Lilly
Officer in Charge of State Police	Captain T. L. Bragg
Executive Director – Tamarack	Jim Browder

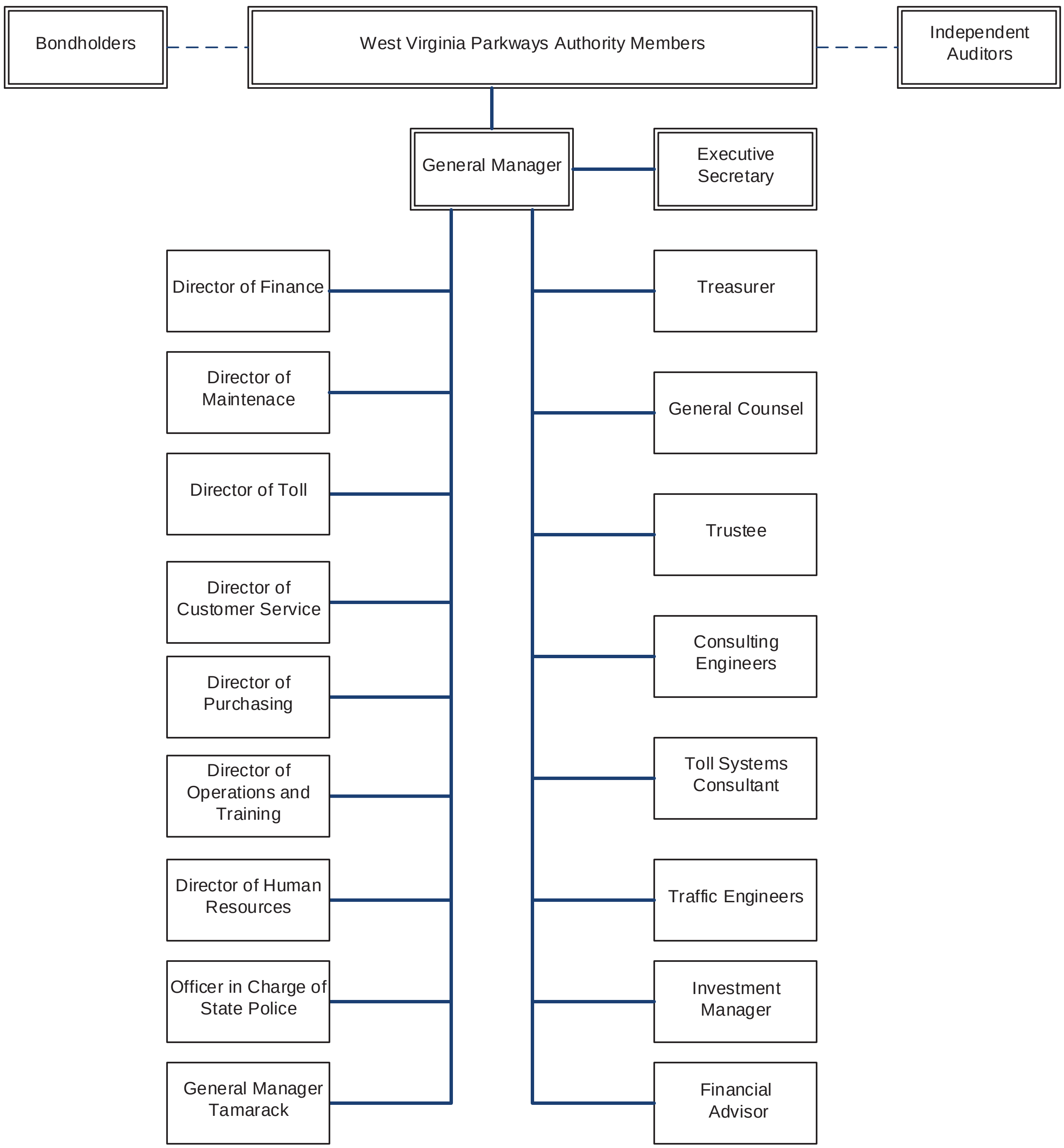
Professional Consultants

Trustee	United Bank, Inc., Charleston, West Virginia
Independent Auditor	Suttle & Stalnaker, PLLC, Charleston, West Virginia
General Counsel	Abrams & Byron, Beckley, West Virginia
	Bowles Rice, LLP Charleston, West Virginia
Bond Counsel	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
Investment Advisor	BB&T Scott & Stringfellow

(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



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Jim Justice
Governor

Thomas J. Smith, P.E.
Cabinet Secretary
WVDOT

December 22, 2017

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, 2017 and 2016, 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 l947. 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 in 1958 it was incorporated into the nationwide Interstate and Defense Highway System. 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 through the use of 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 June, 1994. These repaid funds were used by the Department for highway projects located within 75 miles of the Turnpike.

The Turnpike System

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.

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 approximately 50% of toll revenues. The Turnpike is also important to summer and holiday travelers. Average daily passenger car traffic increases by approximately 28% during the summer travel months of June, July and August. Studies have indicated approximately 76% of toll revenues are collected from out-of-state vehicles.

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 deferred maintenance and capital needs. The Turnpike does not regularly receive any other State or Federal funds to assist with maintenance or operations.

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 where there is a toll barrier facility.

The Authority is a member of the E-ZPass® Group which develops guidelines for and facilitates the electronic collection of tolls among at least 27 toll agencies from 16 states in 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 in 2016. The West Virginia Turnpike processes 38.8% of toll transactions and collects 45.7% of toll revenue with the E-ZPass® system.

Reorganization

In 2010, the Authority's enabling legislation was amended to rename and reorganize the organization as the West Virginia Parkways Authority. The structure of the Authority's governance board was expanded to nine members and includes 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. Members are appointed to five year terms.

Governor's Road To Prosperity

On June 22, 2017, West Virginia Governor Jim Justice signed Senate Bill 1003 (S.B. 1003) into law, 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 is expected to issue toll revenue bonds to fund in total approximately $500 million in transportation projects to be issued in multiple series over the next three years. For its first issuance, the Authority in conjunction with the West Virginia Division of Highways seeks to construct various projects including a portion of the King Coal Highway, West Virginia Route 10 improvements and other major bridge rehabilitation and reconstruction projects.

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 require the Authority to implement a Single Fee Program in order to continue and/or raise tolls on the Turnpike beyond 2019. The Single Fee Program is intended to enable the Authority to allow 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 Single Fee 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.

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 has 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 will be used to alleviate an estimated $335 million in essential deferred maintenance and capital needs backlog, including $242 million for paving.

Beginning in 2010, improvements in pavement ride quality on some sections of the Turnpike became apparent. While approximately 40% of pavements were condition assessed as good or very good in 2010, by May, 2017 the goal of having 80% of pavements condition assessed as good or very good had been attained. Major construction projects in 2017 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. Two bridges were replaced similarly in 2017.

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 at an estimated annual cost of $22 million.

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 two 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 and by Petroleum Marketers, Inc., the fuel service provider. 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. The old structure was in dire need of replacement. The new facility 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 became responsible for the promotion and enhancement of the State tourism industry and to assist in economic and tourism development opportunities. The Authority designated revenues from restaurants and service stations to be used for this new responsibility. No toll revenues were used for economic development and tourism projects. During the April 12, 2007 Authority board meeting, a resolution was passed to refocus the Authority's core and principal mission to 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, have been eliminated. Legislation approved in 2010 further restricted the Authority from future involvement in any other economic development projects.

Accounting Policies and Internal Controls

The Authority's 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.

In June 2012, the Authority voted to participate in the State of West Virginia's Enterprise Resource Planning (ERP) project as an agency of the Department of Transportation. In 2014, the Authority began the transition to the State's new ERP System. The State calls this project wvOASIS and it is a comprehensive suite of commercially available integrated modules that provide end-to-end support for statewide administrative functions. ERP includes personnel, payroll, procurement, accounts payable, accounting and project management. The Authority began using the new system on July 8, 2014 for financial and procurement purposes. Also, the new wvOASIS system is designed to provide for integration of Purchasing Card ("P-Card") use to enhance the efficiencies of purchasing and reduce the number of disbursements as well as on-line reconciliation of monthly usage by P-Card holders. All purchasing policies, including bidding and approvals for different levels of purchasing authority, will still apply. The Authority participated in "Wave 2" implementation of the human resources and payroll modules which occurred during 2016.

Tri-Party Agreement of 1988 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 all maintenance of the improved facility utilizing toll revenues. The 1971 agreement was superseded and replaced in 1988.

The 1988 agreement specifies (a) that tolls collected be used only on the Turnpike for construction and reconstruction costs, and for costs necessary for operations, maintenance, payment and refinancing of debt service including resurfacing, reconstruction, rehabilitation and restoration; (b) that any bonds issued or any costs incurred will not cause tolls to be increased to an unreasonable amount, and that prior to issuing any bonds the Authority will notify the Department and FHWA of the total amount to be issued and the specific amounts and purposes for which proceeds of such bonds are to be used; and (c) that all records are subject to audit by the Department and/or FHWA.

Operations of the Authority are also controlled by the provisions of a Trust Indenture, dated February 15, 1993, as supplemented. 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, 2017 and 2016.

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 27 years through the period ended June 30, 2016, 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,

Gregory C. Barr, General Manager

Parrish T. French, Director of Finance

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, 2016

Jeffrey R. Emer

Executive Director/CEO

Financial Section

West Virginia Parkways Authority

Suttle & Stalnaker PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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, 2017 and 2016, 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 15 through 20, the schedule of proportionate share of the net pension liability, and schedule of pension contributions, and related note on pages 48 through 50 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 and statistical section are presented for purposes of additional analysis and is 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.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 2, 2017

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, 2017 which should be read in conjunction with the Authority's basic financial statements.

FINANCIAL HIGHLIGHTS

- The total number of transactions on the West Virginia Turnpike during fiscal year 2017 increased 1.1% from fiscal year 2016. Total net toll revenues including an increase in the utilization of available discount programs and results of toll enforcement collections programs resulted in a decrease in toll revenue of approximately $840 thousand or 0.9%.

- In conjunction with the adoption of the new toll rate schedule in August 2009, the Authority implemented a ten-year program to address the then approximately $335 million backlog of essential deferred maintenance and capital needs identified with the Authority's consulting engineers. In addition to the increased activity of the Authority's own maintenance staff, the Authority has utilized over $249.6 million of capital towards roadway reconstruction, rehabilitation and repair and other capital expenditures since the rate increase. At June 30, 2017, the Authority had contractual commitments totaling approximately $28.7 million for various Turnpike System improvement projects.

- Excluding depreciation, operating expenses decreased $835 thousand or 1.71% from 2016. Decreases in expenditures related to salt, damage claims and recoveries, guardrail replacement, and other maintenance expenses.

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 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.

FINANCIAL ANALYSIS

Operating Revenue

Toll revenues represent the major source of funding for the Authority. Passenger car traffic volume increased 0.8% and large commercial traffic volume increased by 2.4% during 2017. Passenger car toll revenues increased 0.4% and large commercial toll revenues increased by 1.5%. Total net toll revenues including an increase in the utilization of available discount programs and results of toll enforcement collections programs resulted in a decrease in toll revenue of approximately $840 thousand or 0.9%.

CHANGES IN NET POSITION INFORMATION
(in Thousands)

	2017	2016	2015	Change '17-'16
Revenues:				
Operating revenues:				
Toll revenues	$ 92,739	$ 93,579	$ 88,697	(0.9)%
Other revenues	7,370	7,404	6,797	(0.5)%
Nonoperating revenues:				
Net investment revenue	280	336	338	(16.7)%
Total revenues	100,389	101,319	95,832	(0.9)%
Expenses:				
Operating expenses:				
Maintenance	24,546	24,791	25,488	(1.0)%
Toll collection	9,857	9,566	9,273	3.0%
Traffic enforcement and communications	3,231	3,172	3,912	1.9%
General and administrative	10,308	11,248	9,093	(8.4)%
Depreciation	37,318	36,929	35,357	1.1%
Nonoperating expenses:				
Interest expense	2,210	2,631	2,784	(16.0)%
Total expenses	87,470	88,337	85,907	1.0%
Change in net position	12,919	12,982	9,925	(0.5)%
Net position, beginning of year	488,099	475,117	472,883	2.7%
Net effect of change in accounting policy	-	-	(7,691)	0.0%
Net position, beginning of year, as restated	488,099	475,117	465,192	2.7%
Net position, end of year	$ 501,018	$ 488,099	$ 475,117	2.6%

In early 2009, the Authority engaged its consulting engineer to study the Turnpike's projected operating expenses, renewal and replacement requirements and essential deferred maintenance and capital needs. Factors prompting this decision included a combination of increasing costs and declining traffic and toll revenues exacerbated by the global economic recession, a growing backlog of essential deferred maintenance and capital needs and the potential for a technical default on the Turnpike Bonds. A technical default could have occurred if the Authority had adopted a fiscal year 2010 budget based on the old toll rate schedule and the debt service coverage requirement under its bond indentures had not been met.

In April 2009, the consulting engineers recommended the Authority implement a ten-year program to address the backlog of essential deferred maintenance and capital needs estimated to cost $335 million. It was estimated that the Authority would need just over $20 million of additional revenue for fiscal year 2010 increasing each future fiscal year by approximately 4% per year for inflation and escalation. The additional toll revenue is anticipated to fully fund this program without the issuance of additional debt by the Authority.

Concurrently, the Authority engaged its traffic engineer to study and report on recent transaction and revenue trends and to develop traffic and revenue forecasts under the previous toll rate schedule as well as under various levels of toll rates, and to make a recommendation as to the least increase in toll rates, combined with the largest discount for electronic toll customers, that is estimated to produce enough annual toll revenue to meet the ten year program as outlined by the consulting engineer.

On July 1, 2009, the Authority adopted a new toll and discount rate schedule that became effective August 1, 2009. Cash toll rates were increased by approximately 60% from $1.25 to $2.00 per barrier for passenger cars and from $4.25 to $6.75 per barrier for 5-axle tractor-trailers. All other classes were increased proportionately. As required by State Code, discounts for all classes of vehicles paying by electronic transponders issued by the Parkways Authority were also adopted. For passenger cars, the discount for paying with an Authority issued E-ZPass® transponder is 35%. For commercial trucks, the discount for using any E-ZPass® is 13%, and for using an Authority issued E-ZPass® is 20%.

Beginning in the fiscal year ended June 30, 2010, toll revenues exceeded projections allowing the Authority to proceed with the plan ahead of schedule. The Authority has utilized over $249.6 of capital towards roadway reconstruction, rehabilitation and repair and other capital expenditures since the rate increase.

Operating Expenses

For the year ended June 30, 2017, total operating expenses decreased 0.5% or $446 thousand. Depreciation expense increased $389 thousand due to the increasing amount of infrastructure projects being placed in service. Decreases in expenditures were related to salt, damage claims and recoveries, guardrail replacement and other maintenance expenses.

For the year ended June 30, 2016, total operating expenses increased 3.1% or $2.6 million. Depreciation expense increased $1.6 million due to the increasing amount of infrastructure projects being placed in service. Additionally, there were increases in other expenditures related to salt, damage claims and recoveries, guardrail replacement, and other maintenance expenses.

Non-operating Revenue and Expense

Interest expense decreased 16.0% in 2017 and 5.5% in 2016 due to the amortization of principal and stabilization of the Authority's variable interest rate associated with the Series 2008 Toll Revenue Bonds. Net investment revenue has been reduced to historically low levels as a result of the low interest rates on low risk securities such as those held as investments by the Authority.

CONDENSED STATEMENTS OF NET POSITION INFORMATION
(in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016	2015	Change '17-'16
Current assets	$ 68,601	$ 61,088	$ 61,774	12.3%
Long-term investments	27,806	25,603	22,989	8.6%
Capital assets, net	451,041	453,833	458,292	(0.6)%
Total assets	547,448	540,524	543,055	1.3%
Deferred outflows	8,126	7,402	7,663	9.8%
Total assets plus deferred outflows	$ 555,574	$ 547,926	$ 550,718	1.4%
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
Current liabilities	$ 21,367	$ 18,720	$ 24,704	14.1%
Long-term revenue bonds	10,523	20,479	29,939	(48.6)%
Other long-term liabilities	21,465	17,033	14,495	26.0%
Total liabilities	53,355	56,232	69,138	(5.1)%
Deferred inflows	1,201	3,595	6,463	(66.6)%
Total liabilities plus deferred inflows	54,556	59,827	75,601	(8.8)%
Net position:				
Net investment in capital assets	432,154	426,447	422,704	1.3%
Restricted	65,834	58,626	51,094	12.3%
Unrestricted	3,030	3,026	1,319	0.1%
Total net position	501,018	488,099	475,117	2.6%
Total liabilities, deferred inflows and net position	$ 555,574	$ 547,926	$ 550,718	1.4%

Assets

The Authority's cash and investment balances increased by $10.8 million in the year ended June 30, 2017. For the years ended June 30, 2017 and 2016, ending cash balances remained relatively consistent.

For the year ended June 30, 2017, net capital assets decreased $2.8 million with capital improvements of $34.5 million less depreciation expense of $37.3 million. For the year ended June 30, 2016, net capital assets decreased by $4.4 million as the result of capital improvements of $32.5 million offset by $36.9 million of depreciation expense.

Liabilities

For the year ended June 30, 2017, total liabilities and deferred inflows of resources decreased $5.3 million. Current liabilities increased due to the timing of invoices related to infrastructure projects in progress. Regularly scheduled principal maturities contributed to the decrease in long-term debt. Other long-term liabilities increased due to an increase in the net pension liability.

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

Agency	Rating
Standard & Poor's	AA-
Moody's Investors Service	Aa3

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, 2017 amounted to approximately $1.213 billion of gross asset value with accumulated depreciation of approximately $762 million, leaving a net book value of approximately $451 million. Capital assets represented 81.2% of the Authority's total assets and deferred outflows of resources at June 30, 2017. Additional information on the Authority's capital assets can be found in the Note 5 to the financial statements.

LONG-TERM DEBT

In 2002, the Authority issued $44.2 million in Revenue Refunding Bonds which are due in varying installments through May 2019. These Bonds were issued for the express purpose of defeasing $36.0 million of the Authority's Series 1993 Bonds.

In 2008, the Authority issued $59.1 million of Variable Rate Demand Revenue Refunding Bonds which are due in varying installments through May 2019. These Bonds were issued for the express purpose of refunding $59.1 million of the Authority's Series 2003 Bonds.

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

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 EZPass transponder is required under these new provisions.

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, 2017 and 2016
(In Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2017	2016
Current assets:		
Cash and cash equivalents	$ 31,872	$ 31,713
Short-term investments	28,790	20,384
Accounts receivable	3,518	3,624
Accrued interest receivable	102	93
Inventory	3,780	3,891
Other	539	1,383
Total current assets	68,601	61,088
Noncurrent assets:		
Investments in securities maturing beyond one year	27,806	25,603
Capital assets, net	451,041	453,833
Total noncurrent assets	478,847	479,436
Total assets	547,448	540,524
Deferred outflows of resources:		
Deferred outflows related to pension	6,052	3,515
Fair value of hedging derivative instrument	633	1,484
Deferred bond refunding loss:		
Series 2002 revenue bonds	588	959
Series 2008 revenue bonds	853	1,444
Total deferred outflows of resources	8,126	7,402
Total assets plus deferred outflows of resources	$ 555,574	$ 547,926
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 5,023	$ 2,648
Accrued interest payable	115	166
Customer deposits	2,357	2,459
Other accrued liabilities	3,294	3,402
Current portion of compensated absences	773	735
Current portion of long-term revenue bonds	9,805	9,310
Total current liabilities	21,367	18,720
Noncurrent liabilities:		
Noncurrent portion of long-term revenue bonds, net of unamortized premiums:		
Series 2002 revenue bonds	3,823	7,379
Series 2008 revenue bonds	6,700	13,100
	10,523	20,479
Noncurrent portion of compensated absences	224	262
Net pension liability	10,007	5,848
Accrued post-employment benefits other than pensions	11,234	10,923
Total noncurrent liabilities	31,988	37,512
Total liabilities	53,355	56,232
Deferred inflows of resources:		
Fair value of hedging derivative instrument	633	1,484
Deferred inflows related to pension	568	2,111
Total deferred inflows of resources	1,201	3,595
Total liabilities plus deferred inflows of resources	54,556	59,827
Net position:		
Net investment in capital assets	432,154	426,447
Restricted by trust indenture and tri-party agreement	65,834	58,626
Unrestricted	3,030	3,026
Total net position	501,018	488,099
Total liabilities, deferred inflows of resources and net position	$ 555,574	$ 547,926

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, 2017 and 2016
(In Thousands)

	2017	2016
Operating revenues:		
Toll revenues	$ 92,739	$ 93,579
Other revenues	7,370	7,404
Total operating revenues	100,109	100,983
Operating expenses:		
Maintenance	24,546	24,791
Toll collection	9,857	9,566
Traffic enforcement and communications	3,231	3,172
General and administrative	10,308	11,248
Depreciation	37,318	36,929
Total operating expenses	85,260	85,706
Operating income	14,849	15,277
Nonoperating revenues (expenses):		
Interest expense	(2,210)	(2,631)
Net investment revenue	280	336
Nonoperating revenues (expenses), net	(1,930)	(2,295)
Change in net position	12,919	12,982
Net position, beginning of year	488,099	475,117
Net position, end of year	$ 501,018	$ 488,099

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 CASH FLOWS

Years Ended June 30, 2017 and 2016
(In Thousands)

	2017	2016
Cash flows from operating activities:		
Cash received from customers and users	$ 100,007	$ 101,202
Cash paid to employees	(24,417)	(25,476)
Cash paid to suppliers	(21,971)	(26,353)
Net cash provided by operating activities	53,619	49,373
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(32,420)	(38,829)
Debt service for revenue bonds:		
Principal	(9,311)	(8,994)
Interest	(1,399)	(1,839)
Net cash used in capital and related financing activities	(43,130)	(49,662)
Cash flows from investing activities:		
Purchase of investments	(45,351)	(49,865)
Proceeds from sales and maturities of investments	34,741	45,605
Interest from investments	280	336
Net cash used in investing activities	(10,330)	(3,924)
Increase (decrease) in cash and cash equivalents	159	(4,213)
Cash and cash equivalents, beginning of year	31,713	35,926
Cash and cash equivalents, end of year	$ 31,872	$ 31,713
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 14,849	$ 15,277
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	37,318	36,929
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	98	(809)
(Increase) decrease in inventory	111	(546)
(Increase) decrease in other current assets	844	(524)
(Increase) decrease in deferred outflows of resources	(2,537)	(1,462)
Increase (decrease) in accounts payable and other liabilities	8	43
Increase (decrease) in deferred inflows of resources	(1,543)	(2,088)
Increase (decrease) in net pension liability	4,159	1,923
Increase (decrease) in accrued post-employment benefits	312	630
Net cash provided by operating activities	$ 53,619	$ 49,373

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

NOTE 1 - FINANCIAL REPORTING ENTITY

Pursuant to Senate Bill 427, the Authority's legal name was changed to the West Virginia Parkways Authority effective July 1, 2010. 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 an Act (the Act) of the West Virginia Legislature effective June 1, 1989. All the duties, powers, and functions of the Turnpike Commission were transferred to the Authority. Under the Act, the Authority assumed all assets, property, obligations, indebtedness, and other liabilities of the Turnpike Commission and personnel of the Turnpike Commission were transferred to the employment of the Authority. The Authority has the power to enact and amend its operating budget, and receives no appropriations from the State of West Virginia (the State). The State's Governor or his designee serves as chairman of the Authority and the State's Secretary of Transportation serves as a board member. The other 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016, management believes that all accounts receivable will be collected; therefore, no allowance for doubtful accounts has been booked.

Inventory

Inventory 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. 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.

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 7).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Customer Deposits

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

Bond Discounts, Premiums and Deferred Loss on Advance Refunding

Bond discounts and premiums are being accreted and amortized over the varying terms of the bonds issued. The difference between the reacquisition price and the net carrying amount of refunded debt is reported in the financial statements as a deferred outflow of resources, with the related amortization of such deferral being charged to interest expense using the straight-line 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, plus deferred refunding loss on debt related to the acquisition, construction or improvement of those 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.

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.

(In thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Revenues

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

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 2, 2017, the date the financial statements were issued.

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 $31,872 and $31,713 in 2017 and 2016, respectively.

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

As disclosed in this Note:		
Total deposits with outside banks	$ 26,185	
Total WV State Treasurer's Office	5,687	
Total WV Short Term Bond Pool	3,248	
Total other investments	53,348	
		$ 88,468
As reported on the Statement of Net Position:		
Cash and cash equivalents	$ 31,872	
Short-term investments	28,790	
Investments in securities maturing beyond one year	27,806	
		$ 88,468

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The cost of investment securities is allocated at June 30, 2017 and 2016, among the following restricted and designated accounts created under the various Trust Indentures or by the adoption of Authority resolution (in thousands):

	June 30	
	2017	2016
Restricted and designated assets:		
Assets restricted by trust indenture and tri-party agreement		
Series 1993, 2002, and 2008 Reserves	$ 10,808	$ 10,851
Renewal and replacement	13,832	14,437
Operating and maintenance	4,974	4,976
Series 2002 debt service	1,191	1,426
Series 2008 debt service	2,052	700
Reserve revenue, restricted by tri-party agreement	41,230	29,292
Insurance liability	1,000	1,000
Patron account	2,357	2,459
Total restricted	77,444	65,141
Non toll revenue fund	3,030	3,026
Total restricted and designated assets as allocated by trust indentures	$ 80,474	$ 68,167

The assets restricted by the 1993 Trust Indenture, as supplemented, must be used for construction, Turnpike maintenance and operation, and debt service. The Trust Indentures require that the balance in the 1993, 2002, and 2008 Reserve Account equal maximum annual debt service for such bonds. The balance in the 1993, 2002, and 2008 Debt Service Accounts are required by the Trust Indentures to have a balance equal to accrued debt service for the current year plus one-twelfth of the debt service which will accrue in the next succeeding fiscal year. The Trust Indentures also require that a reserve be established for Renewal and Replacement that equals the consulting engineer’s recommendations for the year. The Operations and Maintenance Account is required by the Trust Indentures to maintain a balance equal to one-eighth of budgeted operating expenses for the fiscal year.

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

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

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.

(In thousands)

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, 2017, the Authority had the following investments and maturities (in years):

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	10+
Government agency bonds	$ 42,103	$ 15,442	$ 26,661	$ -	$ -
Corporate bonds	3,248	3,248	-	-	-
Certificate of deposit – financial institution	11,245	10,100	1,145	-	-
	$ 56,596	$ 28,790	$ 27,806	$ -	$ -

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 $26,185 and $29,080 at June 30, 2017 and 2016, respectively. These deposits, which had a bank balance of $25,883 and $25,610, 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, 2017, the Authority had investment balances with the following issuers which were greater than or equal to 5% of the Authority's total investment balance:

Security Type	Issuer	Percentage of Investments
Government agency bonds	Federal Home Loan Mortgage Corp.	30%
	Federal National Mortgage Association	28
	Federal Farm Credit Bank	7
	Freddie Mac Sovereign Agency	5

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.

(In thousands)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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 corporate bonds to be rated BBB- or higher by Standard & Poor's (or its equivalent). Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. 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:

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets
Commercial paper	P-1	A-1+	$ 9,963	1.32%
	P-1	A-1	13,940	1.85
Corporate asset backed securities	Aaa	AAA	68,441	9.06
	Aaa	NR	79,853	10.58
	NR	AAA	67,375	8.92
	NR	AA	2,003	0.26
Corporate bonds and notes	Aaa	AA+	2,935	0.39
	Aaa	AA+	4,019	0.53
	Aa1	AA+	5,027	0.67
	Aa2	AA+	4,036	0.53
	Aa2	AA	6,989	0.93
	Aa2	AA-	17,124	2.27
	Aa3	AA-	15,106	2.00
	Aa2	A	4,011	0.53
	Aa3	A+	1,104	0.15
	A1	AA-	16,588	2.20
	A1	A+	19,078	2.53
	A1	A	6,355	0.84
	A1	A-	7,276	0.96
	A2	A+	2,616	0.35
	A2	A	25,032	3.32
	A2	A-	10,079	1.33
	A3	A	10,747	1.42

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Corporate bonds and notes (continued)	A3	A-	30,242	4.01
	A3	BBB+	20,183	2.67
	Baa1	A	1,501	0.20
	Baa1	A-	11,991	1.59
	Baa1	BBB+	47,392	6.28
	Baa1	BBB	8,495	1.12
	Baa2	A-	1,018	0.13
	Baa2	BBB	28,770	3.81
	Baa2	BBB-	3,000	0.40
	Baa2	NR	2,000	0.26
	Baa2	BBB+	10,268	1.36
	Baa3	BBB	15,627	2.07
	Baa3	BBB-	7,166	0.95
	Ba1	BBB	2,005	0.27
	Ba1	BBB-	2,304	0.31
	Ba2	BBB-	824	0.11
	NR	BBB+	2,637	0.35
	NR	BBB-	1,990	0.26
U.S. agency mortgage backed securities	Aaa	AA+	37,287	4.94
Corporate mortgage backed securities	Aaa	AAA	4,217	0.56
	Aaa	NR	17,281	2.29
U.S. Treasury notes *	Aaa	AA+	87,588	11.60
Money market funds	Aaa	AAAm	11,479	1.52
			$ 754,962	100.00%

NR = Not Rated

* U.S. agency mortgage-backed securities are explicitly guaranteed by the United States Government and are not subject to credit risk.

At June 30, 2017 and 2016, the Authority ownership of approximately $3,248 represents 0.4% and ownership of approximately $3,208 represents 0.4%, respectively, of these amounts held by the BTI.

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 cannot exceed 731 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:

	2017		2016	
Security Type	Carrying Value (In Thousands)	Effective Duration (Days)	Carrying Value (In Thousands)	Effective Duration (Days)
Corporate mortgage-backed securities	$ 21,498	347	$ 29,402	338
Corporate bonds and notes	355,535	412	386,556	480
Corporate asset-backed securities	217,672	423	227,907	302
Commercial paper	23,903	113	-	-
U.S. Treasury bonds and notes	87,588	766	89,497	1,034
U.S. agency mortgage-backed securities	37,287	148	47,311	175
Money market funds	11,479	1	10,077	1
	$ 754,962	426	$ 790,750	462

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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.

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 2 assets include certificates of deposit not considered cash equivalents.

- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Level 3 assets include the interest rate swap on the series 2008 refunding variable rate bonds.

(In thousands)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

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

Fair Value Measurements at Reporting Date Using

June 30, 2017	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government agency bonds	$ 42,103	$ 42,103	$ -	$ -
Corporate bonds	3,248	3,248	-	-
Certificates of deposit	11,245	-	11,245	-
Total investments at fair value	$ 56,596	$ 45,351	$ 11,245	$ -
Deferred outflows of hedging derivative instrument	$ 633	$ -	$ -	$ 633
Deferred inflows of hedging derivative instrument	(633)	-	-	(633)
Total hedging derivative instrument at fair value	$ -	$ -	$ -	$ -

June 30, 2016	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government agency bonds	$ 31,518	$ 31,518	$ -	$ -
Corporate bonds	3,208	3,208	-	-
Certificates of deposit	11,261	-	11,261	-
Total investments at fair value	$ 45,987	$ 34,726	$ 11,261	$ -
Deferred outflows of hedging derivative instrument	$ 1,484	$ -	$ -	$ 1,484
Deferred inflows of hedging derivative instrument	(1,484)	-	-	(1,484)
Total hedging derivative instrument at fair value	$ -	$ -	$ -	$ -

(In thousands)

NOTE 5 - CAPITAL ASSETS

A summary of capital assets at June 30 follows:

2017	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 53,247	$ -	$ -	$ 53,247
Capital assets, depreciable:				
Buildings	103,237	-	-	103,237
Equipment	16,785	2,483	-	19,268
Infrastructure	1,005,361	32,043	-	1,037,404
Total capital assets being depreciated	1,125,383	34,526	-	1,159,909
Less accumulated depreciation for:				
Buildings	(76,791)	(2,531)	-	(79,322)
Equipment	(11,167)	(796)	-	(11,963)
Infrastructure	(636,839)	(33,991)	-	(670,830)
Total accumulated depreciation	(724,797)	(37,318)	-	(762,115)
Total depreciable capital assets, net	400,586	(2,792)	-	397,794
Total capital assets, net	$ 453,833	$ (2,792)	$ -	$ 451,041

2016	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 53,247	$ -	$ -	$ 53,247
Capital assets, depreciable:				
Buildings	103,237	-	-	103,237
Equipment	14,861	1,924	-	16,785
Infrastructure	974,815	30,546	-	1,005,361
Total capital assets being depreciated	1,092,913	32,470	-	1,125,383
Less accumulated depreciation for:				
Buildings	(73,252)	(3,539)	-	(76,791)
Equipment	(10,472)	(695)	-	(11,167)
Infrastructure	(604,144)	(32,695)	-	(636,839)
Total accumulated depreciation	(687,868)	(36,929)	-	(724,797)
Total depreciable capital assets, net	405,045	(4,459)	-	400,586
Total capital assets, net	$ 458,292	$ (4,459)	$ -	$ 453,833

Interest cost capitalized was $138 and $177 for the years ended June 30, 2017 and 2016, respectively.

(In thousands)

NOTE 6 - REVENUE BONDS PAYABLE

Revenue bonds payable consisted of the following at June 30:

	2017	2016
Series 2002 Serial Bonds, issued $44,205 in February 2002 at 3.50% to 5.25%, due in varying installments from May 2002 through May 2019	$ 6,990	$ 10,200
Series 2008 Variable Rate Demand Revenue Refunding Bonds, $59,100 at variable rates, due in varying installments through April 2019	13,100	19,200
Total revenue bonds payable	20,090	29,400
Add:		
Unamortized premium	238	389
Less:		
Current portion of revenue bonds payable	(9,805)	(9,310)
Total long term revenue bonds payable	10,523	20,479
Less:		
Unamortized deferred loss on advance refunding	(1,441)	(2,403)
	$ 9,082	$ 18,076

The Revenue Bonds under the 1993, 2002, 2003, and 2008 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 $10,760, $10,755, and $10,577, for the years ended June 30, 2017, 2016, and 2015, respectively. Total pledged revenues were approximately $50,815, $54,100, and $47,721, which represents 472.26%, 503.02%, and 451.18% of the total debt service, respectively, for the years ended June 30, 2017, 2016, and 2015.

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 2019, approximated $371 in 2017 and 2016. 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.

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 2019, approximated $569 in 2017 and 2016, respectively. The Authority completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds.

(In thousands)

NOTE 6 - REVENUE BONDS PAYABLE (Continued)

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.

The Authority has an interest rate swap derivative instrument to synthetically fix, on a current basis, the Series 2008 Refunding Variable Rate Bonds in order to hedge interest rate fluctuations. The key provisions of the instrument are:

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	$13,100
Effective Date	July 2, 2008
Maturity Date	April 15, 2019
Terms	Pay 4.387%, receive 67% of One Month LIBOR

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rate implied by the yield curve correctly anticipates future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the swap. At June 30, 2017 and 2016, the decrease in the value of the swap since inception was equal to the market value of the swap creating a deferred inflow of resources that offsets the deferred outflow of resources in the Statements of Net Position.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2017, and the change in fair value of the instrument for the year ended June 30, 2017, as reported in the 2017 financial statements are as follows:

Changes in fair value:	
Increase (decrease)	$ (851)
Fair value at June 30, 2017	
Amount	$ 633

Risks

Credit Risk - The credit ratings of the counterparty to the interest rate swap are A1 from Moody's, A+ from Standard & Poor's, and A+ from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2017, no collateralization was required by the interest rate swap agreement.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the interest rate swap.

(In thousands)

NOTE 6 - REVENUE BONDS PAYABLE (Continued)

Basis Risk - The Authority is exposed to basis risk on the fixed interest rate swap because the variable-rate payments received by the Authority on this hedging derivative instrument are based on rates other than the interest rate the Authority pays on the hedged variable-rate debt.

Termination Risk - The interest rate swap agreement provides for certain events that could cause the counterparty or the Authority to terminate the swap. The swap may be terminated by the counterparty or the Authority if the other party fails to make payments when due, there is a material breach of representations and warranties, an event of illegality occurs, and failure to comply with any other provisions of the agreement after a specified notice period.

In addition, if the counterparty fails to maintain ratings of at least Baa3 by Moody's and BBB- by Standard and Poor's, the swap may be terminated by the Authority. If the Authority fails to maintain ratings of at least Baa3 by Moody's and BBB- by Standard and Poor's, the swap may be terminated by the counterparty. The amount of the termination payment is determined by market quotation by obtaining pricing levels from at least three reference market makers.

The Authority has the right to optionally terminate the swap agreement at any time. The termination amount owed by either the Authority or the counterparty may be determined by market quotation. If at the time of termination the swap has a negative fair value, the Authority would owe the counterparty a payment equal to the swap's fair value.

Rollover Risk - The Authority is exposed to rollover risk on the hedging interest rate swap that may be terminated prior to the maturity of the hedged debt.

Swap Payments and Associated Debt - Using rates as of June 30, 2017, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending	Variable-Rate Bonds		Interest Rate	
June 30	Principal	Interest	Swap, Net	Total
2018	$ 6,400	$ 246	$ 472	$ 7,118
2019	6,700	128	241	7,069
	$ 13,100	$ 374	$ 713	$ 14,187

Bonds Payable Progression and Maturities

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

2017	Beginning Balance	Additions	Retired	Amortization	Ending Balance	Due Within One Year
Series 2002	$ 10,589	$ -	$ (3,210)	$ (150)	$ 7,229	$ 3,405
Series 2008	19,200	-	(6,100)	-	13,100	6,400
	$ 29,789	$ -	$ (9,310)	$ (150)	$ 20,329	$ 9,805

(In thousands)

NOTE 6 - REVENUE BONDS PAYABLE (Continued)

2016	Beginning Balance	Additions	Retired	Amortization	Ending Balance	Due Within One Year
Series 2002	$ 13,834	$ -	$ (3,095)	$ (150)	$ 10,589	$ 3,210
Series 2008	25,100	-	(5,900)	-	19,200	6,100
	$ 38,934	$ -	$ (8,995)	$ (150)	$ 29,789	$ 9,310

Debt service requirements for the Revenue Bonds subsequent to June 30, 2017, are as follows:

Year Ending June 30	Principal Maturities	Interest, Including Accretion	Total
2018	$ 9,805	$ 914	$ 10,719
2019	10,285	454	10,739
	$ 20,090	$ 1,368	$ 21,458

Principal outstanding June 30, 2017	$ 20,090
Add:	
Unamortized premium	238
Less:	
Current portion of revenue bonds payable	(9,805)
Long-term portion	$ 10,523

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, 2017 and 2016, the Authority's estimated arbitrage rebate liability was zero.

NOTE 7 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Authority participates in the West Virginia Other Post-employment Benefit Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund (RHBT), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the West Virginia Public Employees Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, S.E., Suite 2, Charleston, West Virginia, 25304-2345, or by calling 1-888-680-7342.

NOTE 7 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy

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

The Authority's OPEB liability was $11,234, $10,923, and $10,293, and total OPEB expense was $1,024, $1,368, and $1,320, for the years ended June 30, 2017, 2016, and 2015, respectively. The Authority has paid premiums of $713, $738, and $779, which represents approximately 70%, 54%, and 59% of the required contributions, respectively, for the years ended June 30, 2017, 2016, and 2015.

During fiscal year 2012, the West Virginia Legislature passed legislation to provide alternate funding sources for the RHBT OPEB unfunded liability. In addition, the WVPEIA Finance Board imposed limits on the retiree subsidy currently provided for WVPEIA premiums for retirees. Future increases in the subsidy will be limited to no more than 3% per year. These actions have had a material impact on the amounts billed by the RHBT to the Authority as well as an expected material impact on amounts billed in the future, resulting in decreases in the recorded OPEB liability.

NOTE 8 - PENSION PLAN

All full-time Authority employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system. PERS also provides delayed retirement, early retirement, death and disability benefits. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, WV 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.

NOTE 8 - PENSION PLAN (Continued)

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 or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. 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.

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 12.0%, 13.5%, and 14.0% for the years ended June 30, 2017, 2016, and 2015, respectively. Effective July 1, 2017, a decrease in the contribution rate of 1.0%, will decrease the Authority's contribution rate to 11.0%. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively. Total contributions to PERS, for the fiscal years ended June 30, 2017, 2016, and 2015, were $1,873, $2,081, and $2,053 from the Authority and $703, $773, and $660 from the covered employees, respectively.

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

At June 30, 2017 and 2016, the Authority reported a liability of $10,007 and $5,848, respectively, for its proportionate share of the net pension liability. The June 30, 2017 net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. The June 30, 2016 net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. 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, 2016, the Authority's proportionate share was 1.09%, which was an increase of .04% from its proportionate share measured as of June 30, 2015.

(In thousands)

NOTE 8 - PENSION PLAN (Continued)

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of $1,669 and $628, respectively. At June 30, 2017 and 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 3,145	$ -
Difference between expected and actual experience	834	-
Changes of assumptions	-	488
Changes in proportion and differences between Authority contributions and proportionate share of contributions	200	80
Authority contributions subsequent to the measurement date	1,873	-
Total	$ 6,052	$ 568

	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 1,282
Difference between expected and actual experience	1,196	-
Changes of assumptions	-	703
Changes in proportion and differences between Authority contributions and proportionate share of contributions	-	126
Authority contributions subsequent to the measurement date	2,319	-
Total	$ 3,515	$ 2,111

$1,873 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 649
2019	664
2020	1,336
2021	962
Total	$ 3,611

(In thousands)

NOTE 8 - PENSION PLAN (Continued)

Actuarial assumptions and methods - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00%
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 110% of RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant, Scale AA for healthy females, 96% of RP-2000 Disabled Annuitant Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

The actuarial assumptions used in the June 30, 2016 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 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
Domestic Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Real Estate	10.0%	5.6%
Private Equity	10.0%	9.4%
Hedge Funds	10.0%	4.7%
Total	100.0%	

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 active and inactive employees. 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.

(In thousands)

NOTE 8 - PENSION PLAN (Continued)

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 what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.5%	Total Net Pension Liability Discount Rate 7.5%	1% Increase 8.5%
PERS	$ 18,114	$ 10,007	$ 3,122

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.

NOTE 9 - NONCURRENT LIABILITIES

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

2017	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 997	$ -	$ -	$ 997	$ 773
OPEB liability	10,923	1,024	(713)	11,234	-
Net pension liability	5,848	6,478	(2,319)	10,007	-
Total noncurrent liabilities	$ 17,768	$ 7,502	$ (3,032)	$ 22,238	$ 773

2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 997	$ -	$ -	$ 997	$ 735
OPEB liability	10,293	1,368	(738)	10,923	-
Net pension liability	3,925	3,976	(2,053)	5,848	-
Total noncurrent liabilities	$ 15,215	$ 5,344	$ (2,791)	$ 17,768	$ 735

(In thousands)

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 $36,180 and $36,180 at June 30 2017 and 2016, respectively. Accumulated depreciation on the facilities and service areas was $27,561 and $26,334 at June 30, 2017 and 2016, respectively.

The Authority receives both guaranteed payments and contingent payments under the leases. Aggregate rental income from the lease agreements was approximately $3,344 and $3,296 for the years ended June 30, 2017 and 2016, respectively. Total contingent rental income received was approximately $2,577 and $2,529 for the years ended June 30, 2017 and 2016, respectively. Future minimum rentals are as follows at June 30:

2018	$ 767
2019	383
	$ 1,150

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, 2017, 2016, and 2015, 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.

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

<u>Construction Commitments</u>

At June 30, 2017, the Authority had contractual commitments totaling $28,722 for various Turnpike System improvement projects. Subsequent to June 30, 2017, the Authority entered into additional contractual commitments totaling $5,131.

<u>Potential Bond Issuance</u>

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 EZPass transponder is required under these new provisions.

NOTE 13 - ACCOUNTING PRONOUNCEMENTS

<u>Newly Adopted Statements Issued by the Governmental Accounting Standards Board</u>

The Authority implemented Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption of GASB Statement No. 74 had no impact on the June 30, 2017 financial statements.

The Authority implemented Statement No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The adoption of GASB Statement No. 77 had no impact on the June 30, 2017 financial statements.

The Authority implemented Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The adoption of GASB Statement No. 80 had no impact on the June 30, 2017 financial statements.

NOTE 13 - ACCOUNTING PRONOUNCEMENTS (Continued)

The Authority implemented Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of GASB Statement No. 81 had no impact on the June 30, 2017 financial statements.

The Authority implemented Statement No. 86, *Certain Debt Extinguishment Issues*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The adoption of GASB Statement No. 86 had no impact on the June 30, 2017 financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Authority has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The Authority has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. 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.

NOTE 13 - ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent 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. 85 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. 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.

WEST VIRGINIA PARKWAYS AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Authority's proportion of the net pension liability (asset) (percentage)	1.09%	1.05%	1.06%	1.07%						
Authority's proportionate share of the net pension liability (asset)	$ 10,007	$ 5,848	$ 3,925	$ 9,756						
Authority's covered-employee payroll	$ 15,415	$ 14,664	$ 14,241	$ 14,321						
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	64.92%	39.88%	27.56%	68.12%						
Plan fiduciary net position as a percentage of the total pension liability	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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2017

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,873	$ 2,081	$ 2,053	$ 2,065	$ 2,005	$ 2,061	$ 1,787	$ 1,681	$ 1,541	$ 1,594
Contributions in relation to the contractually required contribution	(1,873)	(2,081)	(2,053)	(2,065)	(2,005)	(2,061)	(1,787)	(1,681)	(1,541)	(1,594)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 15,612	$ 15,415	$ 14,664	$ 14,241	$ 14,321	$ 14,214	$ 14,296	$ 15,282	$ 14,676	$ 15,181
Contributions as a percentage of covered-employee payroll	12.00%	13.50%	14.00%	14.50%	14.00%	14.50%	12.50%	11.00%	10.50%	10.50%

Amounts reported during the year ended June 30, 2017 reflect an assumed inflation rate of 3.0% rather than an assumed rate of 1.9% that was used in the prior year.

There were no other factors that affected trends in the amounts reported. If necessary, additional information can be obtained from the CPRB Comprehensive Annual Financial Report for the year ended June 30, 2016.

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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WEST VIRGINIA PARKWAYS AUTHORITY

CONDENSED SCHEDULES OF NET POSITION

(In Thousands)

	Year Ended June 30, 2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES										
Current assets	$ 68,601	$ 61,088	$ 61,774	$ 53,678	$ 49,513	$ 42,259	$ 62,391	$ 48,626	$ 29,262	$ 18,633
Long-term investments	27,806	25,603	22,989	26,240	20,401	24,528	8,662	11,894	15,408	27,589
Capital assets, net	451,041	453,833	458,292	458,490	470,889	470,161	466,398	472,092	484,038	506,746
Deferred outflows of resources	8,126	7,402	7,663	7,603	9,717	12,481	13,046	-	-	-
Total assets plus deferred outflows of resources	$ 555,574	$ 547,926	$ 550,718	$ 546,011	$ 550,520	$ 549,429	$ 550,497	$ 532,612	$ 528,708	$ 552,968
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION										
Current liabilities	$ 21,367	$ 18,720	$ 24,704	$ 20,689	$ 22,363	$ 18,356	$ 21,516	$ 20,697	$ 15,753	$ 16,443
Long-term revenue bonds, net	10,523	20,479	29,939	39,084	47,775	55,836	63,881	62,254	73,754	80,763
Other long-term liabilities	21,465	17,033	14,495	10,039	9,901	9,522	6,908	4,415	1,868	1,638
Deferred inflows of resources	1,201	3,595	6,463	3,316	4,489	6,314	5,938	-	-	-
Total liabilities plus deferred inflows of resources	54,556	59,827	75,601	73,128	84,528	90,028	98,243	87,366	91,375	98,844
Net position:										
Net investment in capital assets	432,154	426,447	422,704	415,153	420,432	412,527	408,157	402,069	401,735	416,812
Restricted by trust indenture and tri-party agreement	65,834	58,626	51,094	56,020	43,824	45,127	40,961	39,570	30,175	32,096
Unrestricted	3,030	3,026	1,319	1,710	1,736	1,747	3,136	3,607	5,423	5,216
Total net position	501,018	488,099	475,117	472,883	465,992	459,401	452,254	445,246	437,333	454,124
Total liabilities, deferred inflows of resources and net position	$ 555,574	$ 547,926	$ 550,718	$ 546,011	$ 550,520	$ 549,429	$ 550,497	$ 532,612	$ 528,708	$ 552,968

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

CONDENSED SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

(In Thousands)

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Operating revenues:										
Toll revenues	$ 92,739	$ 93,579	$ 88,697	$ 84,907	$ 83,519	$ 83,907	$ 81,960	$ 79,871	$ 53,341	$ 56,563
Other revenues	7,370	7,404	6,797	6,749	6,944	7,217	7,010	7,087	6,923	7,459
	100,109	100,983	95,494	91,656	90,463	91,124	88,970	86,958	60,264	64,022
Operating expenses:										
Maintenance	24,546	24,791	25,488	23,028	21,907	22,337	23,827	21,287	17,664	17,448
Toll collection	9,857	9,566	9,273	9,826	10,332	11,411	10,984	11,058	10,207	10,117
Traffic enforcement	3,231	3,172	3,912	3,487	3,581	3,744	3,188	2,650	2,973	2,815
General and administrative	10,308	11,248	9,093	9,154	9,159	9,590	9,446	9,605	9,022	9,896
Depreciation	37,318	36,929	35,357	36,294	35,595	32,924	32,227	31,160	31,406	31,064
	85,260	85,706	83,123	81,789	80,574	80,006	79,672	75,760	71,272	71,340
Operating income (loss)	14,849	15,277	12,371	9,867	9,889	11,118	9,298	11,198	(11,008)	(7,318)
Nonoperating revenues (expenses):										
Net investment revenue	280	336	338	302	122	242	355	1,377	1,307	2,293
Intergovernmental	-	-	-	-	-	-	2,834	993	-	-
Interest expense	(2,210)	(2,631)	(2,784)	(3,278)	(3,420)	(4,213)	(4,630)	(5,655)	(7,090)	(7,330)
On-behalf contributions	-	-	-	-	-	-	-	-	-	496
	(1,930)	(2,295)	(2,446)	(2,976)	(3,298)	(3,971)	(1,441)	(3,285)	(5,783)	(4,541)
Change in net position	12,919	12,982	9,925	6,891	6,591	7,147	7,857	7,913	(16,791)	(11,859)
Cumulative effect of implementation of GASB Statement 68 (2015), 65 (2011), and 43 (2008)	-	-	(7,691)	-	-	-	(849)	-	-	2,557
Net position, beginning of year	488,099	475,117	472,883	465,992	459,401	452,254	445,246	437,333	454,124	463,426
Net position, end of year	$ 501,018	$ 488,099	$ 475,117	$ 472,883	$ 465,992	$ 459,401	$ 452,254	$ 445,246	$ 437,333	$ 454,124

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

FINANCIAL RATIOS

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Long-term series 2001 revenue bonds to total assets plus deferred outflows of resources	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.99%	1.10%
Long-term series 2002 revenue bonds to total assets plus deferred outflows of resources	0.65%	1.28%	1.85%	2.43%	3.10%	3.63%	4.14%	4.08%	4.52%	4.67%
Long-term series 2003 revenue bonds to total assets plus deferred outflows of resources	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.83%
Long-term series 2008 revenue bonds to total assets plus deferred outflows of resources	1.21%	2.39%	3.49%	4.60%	5.58%	6.53%	7.46%	7.61%	8.44%	0.00%
Total long-term revenue bonds to total assets plus deferred outflows of resources	1.85%	3.67%	5.34%	7.03%	8.68%	10.16%	11.60%	11.69%	13.95%	14.60%
Net position to total assets plus deferred outflows of resources	90.18%	89.08%	86.27%	86.61%	84.65%	83.61%	82.15%	83.60%	82.72%	82.12%
Long-term bonds to lane miles	24.14	47.16	69.01	90.13	112.15	131.07	149.96	146.14	173.13	189.58
Long-term bonds to number of transactions/vehicles	0.28	0.54	0.82	1.10	1.39	1.39	1.62	1.81	2.19	2.34

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

REVENUE BOND COVERAGE (1)

(In Thousands)

	Year Ended June 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Toll revenues	$ 92,739	$ 93,579	$ 88,697	$ 84,907	$ 83,519	$ 83,907	$ 81,960	$ 79,871	$ 53,341	$ 56,563
Adjustment to toll revenues per Trust Indentures	(303)	(356)	(72)	(177)	(81)	(333)	480	(683)	200	127
Total revenues	92,436	93,223	88,625	84,730	83,438	83,574	82,440	79,188	53,541	56,690
Operating expenses	85,260	85,706	83,123	81,789	80,574	80,006	79,496	75,760	71,272	71,340
Adjustments to operating expenses per Trust Indentures:										
Depreciation	(37,318)	(36,929)	(35,357)	(36,294)	(35,595)	(32,924)	(32,227)	(31,160)	(31,406)	(31,064)
Renewal and replacement provided for by reserves	(2,031)	(2,701)	(2,476)	(3,139)	(2,789)	(2,888)	(3,280)	(2,617)	(2,963)	(2,714)
Economic development and tourism costs	(4,931)	(4,899)	(4,850)	(5,087)	(5,132)	(6,748)	(5,000)	(5,102)	(5,020)	(5,590)
Other	641	(2,054)	464	1,801	(1,286)	(2,403)	(3,098)	(3,747)	(975)	(789)
Total operating expenses	41,621	39,123	40,904	39,070	35,772	35,043	35,891	33,134	30,908	31,183
Net revenues available for debt service	$ 50,815	$ 54,100	$ 47,721	$ 45,660	$ 47,666	$ 48,531	$ 46,549	$ 46,054	$ 22,633	$ 25,507
Revenue bond coverage items:										
Total debt service	10,760	10,755	10,577	10,529	11,186	10,541	10,515	10,670	12,218	11,852
Renewal and replacement reserve requirement per recommendation of consulting engineer	12,553	13,952	11,187	11,163	10,280	11,128	8,673	8,743	10,077	9,073
Total debt service and renewal and replacement	$ 23,313	$ 24,707	$ 21,764	$ 21,692	$ 21,466	$ 21,669	$ 19,188	$ 19,413	$ 22,295	$ 20,925
Coverage percentages:										
Total debt service (150% required since 2002, 125% previously required) (1)	472.26%	503.02%	451.18%	433.66%	426.12%	460.40%	442.69%	431.62%	185.24%	215.21%
Total debt service and renewal and replacement per recommendation of consulting engineer (100% required)	217.97%	218.97%	219.27%	210.49%	222.05%	223.97%	242.59%	237.23%	101.52%	121.90%

(1) On March 11, 1993, $111,245,000 of Series 1989 Revenue Bonds were refunded with 1993 Series Revenue Bonds issued under a Trust Indenture dated February 15, 1993. On February 1, 2002, $36,036,000 of the Series 1993 Revenue bonds were refunded with the 2002 Series Revenue Bonds issued under a Trust Indenture dated February 1, 2002. On February 18, 2003, $61,280,000 of the Series 1993 Revenue bonds were refunded with the Series 2003 Variable Rate Demand Refunding Bonds issued under a Trust Indenture dated February 18, 2003. During fiscal year 2009, the Series 2003 Bonds were refunded by the Series 2008 Variable Rate Demand Refunding Bonds issued under a Supplemental Trust Indenture dated July 2, 2008. The revenue bond coverage requirements increased to 150% from 125% under the 2003 trust indenture and remain under the 2008 trust indenture at 150%. The above presentation for each of the ten years ended June 30, 2017, relates only to debt service requirements under the 1993, 2002, 2003, and 2008 Trust Indentures. Under the terms of these trust indentures, revenues available for debt service are comprised of collected toll revenues less operating expenses, exclusive of depreciation, other costs funded by bond proceeds or designated established reserves and accruals, and further reduced by capital expenditures funded by amounts other than bond proceeds.

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

TRAFFIC STATISTICS

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

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Number of transactions:										
Passenger cars	29,146	28,924	28,006	27,154	26,934	27,549	27,140	27,043	26,511	26,413
Commerical vehicles	8,250	8,057	7,890	7,621	7,462	7,515	7,328	7,329	7,098	8,018
Total transactions	37,396	36,981	35,896	34,775	34,396	35,064	34,468	34,372	33,609	34,431
ETC penetration rate - transactions	38.83%	37.24%	36.54%	35.70%	34.20%	32.69%	30.16%	29.00%	26.25%	26.30%
Number of miles:										
Passenger cars	680,261	676,651	651,789	629,908	623,890	639,854	634,053	633,550	616,633	601,891
Commercial vehicles	336,067	328,146	320,245	308,082	300,589	302,644	296,473	297,710	285,689	322,683
Total miles	1,016,328	1,004,797	972,034	937,990	924,479	942,498	930,526	931,260	902,322	924,574
Total revenues:										
Passenger cars	$ 48,847	$ 50,333	$ 46,309	$ 44,032	$ 43,429	$ 43,280	$ 42,066	$ 40,685	$ 26,584	$ 26,381
Commercial vehicles	43,892	43,246	42,388	40,875	40,090	40,627	39,894	39,186	26,757	30,182
Total toll revenues	$ 92,739	$ 93,579	$ 88,697	$ 84,907	$ 83,519	$ 83,907	$ 81,960	$ 79,871	$ 53,341	$ 56,563
ETC penetration rate - revenue	45.66%	43.63%	42.15%	40.80%	39.09%	36.70%	35.60%	33.37%	35.06%	35.20%
Toll revenue per transaction:										
Passenger cars	$ 1.68	$ 1.74	$ 1.65	$ 1.62	$ 1.61	$ 1.57	$ 1.55	$ 1.50	$ 1.00	$ 1.00
Commercial vehicles	5.32	5.37	5.37	5.36	5.37	5.41	5.44	5.35	3.77	3.76
Toll revenue per mile:										
Passenger cars	$ 0.072	$ 0.074	$ 0.071	$ 0.070	$ 0.070	$ 0.068	$ 0.066	$ 0.064	$ 0.043	$ 0.044
Commercial vehicles	0.131	0.132	0.132	0.133	0.133	0.134	0.134	0.132	0.094	0.094
Miles per transaction:										
Passenger cars	23	23	23	23	23	23	23	23	23	23
Commercial vehicles	41	41	41	40	40	40	40	41	40	40

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

NUMBER OF EMPLOYEES

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Permanent employees										
Toll	154	156	160	156	160	160	162	168	161	163
Maintenance	159	147	145	146	141	140	141	143	147	144
Other	61	60	55	57	53	53	55	49	49	59
	374	363	360	359	354	353	358	360	357	366
Temporary	75	76	74	78	43	98	82	69	36	65
Leased employees										
State police	30	28	28	29	31	31	27	23	24	25
Tamarack	134	144	132	147	149	146	146	139	139	135

Source: West Virginia Parkways Authority

TRAFFIC ACCIDENT AND POLICING STATISTICS

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Number of fatalities	8	7	5	1	8	7	7	6	9	4
Fatality rate per 100 million miles traveled	0.8	0.7	0.5	0.1	0.9	0.8	0.8	0.6	1.0	0.4
Policing statistics										
Arrests	6,065	10,445	9,604	10,189	12,019	10,943	11,033	6,254	5,793	5,959
Warning tickets	17,870	20,794	25,089	24,677	24,377	20,069	16,340	17,415	23,968	24,932
Assists to motorists	2,322	3,222	2,948	2,914	3,633	2,816	2,382	2,083	2,605	2,581

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

POPULATION DEMOGRAPHICS

	Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Population - WV (1)	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,808,344	1,808,344	1,808,344
Personal income - WV ($ in thousands) (2)	$ 68,548,511	$ 68,272,316	$ 67,804,094	$ 66,037,342	$ 63,968,460	$ 62,178,478	$ 60,484,487	$ 58,631,433	$ 57,410,905	$ 54,555,485
Per capital personal income - WV (2)	$ 37,386	$ 37,047	$ 36,644	$ 35,613	$ 34,477	$ 33,513	$ 32,641	$ 32,219	$ 31,634	$ 30,121
Unemployment Rate - WV (3)	4.60%	6.00%	7.40%	6.20%	7.30%	8.00%	9.10%	7.70%	4.20%	4.20%

(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	
	2016	**2007**
Local Government	1	1
State Government	2	2
Federal Government	3	3
West Virginia United Health System	4	5
Wal-Mart Associates, Inc.	5	4
Charleston Area Medical Center, Inc.	6	6
Kroger	7	7
Mylan Pharmaceuticals, Inc.	8	
Lowe's Home Centers, Inc.	9	10
St. Mary's Medical Center, Inc.	10	13
Cabell-Huntington Hospital, Inc.	11	
Wheeling Hospital, Inc.	12	
Res-Care, Inc.	13	
American Electric Power		8
Eldercare Resources Corporation		9
CSX/CSX Hotels, Inc.		11
Pilgrim's Pride Corporation of WV		12

Population - WV

White	1,739,961	93.90%
Black	63,002	3.40%
Hispanic & Other	5,559	0.30%
Native American	3,706	0.20%
Asian & Pacific Islanders	12,971	0.70%
Two or more Races	27,795	1.50%
Total Population	1,852,994	100.00%

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, 2017

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

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 *TAMARACK-The Best of West Virginia* arts and crafts center
May 1996	Opened *TAMARACK-The Best of West Virginia* 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	Passage of House Bill #4033 raising bonding capacity to $200 million
November 2004	Celebrated 50th Anniversary of the WV Turnpike
January 1, 2006	Tolls Increased for first time since 1981
February 14, 2006	Court orders Preliminary Injection to roll tolls back to December 31, 2005 levels. Parkways Board passes resolution to roll tolls back

WEST VIRGINIA PARKWAYS AUTHORITY

Significant Dates
(Continued)

June 30, 2017

March 11, 2006	Senate Bill #557 passes Legislature that restricts bonding authority, requires public notice and hearings for future toll or rate increases, 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
September 2007	Board adopted Resolution concerning the toll tax deduction pursuant to Senate Bill #2001. WV Citizens who participate in the E-ZPass non-commercial commuter pass program are able to deduct from adjusted gross income up to $1,200 per year on their state income tax return for taxable years beginning on or after January 1, 2007 (minimum amount eligible for deduction is $25)
July 2008	Issued $59.1 million of Series 2008 Variable Rate Demand Revenue Refunding Bonds to advance refund for savings $59.1 million of Series 2003 Bonds
August 2009	Adopted new toll rate schedule, the first increase in 28 years. Cash toll rates increased 60%. Discounts were 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

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

Miscellaneous Data and Statistics

June 30, 2017

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, 2017

Toll Class	Axles	Description	Cash Rate Mainline Plazas	Cash Rate Corridor "L" (U.S. Route 119)
1*	2	Passenger car	$ 2.00	$ 0.40
2*	3+	Passenger car with trailer	2.50	0.80
3	2/3	Motor home	2.50	0.80
4	3+	Motor home with trailer	3.25	1.20
5	2	2-Axle, dual tire trucks, RVs and buses	3.25	0.80
6	3	3-Axle trucks and buses	4.50	1.20
7	4	4-Axle trucks and semi-trailers	6.50	1.60
8	5	5-Axle trucks and semi-trailers	6.75	1.60
9	6+	6-Axle trucks and semi-trailers	9.50	2.40
10	-	Oversize trucks	12.00	7.20

* 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

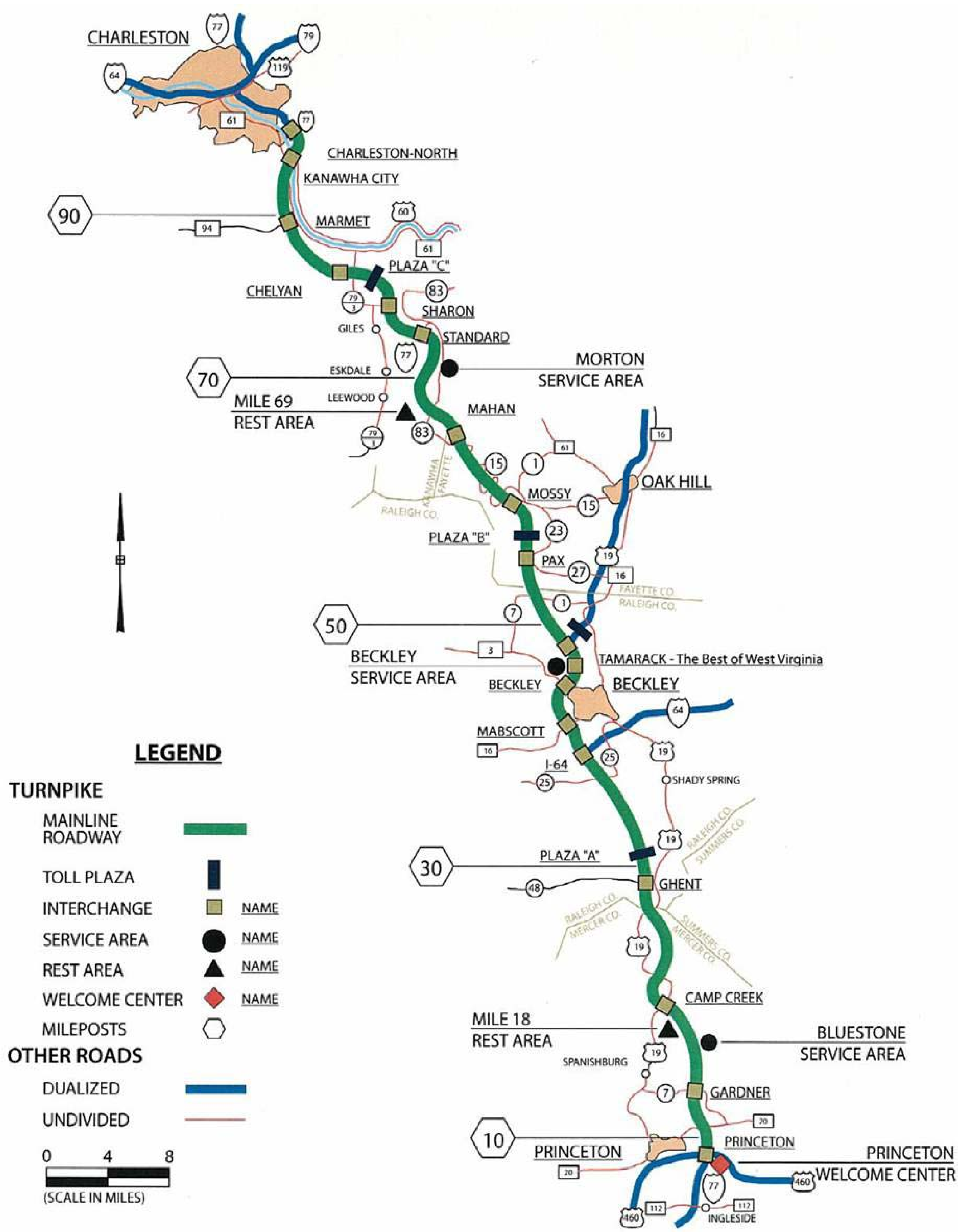
Personal Discount (Plan #1) - Formerly the Parkways Authority Commuter Card is available for noncommercial passenger cars and pickup trucks at $100 per year per mainline toll plaza, which includes the Corridor "L" Ramp Plaza, or $5 per year for the Corridor "L" Ramp Plaza only. A discount is allowed when buying an annual plan.

Plaza Location	Fee
Ghent (A)	$25/quarter or $95/year
Pax (B)	$25/quarter or $95/year
Chelyan (C)	$25/quarter or $95/year
Corridor "L" Ramp Plaza	$5/year

Personal Discount (Plan #2) and Commercial Discount (Plan #3) - User prepays via a credit card or ACH and is issued an E-ZPass transponder ($25 fee to purchase transponder for commercial plan). The plan provides a 35% discount from the cash rate for mainline plazas for Toll Class 1 through 4 and a 20% discount for Toll Class 5 through 10.

Commercial Discount (Plan #4) - For non-West Virginia issued E-ZPass and provides a 13% discount from the cash rate for mainline plazas for Toll Class 5 through 10.

Source: West Virginia Parkways Authority


CHARLESTON
CHARLESTON-NORTH
KANAWHA CITY
90
MARMET
PLAZA "C"
CHELYAN
SHARON
GILES
STANDARD
MORTON
SERVICE AREA
70
ESKDALE
MILE 69
REST AREA
LEEWOOD
MAHAN
OAK HILL
MOSSY
RALEIGH CO.
PLAZA "B"
PAX
FAYETTE CO.
RALEIGH CO.
50
BECKLEY
SERVICE AREA
TAMARACK - The Best of West Virginia
BECKLEY
BECKLEY
MABSCOTT
I-64
SHADY SPRING
LEGEND
TURNPIKE
MAINLINE ROADWAY
TOLL PLAZA
INTERCHANGE
NAME
SERVICE AREA
NAME
REST AREA
NAME
WELCOME CENTER
NAME
MILEPOSTS
OTHER ROADS
DUALIZED
UNDIVIDED
0 4 8
(SCALE IN MILES)
30
PLAZA "A"
GHENT
CAMP CREEK
MILE 18
REST AREA
BLUESTONE
SERVICE AREA
SPANISHBURG
GARDNER
10
PRINCETON
PRINCETON
PRINCETON
WELCOME CENTER
INGLESIDE