

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Fiscal Year Ended June 30, 2014



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

*Comprehensive Annual Financial Report*

Fiscal Year Ended June 30, 2014

Prepared by:

Director of Finance,  
West Virginia Parkways Authority

**West Virginia Parkways Authority**  
**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2014**

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# **Introductory Section**

**West Virginia Parkways Authority**

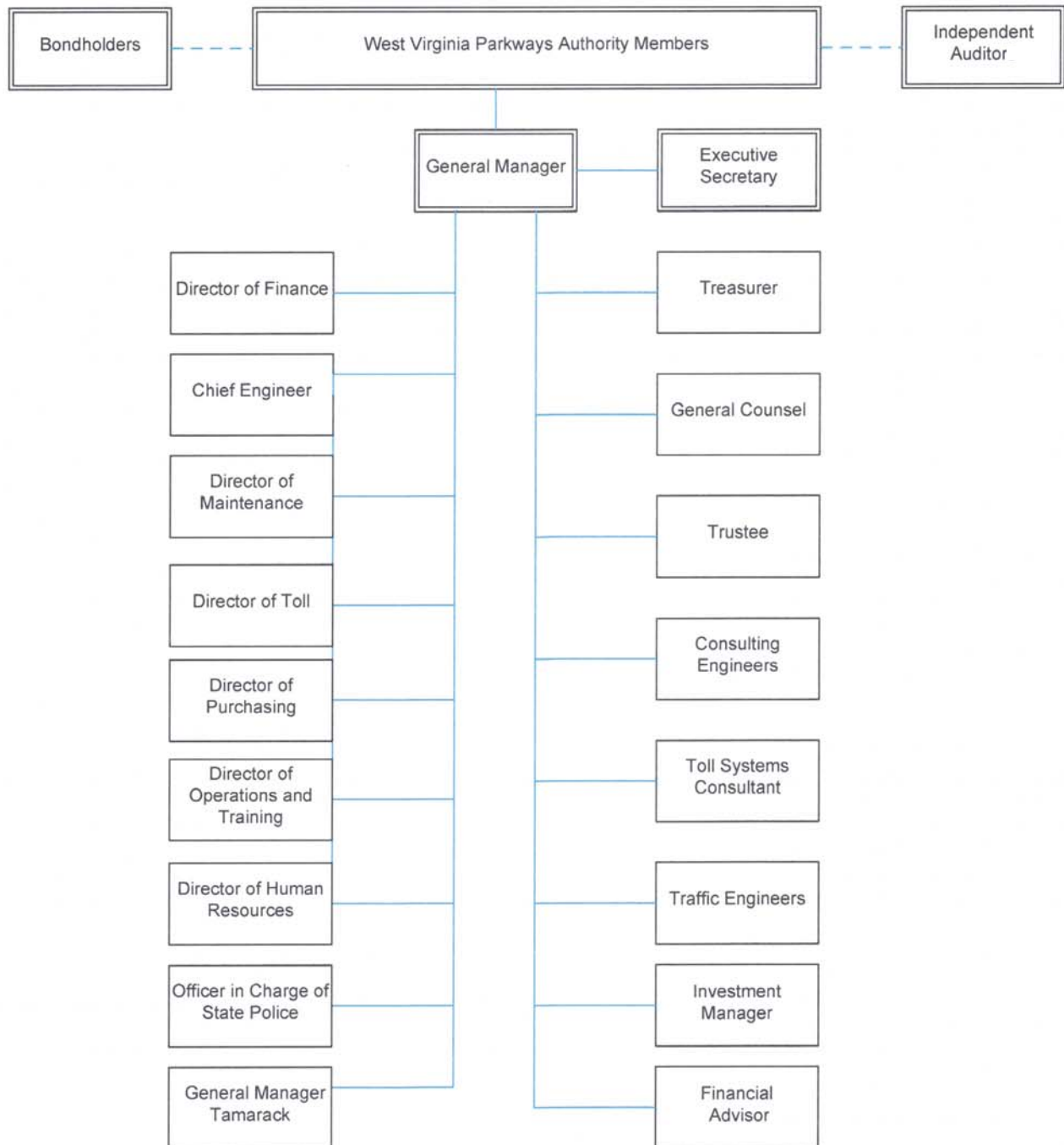
## West Virginia Parkways Authority

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

<u>Authority Members</u>		<u>Date Appointed</u>	<u>Term Expires</u>
Chairman	The Honorable Earl Ray Tomblin		
Governor's Designee	Governor, State of West Virginia	November 16, 2010	(1)
Chairman	Jason C. Pizatella	January 29, 2013	(1)
Secretary of Transportation	Paul A. Mattox, Jr.	June 9, 2006	(1)
Vice Chairman, 3 <sup>rd</sup>			
Congressional District	Mike Vinciguerra	June 2, 2006	May 31, 2014
Secretary, 1 <sup>st</sup> Congressional District			
District	Tom Mainella	July 10, 2010	June 30, 2015
3 <sup>rd</sup> Congressional District	Bill Seaver	July 9, 2007	June 30, 2015
3 <sup>rd</sup> Congressional District	Douglas M. Epling	January 29, 2009	May 31, 2017
2 <sup>nd</sup> Congressional District	Victor Grigoraci	June 23, 2011	May 31, 2016
1 <sup>st</sup> Congressional District	William Cipriani	May 10, 2013	June 30, 2014
2 <sup>nd</sup> Congressional District	Vacant		
 <b><u>Administrative Staff</u></b>			
General Manager	Gregory C. Barr		
Executive Secretary	Teresa G. Nissel		
General Counsel	A. David Abrams, Jr.		
Treasurer	David H. Rollins		
Director of Finance	Parrish T. French		
Chief Engineer	Ronald B. Hamilton		
Director of Maintenance	James F. Meadows		
Director of Tolls	F. Steven Maynard		
Director of Purchasing	Shelley Clay		
Director of Operations and Training	Tyrone C. Gore		
Director of Human Resources	Carrie Roache		
Officer in Charge of State Police	Captain Barry C. Marcum		
Executive Director – Tamarack	Jim Browder		
Deputy General Manager			
Tamarack	Dwight Trent		
 <b><u>Professional Consultants</u></b>			
Trustee	United Bank, Inc., Charleston, West Virginia		
Independent Auditor	Suttle & Stalnaker, PLLC, Charleston, West Virginia		
General Counsel	Abrams & Byron, Beckley, West Virginia		
Bond Counsel	Spilman, Thomas & Battle, Charleston, West Virginia		
Consulting Engineers	HNTB Corporation, Scott Depot, West Virginia		
Traffic Engineers	CDM Smith, New Haven, Connecticut		
Financial Advisor	Public Resources Advisory Group, New York, New York		

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

# West Virginia Parkways Authority Organization Chart



**WEST VIRGINIA PARKWAYS AUTHORITY**

P.O. BOX 1469

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December 5, 2014

The Honorable Earl Ray Tomblin, Governor and  
The Honorable Members of the West Virginia Parkways Authority

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the West Virginia Parkways Authority (the Authority) for the fiscal year ended June 30, 2014. Responsibility for both the fair presentation of the data, and the completeness and fairness of the presentation, including the disclosures, rests with the Authority. To the best of our knowledge and belief, the accompanying data is fairly presented in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Authority. Disclosures necessary to enable readers to gain an understanding of the Authority's financial activities have been included. Readers of these financial statements are encouraged to review Management's Discussion and Analysis (MD&A) for an overview of the Authority's financial position and the results of its operations.

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

**ORGANIZATION AND BACKGROUND**

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

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

The West Virginia Turnpike (Turnpike) opened in 1954 and 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. It is important to note that the Turnpike does not receive any State or Federal funds to assist with its 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 also a toll barrier facility.

The Authority is an associate member of the E-ZPass® Group which develops guidelines for and facilitates the electronic collection of tolls among 26 toll agencies from 15 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 15 million accounts, 26 million tags and the collection of over \$7 billion dollars in electronic toll revenues. The West Virginia Turnpike processes 36.7% of toll transactions and collects 42.4% of toll revenue with the E-ZPass® system.



## **2010 Reorganization**

During the 2010 West Virginia Legislature Regular Session, Governor Joe Manchin introduced legislation which was subsequently approved, to rename and reorganize the Authority as the West Virginia Parkways Authority. The intent of this legislation is to facilitate exploring the possibility of utilizing the Authority's institutional knowledge and experience in toll collection at potential new tolling projects within the State. The structure of the Authority's governance board was expanded to nine members and will transition to eventually include two members from each of the State's three congressional districts, one at-large member, the Secretary of Transportation and the Governor or his designee, as Chairman. Newly appointed members will be appointed to a term of five years, rather than the traditional eight year terms.

The Legislation clarified the Authority's working relationship with the Department and allows the Authority to issue revenue bonds for any projects that might be identified as feasible. The legislation established specific procedures relating to the final approval of any such project including the establishment of local advisory committees to counsel the applicable County Commissions who must approve the concept of tolling for projects located in their counties.

## **2013 West Virginia Legislative Auditor Report**

In December 2013, the West Virginia Legislative Auditor's Performance Evaluation & Research Division presented the Authority with their performance review report. Current legislation provides that when all bonds are paid in full, the Turnpike will be turned over to the WV Division of Highways (WVDOH) free of tolls if the Secretary of Transportation deems the road to be in good condition. The objectives of the review were to determine the cost implication to the State if the West Virginia Turnpike is transferred to the WVDOH as required under current law, and if the Authority is making long-term operational decisions that could make the transfer more costly or problematic. The report recommended the Legislature should consider making a final decision on the future of the Turnpike as soon as possible in order to facilitate planning of the transfer and minimize the costs to the State if the transfer occurs.

Findings in the report included an estimated \$9 million local economic impact of the loss of up to 231 jobs, the impact of the loss of funding for State Police Troop 7, an estimated \$23 million cost of dismantling the toll plazas and highway reconstruction, lack of funding for courtesy patrols and loss of funding for Tamarack. Also, the report noted that some of the office facilities currently in use are worn and aged and alternatives must be found. A number of other recommendations pertaining to improving current Turnpike operations were also presented and are being considered and studied by the Authority.

The report concluded there would be an annual \$30.4 million cost to maintain the Turnpike free of tolls for the WVDOH. The Authority's response included a detailed estimate of maintenance cost of \$59 million per year based upon an engineering analysis reflective of a proactive and needs-based maintenance plan to maximize the life cycle of highway and bridge assets, rather than the current available funds approach from the report. The current available funds approach used for the report was calculated using information from the Division of Highways on the current funding available for other West Virginia Interstates.

## **Highway and Bridge Rehabilitation Projects**

Effective August 1, 2009 the Authority adopted a new 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, patrons began to see significant improvements in pavement ride quality on some sections of the Turnpike. By May, 2011, approximately 46% of pavements were condition assessed as good or very good compared to approximately 40% a year earlier. In 2014, 74% of pavements were assessed as good or very good. The majority of the construction work for 2013 was performed in the Ghent, Beckley, and Mahan areas and work was concentrated in the northern sections of the Turnpike in 2014. 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.

## **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 provide skid resistant surfaces and help seal the bridge deck from salt intrusion and sizable spot painting contracts which help to preserve the steel structures. An improvement in vegetation control was noted and can be attributed to the purchase of a boom mower with brush cutting heads and a high reach tree trimmer attachment.

## **Maintenance Management System**

In April 2011, the Authority Maintenance Division completed the last phase of its Maintenance Management System (MMS) implementation. The MMS had been under development since

2005; however, due to budget constraints the system had been only partially implemented. In late 2009, the Division received funding to complete the full MMS implementation.

Through a competitive proposal process, the Division selected Agile Assets to provide software for the final MMS phase. Dye Management Group of Seattle, Washington assisted with software configuration and customization. The Division now has a state-of-the-art asset management system that provides management decision support in the areas of:

- Needs assessment
- Planning, programming and budgeting
- Resource management
- Work program tracking and execution
- Asset performance monitoring
- Facilities management

As a result of full MMS implementation, the Authority now has a modern management approach to improve efficiency and reduce overall asset life cycle cost.

### **Incident Management Plan**

In response to the major historic snowstorm that occurred on December 18-19, 2009, the Authority met with the Federal Highway Administration's Emergency Response Review Team to evaluate the Authority's incident management program. The Federal recommendations were in the following categories:

- Preparation and Planning;
- Public Safety;
- Communication – Internal;
- Communication - External; and
- Incident Management.

As a result of this review, when there is a prediction of a snow storm of 6"+ snow or a severe ice storm, the Authority prepares as follows: reallocation of available 4-wheel drive pickups to the snow fighting efforts; allowing critical maintenance managers to drive their trucks home during the snow season; prepositioning extra crews and equipment from Facilities, Heavy Equipment and Mechanic Shops to support road crews when severe weather is forecasted; establishing a maintenance command center at the central Beckley maintenance facility when severe weather is forecasted; purchasing extra supplies and equipment to assist during the actual snow event such as tire chains, tow straps, etc.; prepositioning a small supply of meals ready to eat and water for distribution by maintenance personnel (any large scale distribution will be handled by emergency agencies during extreme events); prepositioning four (4) heavy equipment tandem dump trucks to assist with snow plowing during periods of heavy snow fall; prepositioning a motor grader to assist with snow removal and freeing stranded vehicles; participating in pre-storm conference calls with the National Weather Service, WVDOH, Department of Homeland Security and Emergency Management and others to assess resources and validate situation. In addition, four (4) emergency access gates were installed on the north end of the Turnpike. They are located

along a section of the Turnpike that has a median concrete barrier wall that prevents motorists from detouring during emergencies. An Incident Management Plan has been established to include procedures to open the gates and designate detour routes during an emergency.

The WVDOH used Federal Highway stimulus funds to install nineteen (19) new dynamic message signs and twenty-three (23) closed circuit TV cameras on the Turnpike and its feeder roads. The cameras are able to transmit data not only to the Turnpike Operations Center, but also to the West Virginia Division of Highways' Traffic Management Center (TMC). The Authority's radio system has been integrated into the TMC's radio system and the system is being integrated with the 911 centers that service the Turnpike's area. This robust system provides immediate notification if a 911 center is aware of an incident and, conversely, 911 centers have real time information on WVDOH and Authority incidents. In total, approximately \$5.3 million in Federal Highway stimulus funds were provided to the Authority from the Department for the emergency gates, dynamic message signs, closed circuit television cameras, and the upgrades to the Authority's traffic management center.

In April 2012, the Board approved the final Incident Management Plan which includes provisions for various detours in the event the Turnpike needs to be closed for any reason. When a detour is put into place, motorists will be assisted onto the detour via the use of overhead and portable message signs, traffic control, flaggers, police officers, media reports and the toll plaza personnel. As they are traveling on the detour route to reach their destination, the permanent detour signs will assure them that they are traveling in the right direction. These detour routes have to be able to accommodate tractor trailers and have amenities, such as food, gas and lodging.

### **Traffic Management and Safety**

The Turnpike is patrolled by a 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 also provides a "Courtesy Patrol" to assist 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.

In March 2012, the Board approved funds to design a new 2,200 square foot State Police detachment in Charleston located at MacCorkle Avenue Exit 95, Kanawha City. The existing building was constructed in the 1950's and it was impractical and cost prohibitive to rehabilitate. This building was demolished in August 2012. This new building will be used by the State

Police Troop 7 Parkways Division that serves the traveling public on the Turnpike. On August 8, 2013, Governor Earl Ray Tomblin chaired a meeting at the Administration Building in Charleston. Governor Tomblin presented a plaque of appreciation to the family of C. Cameron “Cam” Lewis, II for his years of distinguished service as Vice Chairman and for his outstanding and meritorious and unselfish service to the State of West Virginia. Mr. Lewis served on the Parkways Board from August 16, 2006 until his untimely death on March 18, 2013. A ceremony was held to dedicate the new State Police Troop 7 building to the memory of Cam Lewis. Mr. Lewis achieved a well-deserved reputation as a staunch supporter of West Virginia State Police Troop 7 and its commitment to law enforcement and safety on the West Virginia Turnpike.

### **Upgraded Electronic Toll Collection System**

An upgraded toll collection system went online in December, 2011. The former system was over ten years old and in critical need of replacement. The toll system integrator, TransCore, was responsible for designing, installing, testing and maintaining the 5 plaza, 42-lane toll collection system. A notice to proceed was issued to TransCore, on October 8, 2010. The upgraded toll collection system replaced the lane software and lane equipment. In addition, all plaza, host and back office management software was replaced, and additional functionality such as on-line statements and renewals was added. Vehicles traveling the West Virginia Parkways continue to use the same toll rate schedule and vehicle classification based upon the number of axles and height of the vehicle. Customers using a West Virginia E-ZPass transponder will continue paying 13% less tolls than a Non West Virginia E-ZPass Customer and 20 to 35% lower tolls than cash-paying customers. The new system provided upgrades to the toll plaza signage and “stop and go” lights, but the customers did not see any major changes at the plazas. Customers have seen the most changes in their ability to access and manage their accounts on-line via the internet and with the added feature of electronic notifications. The new system has also added the software capability to track toll violations through the use of optical character recognition of license plates and automatically generate reports to assist in the collection of tolls.

### **Rural Cell Towers**

Historically, due to the rural route of Turnpike, there have been a number of cell phone “dead” zones which have been troubling to travelers. In 2014, Verizon constructed the first of seven cell towers on the West Virginia Turnpike near the Chelyan Toll Plaza, Kanawha County, near milepost 82. These towers will eventually aid in providing continuous cell phone service along the Turnpike between Charleston and Beckley. The second tower that will be constructed is near the Morton Travel Plaza, Kanawha County, near milepost 72.

### **Updated Website**

In May 2014, the Parkways Authority launched a new updated website at [wvturnpike.com](http://wvturnpike.com). This new site has many features that are helpful to patrons. The Parkways website is optimized for any device (such as a tablet or a smart phone). Staff has the ability to post alerts on the homepage.

## **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, the 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. 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. Human resources and payroll modules will be implemented April 1, 2015.

### **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, 2014 and 2013.

### **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 24 years through the period ended June 30, 2013, 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, 2013**

Executive Director/CEO

# **Financial Section**

## **West Virginia Parkways Authority**

## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the West Virginia Parkways Authority (the Authority), a component unit of the State of West Virginia, as of and for the years ended June 30, 2014 and 2013, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 opinion.

### ***Opinion***

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, 2014 and 2013, and the changes in financial position and cash flows 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 17 through 22 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 are not a required part of the basic financial statements.

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



Charleston, West Virginia

October 2, 2014

**WEST VIRGINIA PARKWAYS AUTHORITY**  
(A Component Unit of the State of West Virginia)  
Management's Discussion and Analysis (Unaudited)  
Years Ended June 30, 2014 and 2013

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, 2014 which should be read in conjunction with the Authority's basic financial statements. Certain amounts presented in the prior period have been restated to conform to the current period financial statements presentation.

## **FINANCIAL HIGHLIGHTS**

- The total number of transactions on the West Virginia Turnpike during fiscal year 2014 increased 1.1 percent from fiscal year 2013. The increase in transactions resulted in an increase in toll revenue of approximately \$1.4 million or 1.7%.
- In conjunction with the adoption of the new toll rate schedule in August 2009, the Authority implemented a ten-year program to address the 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 \$147.4 million of capital towards roadway reconstruction, rehabilitation and repair and other capital expenditures since the rate increase. At June 30, 2014, the Authority had contractual commitments totaling approximately \$26.0 million for various Turnpike System improvement projects.
- Excluding depreciation, operating expenses increased \$0.5 million or 1.1 percent from 2013. Increases in expenditures related to salt, damage claims and recoveries and other maintenance expenses were offset by staffing reductions in the toll collection department.

## **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:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement 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.

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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 2.1% during 2014. Passenger car toll revenues increased 1.1% and large commercial traffic volume increased by 2.0%. Toll revenues increased 3.5% in the last quarter of the fiscal year.

Although toll transactions had increased from December 2011 through June 2012, transactions declined beginning July, 2012 resulting in a decrease of 1.9% in total transactions for fiscal year 2013 from 2012. The revenue loss from the reduction in transactions, coupled with revenue loss from the increased use of available E-ZPass<sup>®</sup> discount programs was offset by enhanced revenue from systems implemented with the upgraded electronic toll collection system, so that total toll revenues only decreased by 0.5 percent for the year.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Change '14-'13</u>
Revenues:				
Operating revenues:				
Toll revenues	\$ 84,907	\$ 83,519	\$ 83,907	1.7%
Other revenues	6,749	6,944	7,217	(2.8)%
Nonoperating revenues:				
Net investment revenue	<u>302</u>	<u>122</u>	<u>242</u>	147.5%
Total revenues	<u>91,958</u>	<u>90,585</u>	<u>91,366</u>	1.5%
Expenses:				
Operating expenses:				
Maintenance	23,028	21,907	22,337	5.1%
Toll collection	9,826	10,332	11,411	(4.9)%
Traffic enforcement	3,487	3,581	3,744	(2.6)%
General and administrative	9,154	9,159	9,590	(0.01)%
Depreciation	36,294	35,595	32,924	2.0%
Nonoperating expenses:				
Interest expense	<u>3,278</u>	<u>3,420</u>	<u>4,213</u>	(4.2)%
Total expenses	<u>85,067</u>	<u>83,994</u>	<u>84,219</u>	1.3%
Change in net position	6,891	6,591	7,147	4.6%
Net position, beginning of year	<u>465,992</u>	<u>459,401</u>	<u>452,254</u>	1.4%
Net position, end of year	<u>\$ 472,883</u>	<u>\$ 465,992</u>	<u>\$ 459,401</u>	1.5%

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In early 2009, the Authority engaged its consulting engineer, HNTB Corporation, to make a recommendation based on its study of the Turnpike's needs for estimated 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. The 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<sup>®</sup> transponder is 35%. For commercial trucks, the discount for using any E-ZPass<sup>®</sup> is 13%, and for using an Authority issued E-ZPass<sup>®</sup> 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 \$147.4 million of capital towards roadway reconstruction, rehabilitation and repair and other capital expenditures since the rate increase.

### **Operating Expenses**

For the year ended June 30, 2014, total expenses increased 1.3% or \$1.1 million. Depreciation expense increased due to the number of infrastructure projects being placed in service as a result of the Authority's 10 year capital improvement plan. Increases in expenditures related to salt, damage claims and recoveries and other maintenance expenses were offset by staffing reductions in the toll collection department.

For the year ended June 30, 2013, operating expenses were similar as the prior year except for an expected substantial decrease in the Authority's Annual Required Contribution (ARC) due under the State's Other Post Employment Benefits (OPEB) plan related to retiree health insurance. Previously the Authority accrued an average \$2.75 million per year in liability. Due to a funding plan established by the State, for 2013 and beyond, estimated liability under the plan will increase only approximately \$0.1 million per year.

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**Non-operating Revenue and Expense**

Interest expense decreased 4.2% in 2014 and 18.8% in 2013 due to the amortization of principal and the 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)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>Change '14-'13</u>
Current assets	\$ 53,678	\$ 49,513	\$ 42,259	8.4%
Long-term investments	26,240	20,401	24,528	28.6%
Capital assets, net	458,490	470,889	470,161	(2.6)%
Deferred outflows	<u>7,603</u>	<u>9,717</u>	<u>12,481</u>	(21.8)%
Total assets plus deferred outflows	<u>\$ 546,011</u>	<u>\$ 550,520</u>	<u>\$ 549,429</u>	(0.8)%
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
Current liabilities	\$ 20,689	\$ 22,363	\$ 18,356	(7.5)%
Long-term revenue bonds	39,084	47,775	55,836	(18.2)%
Other long-term liabilities	10,039	9,901	9,522	1.4%
Deferred inflows	<u>3,316</u>	<u>4,489</u>	<u>6,314</u>	(26.1)%
Total liabilities plus deferred inflows	<u>73,128</u>	<u>84,528</u>	<u>90,028</u>	(13.5)%
Net position:				
Net investment in capital assets	415,153	420,432	412,527	(1.3)%
Restricted	56,020	43,824	45,127	27.8%
Unrestricted	<u>1,710</u>	<u>1,736</u>	<u>1,747</u>	(1.5)%
Total net position	<u>472,883</u>	<u>465,992</u>	<u>459,401</u>	1.5%
Total liabilities, deferred inflows and net position	<u>\$ 546,011</u>	<u>\$ 550,520</u>	<u>\$ 549,429</u>	(0.8)%

**Assets**

The Authority's cash and investment account balances increased approximately 14%. Ending cash balances are higher due to the timing of the billing and completion of construction contracts. For the year ended June 30, 2014, net capital assets decreased by \$12.4 million as the result of capital improvements of \$23.9 million offset by \$36.3 million of depreciation expense. For the year ended June 30, 2013, net capital assets increased \$0.7 million with capital improvements of \$36.3 million less depreciation expense of \$35.6 million. See Note 4 of the financial statements for more detailed information on the Authority's capital assets.



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**Liabilities**

For the year ended June 30, 2014, total liabilities and deferred inflows of resources decreased \$11.4 million. Current liabilities decreased due to the timing of invoices related to construction contracts in progress. Regularly scheduled principal maturities contributed to the decrease in long-term debt.

For the year ended June 30, 2013, total liabilities and deferred inflows of resources decreased \$5.5 million. Current liabilities increased due to the timing of invoices related to construction contracts in progress. Regularly scheduled principal maturities contributed to the decrease in long-term debt.

See Note 5 of the financial statements for more detailed information on the Authority's long-term debt.

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

<u>Agency</u>	<u>Rating</u>
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, 2014 amounted to \$1.1 billion of gross asset value with accumulated depreciation of \$652.5 million, leaving a net book value of \$458.5 million. Capital assets represented 84% of the Authority's total assets and deferred outflows of resources at June 30, 2014. Additional information on the Authority's capital assets can be found in the notes to the financial statements.

**LONG-TERM DEBT**

In 2002, the Authority issued \$44,205,000 in Revenue Refunding Bonds which are due in varying installments through May 2019. These Bonds were issued for the express purpose of defeasing \$36,036,000 of the Authority's Series 1993 Bonds.

In 2008, the Authority issued \$59,100,000 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 \$59,100,000 of the Authority's Series 2003 Bonds.

Additional information on the Authority's long-term debt activity can be found in the notes to the financial statements.

**FACTORS IMPACTING FUTURE OPERATIONS**

In August, 2012, the Governor established The West Virginia Blue Ribbon Highway Commission to study the condition and needs of the State's transportation system and to develop a long-term strategic plan of action. The plan will include funding options for the maintenance, construction and expansion of the State's roadway system and may include recommendations related to tolls on the West Virginia Turnpike. The Blue Ribbon Highway Commission will present a report to the Governor which may include proposed legislative changes.

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**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  
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STATEMENTS OF NET POSITION

June 30, 2014 and 2013  
(In Thousands)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 34,763	\$ 24,838
Short-term investments	12,260	19,016
Accounts receivable	2,808	2,583
Accrued interest receivable	54	40
Inventory	2,608	2,885
Other	1,185	151
Total current assets	<u>53,678</u>	<u>49,513</u>
Noncurrent assets:		
Investments in securities maturing beyond one year	26,240	20,401
Capital assets, net	458,490	470,889
Total noncurrent assets	<u>484,730</u>	<u>491,290</u>
Total assets	<u>538,408</u>	<u>540,803</u>
Deferred outflows of resources:		
Fair value of hedging derivative instrument	3,316	4,489
Deferred bond refunding loss:		
Series 2002 revenue bonds	1,702	2,074
Series 2008 revenue bonds	2,585	3,154
Total deferred outflows of resources	<u>7,603</u>	<u>9,717</u>
Total assets plus deferred outflows of resources	<u>\$ 546,011</u>	<u>\$ 550,520</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 6,707	\$ 9,778
Accrued interest payable	132	262
Customer deposits	1,952	1,545
Other accrued liabilities	2,648	2,165
Current portion of compensated absences	710	703
Current portion of long-term revenue bonds	8,540	7,910
Total current liabilities	<u>20,689</u>	<u>22,363</u>
Noncurrent liabilities:		
Noncurrent portion of long-term revenue bonds, net of unamortized premiums:		
Series 2002 revenue bonds	13,984	17,075
Series 2008 revenue bonds	25,100	30,700
	<u>39,084</u>	<u>47,775</u>
Noncurrent portion of compensated absences	287	294
Accrued post-employment benefits other than pensions	9,752	9,607
Total noncurrent liabilities	<u>49,123</u>	<u>57,676</u>
Total liabilities	<u>69,812</u>	<u>80,039</u>
Deferred inflows of resources:		
Fair value of hedging derivative instrument	3,316	4,489
Total deferred inflows of resources	<u>3,316</u>	<u>4,489</u>
Total liabilities plus deferred inflows of resources	<u>73,128</u>	<u>84,528</u>
Net position:		
Net investment in capital assets	415,153	420,432
Restricted by trust indenture and tri-party agreement	56,020	43,824
Unrestricted	1,710	1,736
Total net position	<u>472,883</u>	<u>465,992</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 546,011</u>	<u>\$ 550,520</u>

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

# WEST VIRGINIA PARKWAYS AUTHORITY

(A Component Unit of the State of West Virginia)

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years Ended June 30, 2014 and 2013

(In Thousands)

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Toll revenues	\$ 84,907	\$ 83,519
Other revenues	<u>6,749</u>	<u>6,944</u>
Total revenues	<u>91,656</u>	<u>90,463</u>
Operating expenses:		
Maintenance	23,028	21,907
Toll collection	9,826	10,332
Traffic enforcement and communications	3,487	3,581
General and administrative	9,154	9,159
Depreciation	<u>36,294</u>	<u>35,595</u>
	<u>81,789</u>	<u>80,574</u>
Operating income	9,867	9,889
Nonoperating revenues (expenses):		
Interest expense	(3,278)	(3,420)
Net investment revenue	<u>302</u>	<u>122</u>
Nonoperating revenues (expenses), net	<u>(2,976)</u>	<u>(3,298)</u>
Changes in net position	6,891	6,591
Net position, beginning of year	<u>465,992</u>	<u>459,401</u>
Net position, end of year	<u>\$ 472,883</u>	<u>\$ 465,992</u>

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

WEST VIRGINIA PARKWAYS AUTHORITY  
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STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013  
(In Thousands)

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 92,063	\$ 90,463
Cash paid to employees	(23,116)	(27,447)
Cash paid to suppliers	<u>(25,948)</u>	<u>(13,529)</u>
Net cash provided by operating activities	<u>42,999</u>	<u>49,487</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(23,895)	(36,323)
Debt service for revenue bonds and capital leases:		
Principal	(7,910)	(7,966)
Interest	<u>(2,488)</u>	<u>(2,633)</u>
Net cash used in capital and related financing activities	<u>(34,293)</u>	<u>(46,922)</u>
Cash flows from investing activities:		
Purchase of investments	(30,948)	(44,112)
Proceeds from sales and maturities of investments	31,865	43,438
Interest from investments	<u>302</u>	<u>122</u>
Net cash provided by (used in) investing activities	<u>1,219</u>	<u>(552)</u>
Increase (decrease) in cash and cash equivalents	9,925	2,013
Cash and cash equivalents, beginning of year	<u>24,838</u>	<u>22,825</u>
Cash and cash equivalents, end of year	<u>\$ 34,763</u>	<u>\$ 24,838</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 9,867	\$ 9,889
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	36,294	35,595
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(239)	(17)
(Increase) decrease in inventory	277	(369)
(Increase) decrease in other current assets	(1,034)	(52)
Increase (decrease) in accounts payable and other liabilities	(2,311)	4,356
Increase in accrued post-employment benefits	<u>145</u>	<u>85</u>
Net cash provided by operating activities	<u>\$ 42,999</u>	<u>\$ 49,487</u>

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

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

**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.

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

Cash Equivalents

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

Investments

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

Allowance for Doubtful Accounts

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

As of June 30, 2014 and 2013, 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.

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

Compensated Absences

Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Authority participates in an other post-employment benefit plan (see Note 6).

Customer Deposits

Customer deposits consist of prepaid deposits made by personal and commercial customers into E-ZPass<sup>®</sup> 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.

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.

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.



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

Operating Revenues and Expenses

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

Other Revenues

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

Estimates

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

Reclassifications

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 2, 2014, the date the financial statements were issued.

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Years Ended June 30, 2014 and 2013

**NOTE 3 - DEPOSITS AND INVESTMENTS**

All of the Authority's cash on hand is held with outside bank accounts, totaling (in thousands) approximately \$34,763 and \$24,838 in 2014 and 2013, respectively.

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

As disclosed in this Note:

Total deposits with outside banks	\$ 34,763	
Total WV Short Term Bond Pool	3,142	
Total other investments	<u>35,358</u>	
		<u>\$ 73,263</u>

As reported on the Statement of Net Position:

Cash and cash equivalents	\$ 34,763	
Short-term investments	12,260	
Investments in securities maturing beyond one year	<u>26,240</u>	
		<u>\$ 73,263</u>

The cost of investment securities is allocated at June 30, 2014 and 2013, among the following restricted and designated accounts created under the various Trust Indentures or by the adoption of Authority resolution (in thousands):

	<u>2014</u>	<u>June 30</u> <u>2013</u>
Restricted and designated assets:		
Assets restricted by Trust Indenture:		
Series 1993, 2002, and 2008 Reserves	\$ 10,808	\$ 10,808
Renewal and Replacement	10,583	11,128
Operating and Maintenance	4,740	4,834
Series 2002 Debt Service	805	509
Series 2008 Debt Service	<u>1,324</u>	<u>512</u>
	28,260	27,791
Reserve Revenue, restricted by Tri-Party Agreement	<u>27,638</u>	<u>17,111</u>
Total restricted	55,898	44,902
Facility Improvement	1,969	1,969
Insurance Liability	1,000	1,000
Non Toll Revenue Fund	<u>1,710</u>	<u>1,736</u>
Total restricted and designated assets as allocated by Trust Indentures	<u>\$ 60,577</u>	<u>\$ 49,607</u>

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

The assets restricted by the 1993 Trust Indenture, as supplemented, must be used for construction, Turnpike maintenance and operation, and debt service. The Trust Indentures require that the balance in the 1993, 2002, and 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 Statement 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.

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

*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, 2014, the Authority had the following investments (in thousands) and maturities (in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10+</u>
Government agency bonds	\$ 27,315	\$ 4,217	\$ 23,075	\$ 23	\$ -
State government bonds	2	2	-	-	-
Corporate bonds	3,142	3,142	-	-	-
U.S. Treasury bills	1,900	1,900	-	-	-
Certificate of deposit – financial institution	6,141	6,141	-	-	-
	<u>\$ 38,500</u>	<u>\$ 15,402</u>	<u>\$ 23,075</u>	<u>\$ 23</u>	<u>\$ -</u>

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

*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 (in thousands) were \$34,763 and \$24,838 at June 30, 2014 and 2013, respectively. These deposits, which had a bank balance of \$36,108 and \$23,952, 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, 2014, the Authority had investment balances with the following issuers which were greater than or equal to 5% of the Authority's total investment balance:

<u>Security Type</u>	<u>Issuer</u>	<u>Percentage of Investments</u>
Government agency bonds	Federal National Mortgage Association	25%
	Federal Home Loan Mortgage Corp.	22
	Federal Home Loan Bank	16
	Federal Farm Credit Bank	8

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

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

**BTI DISCLOSURE INFORMATION**

The West Virginia Board of Treasury Investment (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 BTI's 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 BTI's Consolidated Fund. Of the BTI's Consolidated Fund pools and accounts in which the Authority invests, all are subject to credit risk.

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

*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. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Security Type	Credit Rating		2014		2013	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset-backed securities	Aaa	AAA	\$ 91,752	11.89%	\$ 53,681	8.72%
	Aaa	NR	76,982	9.97	59,810	9.71
	NR	AAA	71,564	9.27	37,411	6.07
	NR	AA+	-	-	2,514	0.41
	Caa1	CCC *	-	-	932	0.15
	Caa3	D *	300	0.04	367	0.06
	Caa3	NR *	19	0.00	24	0.00
	Ca	CCC *	321	0.04	308	0.05
	Ca	D *	94	0.01	95	0.02
	NR	NR *	4,024	0.52	3,819	0.62
Total corporate asset-backed securities			245,056	31.74	158,961	25.81
Corporate bonds and notes	Aaa	AA+	7,675	0.99	-	-
	Aa1	AA+	5,005	0.65	-	-
	Aa2	AA+	4,034	0.52	3,002	0.49
	Aa2	AA	9,791	1.27	12,731	2.07
	Aa2	AA-	10,055	1.30	9,192	1.49
	Aa3	AA-	23,468	3.04	33,034	5.36
	Aa3	A+	10,066	1.30	11,693	1.90
	A1	AA+	13,268	1.72	13,295	2.16
	A1	AA	-	-	4,118	0.67
	A1	AA-	5,987	0.78	-	-
	A1	A+	38,092	4.93	47,500	7.71
	A1	A	5,122	0.66	13,522	2.19
	A1	A-	1,099	0.14	-	-
	A2	A+	9,678	1.25	9,348	1.52
	A2	A	36,840	4.77	47,709	7.75
	A2	A-	12,119	1.57	5,052	0.82
	A3	A-	12,864	1.67	7,986	1.30
	A3	A	16,082	2.08	-	-
	A3	BBB+	8,862	1.15	-	-
	A3	BBB	1,003	0.13	-	-
	Baa1	A-	12,615	1.63	2,416	0.39
	Baa1	BBB+	25,158	3.26	-	-
	Baa1	BBB	8,344	1.08	-	-
	Baa1	BBB-	1,996	0.26	-	-
	Baa2	A-	-	-	6,959	1.13
	Baa2	BBB-	19,340	2.51	-	-
	Baa2	BBB+	2,006	0.26	-	-
	Baa2	BBB	11,325	1.47	-	-
	Baa2	BBB-	4,448	0.58	-	-
	Baa3	BBB+	2,200	0.29	-	-
	Baa3	BBB	7,539	0.98	-	-
	Baa3	BBB-	16,716	2.17	-	-
Total corporate bonds and notes			342,797	44.41	227,557	36.95
U.S. agency bonds	Aaa	AA+	10,007	1.30	9,986	1.62
U.S. Treasury notes **	Aaa	AA+	121,559	15.75	140,154	22.76
U.S. agency mortgage-backed securities ***	Aaa	AA+	38,296	4.96	73,692	11.97
Money market funds	Aaa	AAAm	14,226	1.84	5,457	0.89
			<u>\$ 771,941</u>	<u>100.00%</u>	<u>\$ 615,807</u>	<u>100.00%</u>

NR = Not Rated

\* The securities were not in compliance with BTI Investment Policy at June 30, 2014 and/or 2013. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

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

At June 30, 2014 and 2013, the Authority ownership (in thousands) of approximately \$3,142 represents 0.4% and ownership of approximately \$3,109 represents 0.5%, 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:

Security Type	2014		2013	
	Carrying Value (In Thousands)	Effective Duration (Days)	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury bonds/notes	\$ 121,559	315	\$ 140,154	491
Corporate bonds and notes	342,799	483	227,557	293
Corporate asset-backed securities	245,056	397	158,961	471
U.S. agency bonds/notes	10,007	219	9,986	583
U.S. agency mortgage-backed securities	38,294	291	73,692	60
Money market funds	14,226	1	5,457	1
	<u>\$ 771,941</u>	407	<u>\$ 615,807</u>	358

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI's 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 BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

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**NOTE 4 - CAPITAL ASSETS**

A summary of capital assets at June 30 follows (in thousands):

<u>2014</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, non-depreciable:				
Land	\$ 53,247	\$ -	\$ -	\$ 53,247
Capital assets, depreciable:				
Buildings	101,372	1,572	-	102,944
Equipment	13,846	477	-	14,323
Infrastructure	918,641	21,846	-	940,487
Total capital assets being depreciated	1,033,859	23,895	-	1,057,754
Less accumulated depreciation for:				
Buildings	(66,149)	(3,560)	-	(69,709)
Equipment	(8,568)	(1,034)	-	(9,602)
Infrastructure	(541,500)	(31,700)	-	(573,200)
Total accumulated depreciation	(616,217)	(36,294)	-	(652,511)
Total depreciable capital assets, net	417,642	(12,399)	-	405,243
Total capital assets, net	\$ 470,889	\$ (12,399)	\$ -	\$ 458,490
<u>2013</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, non-depreciable:				
Land	\$ 53,247	\$ -	\$ -	\$ 53,247
Capital assets, depreciable:				
Buildings	99,476	1,896	-	101,372
Equipment	12,087	1,759	-	13,846
Infrastructure	885,973	32,668	-	918,641
Total capital assets being depreciated	997,536	36,323	-	1,033,859
Less accumulated depreciation for:				
Buildings	(62,734)	(3,415)	-	(66,149)
Equipment	(6,928)	(1,640)	-	(8,568)
Infrastructure	(510,960)	(30,540)	-	(541,500)
Total accumulated depreciation	(580,622)	(35,595)	-	(616,217)
Total depreciable capital assets, net	416,914	728	-	417,642
Total capital assets, net	\$ 470,161	\$ 728	\$ -	\$ 470,889

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**NOTE 5 - REVENUE BONDS PAYABLE**

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

	<u>2014</u>	<u>2013</u>
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	\$ 16,235	\$ 18,945
Series 2008 Variable Rate Demand Revenue Refunding Bonds, \$59,100 at variable rates, due in varying installments through May 2019	<u>30,700</u>	<u>35,900</u>
Total revenue bonds payable	46,935	54,845
Add:		
Unamortized premium	689	840
Less:		
Current portion of revenue bonds payable	<u>(8,540)</u>	<u>(7,910)</u>
Total long term revenue bonds payable	39,084	47,775
Less:		
Unamortized deferred loss on advance refunding	<u>(4,287)</u>	<u>(5,228)</u>
	<u>\$ 34,797</u>	<u>\$ 42,547</u>

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 \$10,529, \$11,186, and \$10,541 for the years ended June 30, 2014, 2013, and 2012, respectively. Total pledged revenues were approximately \$45,660, \$47,666, and \$48,531, which represents 433.66%, 426.12%, and 460.40% of the total debt service, respectively, for the years ended June 30, 2014, 2013, and 2012.

In 2002, \$44,205,000 of Revenue Refunding Bonds were issued for the express purpose of defeasing \$36,036,000 of Series 1993 Bonds. The advance refunding resulted in a \$6,313,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$221,000 in 2014 and 2013. The Authority completed the advance refunding to reduce its aggregate debt service payments by almost \$3,003,064 over an 18-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,623,705.



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**NOTE 5 - REVENUE BONDS PAYABLE (Continued)**

In July 2008, the Authority issued \$59,100,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$59,100,000 of the Authority's Series 2003 Bonds. This refunding resulted in a \$5,972,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$569,000 in 2014 and 2013, respectively. The Authority completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds.

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

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	\$30,700,000
Effective Date	July 2, 2008
Maturity Date	May 1, 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, 2014 and 2013, 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.

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**NOTE 5 - REVENUE BONDS PAYABLE (Continued)**

The fair value balance for the hedging derivative instrument outstanding at June 30, 2014, and the change in fair value of the instrument for the year ended June 30, 2014, as reported in the 2014 financial statements are as follows (in thousands):

<u>Changes in fair value:</u>	
Increase (decrease)	\$ <u>(1,173)</u>
 <u>Fair value at June 30, 2014</u>	
Amount	\$ <u>3,316</u>

Risks

*Credit Risk* - The credit ratings of the counterparty to the interest rate swap are A2 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, 2014, 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.

*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.

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**NOTE 5 - REVENUE BONDS PAYABLE (Continued)**

*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, 2014, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending <u>June 30</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	<u>Total</u>
2015	\$ 5,600	\$ 326	\$ 1,315	\$ 7,241
2016	5,900	267	1,076	7,243
2017	6,100	196	823	7,119
2018	6,400	137	561	7,098
2019	<u>6,700</u>	<u>72</u>	<u>287</u>	<u>7,059</u>
	<u>\$ 30,700</u>	<u>\$ 998</u>	<u>\$ 4,062</u>	<u>\$ 35,760</u>

**Bonds Payable Progression and Maturities**

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

<u>2014</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Amortization</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2002	\$ 19,785	\$ -	\$ (2,710)	\$ (151)	\$ 16,924	\$ 2,940
Series 2008	<u>35,900</u>	<u>-</u>	<u>(5,200)</u>	<u>-</u>	<u>30,700</u>	<u>5,600</u>
	<u>\$ 55,685</u>	<u>\$ -</u>	<u>\$ (7,910)</u>	<u>\$ (151)</u>	<u>\$ 47,624</u>	<u>\$ 8,540</u>
<u>2013</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Amortization</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2002	\$ 22,631	\$ -	\$ (2,695)	\$ (151)	\$ 19,785	\$ 2,710
Series 2008	<u>41,100</u>	<u>-</u>	<u>(5,200)</u>	<u>-</u>	<u>35,900</u>	<u>5,200</u>
	<u>\$ 63,731</u>	<u>\$ -</u>	<u>\$ (7,895)</u>	<u>\$ (151)</u>	<u>\$ 55,685</u>	<u>\$ 7,910</u>

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**NOTE 5 - REVENUE BONDS PAYABLE (Continued)**

Debt service requirements for the Revenue Bonds subsequent to June 30, 2014, are as follows (in thousands):

Year Ending <u>June 30</u>	Principal <u>Maturities</u>	Interest, Including <u>Accretion</u>	<u>Total</u>
2015	\$ 8,540	\$ 2,177	\$ 10,717
2016	8,995	1,773	10,768
2017	9,310	1,367	10,677
2018	9,805	914	10,719
2019	<u>10,285</u>	<u>454</u>	<u>10,739</u>
	<u>\$ 46,935</u>	<u>\$ 6,685</u>	<u>\$ 53,620</u>
Principal outstanding June 30, 2014			\$ 46,935
Add:			
Unamortized premium			689
Less:			
Current portion of revenue bonds payable			<u>(8,540)</u>
Long-term portion			<u>\$ 39,084</u>

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, 2014 and 2013, the Authority's estimated arbitrage rebate liability was zero.

**NOTE 6 - 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 57<sup>th</sup> Street, S.E., Suite 2, Charleston, West Virginia, 25304-2345, or by calling 1-888-680-7342.

WEST VIRGINIA PARKWAYS AUTHORITY  
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Years Ended June 30, 2014 and 2013

**NOTE 6 - 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 (in thousands) was \$9,752, \$9,607, and \$9,522 and total OPEB expense was \$989, \$949, and \$3,484 for the years ended June 30, 2014, 2013, and 2012, respectively. The Authority has paid premiums (in thousands) of \$844, \$864, and \$823, which represent approximately 85%, 91%, and 24% of the required contributions, respectively, for the years ended June 30, 2014, 2013, and 2012.

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 in the current year as well as an expected material impact on amounts billed in the future, resulting in decreases in the recorded OPEB liability.

**NOTE 7 - PENSION PLAN**

All full-time Authority employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system. Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides delayed retirement, early retirement, death and disability benefits. The PERS issues an annual report, a copy of which can be obtained by contacting PERS at 4101 MacCorkle Avenue S.E., Charleston, WV 25304-1636 or by calling 1-800-654-1636.

The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 19% of annual covered payroll, including the Authority's contribution of 14.5%, which is established by PERS. Effective July 1, 2014, a decrease in the contribution rate of .5%, will decrease the Authority's contribution rate to 14.0%. The required employee and employer contribution percentages are determined by actuarial advisement within ranges set by statute. A summary of the Authority and employee contributions required and made for the years ended June 30 are as follows (in thousands):

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Authority contributions	\$ 2,065	\$ 2,005	\$ 2,061
Employee contributions	<u>641</u>	<u>645</u>	<u>640</u>
Total contributions	<u>\$ 2,706</u>	<u>\$ 2,650</u>	<u>\$ 2,701</u>

**NOTE 8 - NONCURRENT LIABILITIES**

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

	<u>2014</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 997	\$ -	\$ -	\$ 997	\$ 710
OPEB liability	<u>9,607</u>	<u>989</u>	<u>(844)</u>	<u>9,752</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 10,604</u>	<u>\$ 989</u>	<u>\$ (844)</u>	<u>\$ 10,749</u>	<u>\$ 710</u>

	<u>2013</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 1,000	\$ -	\$ (3)	\$ 997	\$ 703
OPEB liability	<u>9,522</u>	<u>949</u>	<u>(864)</u>	<u>9,607</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 10,522</u>	<u>\$ 949</u>	<u>\$ (867)</u>	<u>\$ 10,604</u>	<u>\$ 703</u>

**NOTE 9 - 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 \$35,917 at June 30 2014 and 2013, respectively (in thousands). Accumulated depreciation on the facilities and service areas was \$23,879 and \$22,652 at June 30, 2014 and 2013, respectively (in thousands).

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

**NOTE 9 - LEASES (Continued)**

The Authority receives both guaranteed payments and contingent payments under the leases. Aggregate rental income from the lease agreements was approximately \$2,881 and \$2,786 for the years ended June 30, 2014 and 2013, respectively. Total contingent rental income received was approximately \$2,115 and \$2,019 for the years ended June 30, 2014 and 2013, respectively. Future minimum rentals are as follows at June 30 (in thousands):

2015	\$ 767
2016	767
2017	767
2018	767
2019	<u>383</u>
	<u>\$ 3,451</u>

**NOTE 10 - RISK MANAGEMENT**

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

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 \$1,000,000 per occurrence, subject to an annual aggregate limit of coverage of \$22,000,000. To further reduce its risk of loss, the Authority, for an annual premium paid to a commercial insurer, has obtained an additional liability policy which provides coverage of \$10,000,000 over and above the coverage provided by the West Virginia Board of Risk and Insurance Management. For the fiscal years ended June 30, 2014, 2013, and 2012, the Authority's insurance coverage has been sufficient to meet all claims and settlements against the Authority.

WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

Litigation

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

Construction Commitments

At June 30, 2014, the Authority had contractual commitments (in thousands) totaling \$25,981 for various Turnpike System improvement projects. Subsequent to June 30, 2014, the Authority entered into additional contractual commitments totaling \$11,898.

**NOTE 12 - ACCOUNTING PRONOUNCEMENTS**

Newly Adopted Statements Issued by GASB

The Authority has adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. This statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. In addition, the Statement requires: (1) A government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required. Such factors may include whether the issuer of the guaranteed obligation is experiencing significant financial difficulty or initiating the process of entering into bankruptcy or financial reorganization; (2) An issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released. When a government is released, the government would recognize revenue as a result of being relieved of the obligation; (3) A government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by GASB

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for fiscal years beginning after June 15, 2014. This statement enhances the information provided in the financial statements regarding the effects of pension-related transactions, the pension obligations of the entity, and the resources available to satisfy those obligations. The Authority has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.



WEST VIRGINIA PARKWAYS AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2014 and 2013

**NOTE 12 - ACCOUNTING PRONOUNCEMENTS (Continued)**

The GASB has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 31, 2013. This statement provides guidance on measurement and reporting of combinations and disposals of government operations. The Authority has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The GASB also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the governments beginning net pension liability. The Authority has not yet determined the effect that the adoption of GASB Statement No. 71 may have on its financial statements.

# **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.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends .....</b>	<b>48</b>
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
<b>Debt Capacity .....</b>	<b>50</b>
These schedules contain trend information to help the reader understand the Authority's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.	
<b>Revenue Capacity.....</b>	<b>52</b>
This schedule contains trend information to help the reader understand the Authority's capacity to earn revenues and the primary sources of those revenues.	
<b>Demographic and Economic Information .....</b>	<b>53</b>
These schedules offer indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons.	
<b>Miscellaneous Statistics .....</b>	<b>55</b>
This information may provide the reader with more insight into the Authority's financial history and operating environment.	

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

	Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>										
Current assets	\$ 53,678	\$ 49,513	\$ 42,259	\$ 62,391	\$ 48,626	\$ 29,262	\$ 18,633	\$ 28,141	\$ 28,644	\$ 28,034
Long-term investments	26,240	20,401	24,528	8,662	11,894	15,408	27,589	21,396	20,662	15,460
Investments in economic development projects, net	-	-	-	-	-	-	-	2,000	2,125	2,125
Capital assets, net	458,490	470,889	470,161	466,398	472,092	484,038	506,746	517,772	531,202	546,919
Deferred outflows of resources	7,603	9,717	12,481	13,046	-	-	-	-	-	-
Total assets plus deferred outflows of resources	\$ 546,011	\$ 550,520	\$ 549,429	\$ 550,497	\$ 532,612	\$ 528,708	\$ 552,968	\$ 569,309	\$ 582,633	\$ 592,538
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>										
Current liabilities	\$ 20,689	\$ 22,363	\$ 18,356	\$ 21,516	\$ 20,697	\$ 15,753	\$ 16,443	\$ 15,211	\$ 11,557	\$ 11,208
Long-term revenue bonds, net	39,084	47,775	55,836	63,881	62,254	73,754	80,763	87,194	96,448	102,051
Other long-term liabilities	10,039	9,901	9,522	6,908	4,415	1,868	1,638	3,478	4,403	3,044
Deferred inflows of resources	3,316	4,489	6,314	5,938	-	-	-	-	-	-
Total liabilities plus deferred inflows of resources	73,128	84,528	90,028	98,243	87,366	91,375	98,844	105,883	112,408	116,303
Net position:										
Net investment in capital assets	415,153	420,432	412,527	408,157	402,069	401,735	416,812	422,455	429,571	441,961
Restricted by trust indenture and tri-party agreement	56,020	43,824	45,127	40,961	39,570	30,175	32,096	39,246	34,138	24,688
Unrestricted	1,710	1,736	1,747	3,136	3,607	5,423	5,216	1,725	6,516	9,586
Total net position	472,883	465,992	459,401	452,254	445,246	437,333	454,124	463,426	470,225	476,235
Total liabilities, deferred inflows of resources and net position	\$ 546,011	\$ 550,520	\$ 549,429	\$ 550,497	\$ 532,612	\$ 528,708	\$ 552,968	\$ 569,309	\$ 582,633	\$ 592,538

WEST VIRGINIA PARKWAYS AUTHORITY

CONDENSED SCHEDULES OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION

(In Thousands)

	Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating revenues:										
Toll revenues	\$ 84,907	\$ 83,519	\$ 83,907	\$ 81,960	\$ 79,871	\$ 53,341	\$ 56,563	\$ 58,165	\$ 61,858	\$ 57,999
Other revenues	6,749	6,944	7,217	7,010	7,087	6,923	7,459	7,657	7,383	6,911
	<u>91,656</u>	<u>90,463</u>	<u>91,124</u>	<u>88,970</u>	<u>86,958</u>	<u>60,264</u>	<u>64,022</u>	<u>65,822</u>	<u>69,241</u>	<u>64,910</u>
Operating expenses:										
Maintenance	23,028	21,907	22,337	23,827	21,287	17,664	17,448	16,837	18,004	16,290
Toll collection	9,826	10,332	11,411	10,984	11,058	10,207	10,117	9,195	9,426	9,574
Traffic enforcement	3,487	3,581	3,744	3,188	2,650	2,973	2,815	2,746	2,785	2,443
General and administrative	9,154	9,159	9,590	9,446	9,605	9,022	9,896	10,221	10,083	10,095
Depreciation	36,294	35,595	32,924	32,227	31,160	31,406	31,064	30,127	29,877	29,779
	<u>81,789</u>	<u>80,574</u>	<u>80,006</u>	<u>79,672</u>	<u>75,760</u>	<u>71,272</u>	<u>71,340</u>	<u>69,126</u>	<u>70,175</u>	<u>68,181</u>
Operating income (loss)	9,867	9,889	11,118	9,298	11,198	(11,008)	(7,318)	(3,304)	(934)	(3,271)
Nonoperating revenue (expenses):										
Interest earned on investments	302	122	242	355	1,377	1,307	2,293	2,710	1,445	1,285
Intergovernmental	-	-	-	2,834	993	-	-	-	-	-
Interest expense	(3,278)	(3,420)	(4,213)	(4,630)	(5,655)	(7,090)	(7,330)	(6,205)	(6,521)	(7,096)
On-behalf contributions	-	-	-	-	-	-	496	-	-	-
	<u>(2,976)</u>	<u>(3,298)</u>	<u>(3,971)</u>	<u>(1,441)</u>	<u>(3,285)</u>	<u>(5,783)</u>	<u>(4,541)</u>	<u>(3,495)</u>	<u>(5,076)</u>	<u>(5,811)</u>
Change in net position	6,891	6,591	7,147	7,857	7,913	(16,791)	(11,859)	(6,799)	(6,010)	(9,082)
Cumulative effect of implementation of GASB Statement 65 (2011) and 43 (2008)	-	-	-	(849)	-	-	2,557	-	-	-
Net position, beginning of year	465,992	459,401	452,254	445,246	437,333	454,124	463,426	470,225	476,235	485,317
Net position, end of year	<u>\$ 472,883</u>	<u>\$ 465,992</u>	<u>\$ 459,401</u>	<u>\$ 452,254</u>	<u>\$ 445,246</u>	<u>\$ 437,333</u>	<u>\$ 454,124</u>	<u>\$ 463,426</u>	<u>\$ 470,225</u>	<u>\$ 476,235</u>

WEST VIRGINIA PARKWAYS AUTHORITY

FINANCIAL RATIOS

	Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Long-term series 1993 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%	0.60%	1.16%
Long-term series 2001 revenue bonds to total assets plus deferred outflows of resources	0.00%	0.00%	0.00%	0.00%	0.00%	0.99%	1.10%	1.21%	1.30%	1.40%
Long-term series 2002 revenue bonds to total assets plus deferred outflows of resources	2.43%	3.10%	3.63%	4.14%	4.08%	4.52%	4.67%	4.88%	5.06%	5.27%
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%	8.83%	9.23%	9.59%	9.39%
Long-term series 2008 revenue bonds to total assets plus deferred outflows of resources	4.60%	5.58%	6.53%	7.46%	7.61%	8.44%	0.00%	0.00%	0.00%	0.00%
Total long-term revenue bonds to total assets plus deferred outflows of resources	7.03%	8.68%	10.16%	11.60%	11.69%	13.95%	14.60%	15.32%	16.55%	17.22%
Net position to total assets plus deferred outflows of resources	86.61%	84.65%	83.61%	82.15%	83.60%	82.72%	82.12%	81.40%	80.71%	80.37%
Long-term bonds to lane miles	90.13	112.15	131.07	149.96	146.14	173.13	189.58	204.68	226.40	239.56
Long-term bonds to number of transactions/vehicles	1.10	1.39	1.39	1.62	1.81	2.19	2.34	2.48	2.74	2.88

Source: West Virginia Parkways Authority

# WEST VIRGINIA PARKWAYS AUTHORITY

## REVENUE BOND COVERAGE (1)

(In Thousands)

	Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues:</b>										
Toll revenues	\$ 84,907	\$ 83,519	\$ 83,907	\$ 81,960	\$ 79,871	\$ 53,341	\$ 56,563	\$ 58,165	\$ 61,858	\$ 57,999
Adjustment to toll revenues per Trust Indentures	(177)	(81)	(333)	480	(683)	200	127	54	(52)	153
Total revenues	<u>84,730</u>	<u>83,438</u>	<u>83,574</u>	<u>82,440</u>	<u>79,188</u>	<u>53,541</u>	<u>56,690</u>	<u>58,219</u>	<u>61,806</u>	<u>58,152</u>
Operating expenses	81,789	80,574	80,006	79,496	75,760	71,272	71,340	69,124	70,176	68,253
Adjustments to operating expenses per Trust Indentures:										
Depreciation	(36,294)	(35,595)	(32,924)	(32,227)	(31,160)	(31,406)	(31,064)	(30,127)	(29,877)	(29,779)
Renewal and replacement provided for by reserves	(3,139)	(2,789)	(2,888)	(3,280)	(2,617)	(2,963)	(2,714)	(1,366)	(2,700)	(2,098)
Economic development and tourism costs	(5,087)	(5,132)	(6,748)	(5,000)	(5,102)	(5,020)	(5,590)	(6,166)	(6,004)	(6,051)
Other	1,801	(1,286)	(2,403)	(3,098)	(3,747)	(975)	(789)	1,141	(117)	(67)
Total operating expenses	<u>39,070</u>	<u>35,772</u>	<u>35,043</u>	<u>35,891</u>	<u>33,134</u>	<u>30,908</u>	<u>31,183</u>	<u>32,606</u>	<u>31,478</u>	<u>30,258</u>
Net revenues available for debt service	<u>\$ 45,660</u>	<u>\$ 47,666</u>	<u>\$ 48,531</u>	<u>\$ 46,549</u>	<u>\$ 46,054</u>	<u>\$ 22,633</u>	<u>\$ 25,507</u>	<u>\$ 25,613</u>	<u>\$ 30,328</u>	<u>\$ 27,894</u>
<b>Revenue bond coverage items:</b>										
Total debt service	10,529	11,186	10,541	10,515	10,670	12,218	11,852	10,876	10,801	10,505
Renewal and replacement reserve requirement per recommendation of consulting engineer	11,163	10,280	11,128	8,673	8,743	10,077	9,073	4,352	4,331	4,151
Total debt service and renewal and replacement	<u>\$ 21,692</u>	<u>\$ 21,466</u>	<u>\$ 21,669</u>	<u>\$ 19,188</u>	<u>\$ 19,413</u>	<u>\$ 22,295</u>	<u>\$ 20,925</u>	<u>\$ 15,228</u>	<u>\$ 15,132</u>	<u>\$ 14,656</u>
<b>Coverage percentages:</b>										
Total debt service (150% required) (1)	<u>433.66%</u>	<u>426.12%</u>	<u>460.40%</u>	<u>442.69%</u>	<u>431.62%</u>	<u>185.24%</u>	<u>215.21%</u>	<u>235.50%</u>	<u>280.79%</u>	<u>265.53%</u>
Total debt service and renewal and replacement per recommendation of consulting engineer (100% required)	<u>210.49%</u>	<u>222.05%</u>	<u>223.97%</u>	<u>242.59%</u>	<u>237.23%</u>	<u>101.52%</u>	<u>121.90%</u>	<u>168.20%</u>	<u>200.42%</u>	<u>190.32%</u>

(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, 2014, 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.

WEST VIRGINIA PARKWAYS AUTHORITY

TRAFFIC STATISTICS

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

	Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of transactions:										
Passenger cars	27,154	26,934	27,549	27,140	27,043	26,511	26,413	26,960	26,745	27,078
Commercial vehicles	7,621	7,462	7,515	7,328	7,329	7,098	8,018	8,265	8,437	8,308
Total transactions	34,775	34,396	35,064	34,468	34,372	33,609	34,431	35,225	35,182	35,386
ETC penetration rate - transactions	35.70%	34.20%	32.69%	30.16%	29.00%	26.25%	26.30%	25.22%	23.94%	20.82%
Number of miles:										
Passenger cars	629,908	623,890	639,854	634,053	633,550	616,633	601,891	614,549	617,247	622,655
Commercial vehicles	308,082	300,589	302,644	296,473	297,710	285,689	322,683	333,378	324,117	323,246
Total miles	937,990	924,479	942,498	930,526	931,260	902,322	924,574	947,927	941,364	945,901
Total revenues:										
Passenger cars	\$ 44,032	\$ 43,429	\$ 43,280	\$ 42,066	\$ 40,685	\$ 26,584	\$ 26,381	\$ 26,908	\$ 27,856	\$ 27,165
Commercial vehicles	40,875	40,090	40,627	39,894	39,186	26,757	30,182	31,257	34,002	30,834
Total toll revenues	\$ 84,907	\$ 83,519	\$ 83,907	\$ 81,960	\$ 79,871	\$ 53,341	\$ 56,563	\$ 58,165	\$ 61,858	\$ 57,999
ETC penetration rate - revenue	40.80%	39.09%	36.70%	35.60%	33.37%	35.06%	35.20%	33.38%	31.70%	23.61%
Toll revenue per transaction:										
Passenger cars	\$ 1.62	\$ 1.61	\$ 1.57	\$ 1.55	\$ 1.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.04	\$ 1.00
Commercial vehicles	5.36	5.37	5.41	5.44	5.35	3.77	3.76	3.78	4.03	3.71
Toll revenue per mile:										
Passenger cars	\$ 0.070	\$ 0.070	\$ 0.068	\$ 0.066	\$ 0.064	\$ 0.043	\$ 0.044	\$ 0.044	\$ 0.045	\$ 0.044
Commercial vehicles	0.133	0.133	0.134	0.134	0.132	0.094	0.094	0.094	0.105	0.095
Miles per transaction:										
Passenger cars	23	23	23	23	23	23	23	23	23	23
Commercial vehicles	40	40	40	40	41	40	40	40	39	39



WEST VIRGINIA PARKWAYS AUTHORITY

NUMBER OF EMPLOYEES

	Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Permanent employees										
Toll	156	160	160	162	168	161	163	164	160	162
Maintenance	146	141	140	141	143	147	144	139	143	150
Other	57	53	53	55	49	49	59	57	62	62
	359	354	353	358	360	357	366	360	365	374
Temporary	78	43	98	82	69	36	65	50	73	98
Leased employees										
State police	29	31	31	27	23	24	25	26	25	28
Tamarack	147	149	146	146	139	139	135	144	150	174

Source: West Virginia Parkways Authority

TRAFFIC ACCIDENT AND POLICING STATISTICS

	Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Number of fatalities	1	8	7	7	6	9	4	8	6	11
Fatality rate per 100 million miles traveled	0.1	0.9	0.8	0.8	0.6	1.0	0.4	0.8	0.6	1.2
Policing statistics										
Arrests	10,189	12,019	10,943	11,033	6,254	5,793	5,959	8,656	9,661	11,148
Warning tickets	24,677	24,377	20,069	16,340	17,415	23,968	24,932	26,077	20,843	2,076
Assists to motorists	2,914	3,633	2,816	2,382	2,083	2,605	2,581	2,493	2,791	2,625

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY  
POPULATION DEMOGRAPHICS

	Year Ended June 30,									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Population - WV (1)	1,852,994	1,852,994	1,852,994	1,852,994	1,808,344	1,808,344	1,808,344	1,808,344	1,808,344	1,808,344
Personal income - WV (\$ in thousands) (2)	\$ 66,037,342	\$ 63,968,460	\$ 62,178,478	\$ 60,484,487	\$ 58,631,433	\$ 57,410,905	\$ 54,555,485	\$ 54,893,647	\$ 48,138,995	\$ 46,497,446
Per capital personal income - WV (2)	\$ 35,613	\$ 34,477	\$ 33,513	\$ 32,641	\$ 32,219	\$ 31,634	\$ 30,121	\$ 28,714	\$ 26,686	\$ 25,785
Unemployment Rate - WV (3)	6.20%	7.30%	8.00%	9.10%	7.70%	4.20%	4.20%	4.50%	4.90%	5.30%

- (1) Data based on the US Decennial Census  
(2) Bureau of Economic Analysis  
(3) Work Force WV Labor Market Information

Largest Private Sector Employers in the State of West Virginia		
	Ranking	
	2013	2004
Wal-Mart Associates, Inc.	1	1
West Virginia United Health System	2	3
Charleston Area Medical Center, Inc.	3	2
Kroger	4	4
Consolidation Coal Company	5	
Mylan Pharmaceuticals, Inc.	6	
Lowes Home Centers, Inc.	7	
St. Mary's Hospital	8	
Mentor Management, Inc.	9	
Res-Care Inc.	10	
CSX		5
Weirton Steel Corporation		6
American Electric Power		7
E.I. DuPont de Nemours and Company		8
Verizon		9
Allegheny Energy Service Corporation		10

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%
<b>Total Population</b>	<b>1,852,994</b>	<b>100.00%</b>

Source: WorkForce WV

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

## WEST VIRGINIA PARKWAYS AUTHORITY

### Significant Dates

June 30, 2014

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

## WEST VIRGINIA PARKWAYS AUTHORITY

### Significant Dates (Continued)

June 30, 2014

March 1993	Issued \$118 million of Series 1993 Revenue Refunding Bonds resulting in approximately \$5.2 million in net present value savings
January 1994	Implemented Parkways Authority Commuter (“PAC”) card program
December 1994	Issued \$9 million of Series 1994 Raleigh County, West Virginia Commercial Development Revenue Bonds to partially finance construction of <i>TAMARACK-The Best of West Virginia</i> arts and crafts center
May 1996	Opened <i>TAMARACK-The Best of West Virginia</i> and the new Beckley Interchange (Exit 45)
December 1999	New Electronic Toll Collection System with E-ZPass interoperability through Inter Agency Group membership began operations at the Ghent toll facility. The remaining mainline toll facilities began operation in January 2000 and North Beckley began operations in March 2000
December 2001	Issued \$5.7 million of Series 2001A Taxable Commercial Development Refunding Revenue Bonds and \$5.9 million of Series 2001B Commercial Development Bonds to advance refund series 1994 and 1996 Bonds and to construct Educational, Cultural, and Banquet facilities at the Caperton Center
February 2002	Issued \$44.2 million of Series 2002 Refunding Revenue Bonds to advance refund for savings \$36 million of Series 1993 Bonds
February 2003	Issued \$63.9 million of Series 2003 Variable Rate Demand Revenue Refunding Bonds to advance refund for savings \$61.3 million of Series 1993 Bonds
June 2003	Opened Tamarack Conference Center
February 2004	Passage of House Bill #4033 raising bonding capacity to \$200 million
November 2004	Celebrated 50 <sup>th</sup> 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, 2014

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 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, 2014

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, 2014

Toll Class	Axles	Description	Cash Rate	
			Mainline Plazas	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

