

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Fiscal Years Ended June 30, 2018 and 2017



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

Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2018 and 2017

Prepared by:

Director of Finance,
West Virginia Parkways Authority

West Virginia Parkways Authority
Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2018 and 2017

Table of Contents

INTRODUCTORY SECTION

List of Authority Members, Administrative Staff, and Professional Consultants	1
Organization Chart.....	2
Letter of Transmittal to General Manager and Authority Members.....	3
Certificate of Achievement for Excellence in Financial Reporting.....	11

FINANCIAL SECTION

Independent Auditor's Report.....	13
Management's Discussion and Analysis	16
Statements of Net Position.....	22
Statements of Revenues, Expenses, and Changes in Net Position	23
Statements of Cash Flows.....	24
Notes to the Financial Statements, an Integral Part of the Basic Financial Statements.....	25
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability	58
Schedule of Pension Contributions	59
Schedule of Proportionate Share of the Net Other Post-Employment Benefits (OPEB) Liability	60
Schedule of Other Post-Employment Benefits (OPEB) Contributions	61
Notes to Required Supplementary Information	62

STATISTICAL SECTION

Condensed Schedules of Net Position	66
Condensed Schedules of Revenues, Expenses, and Changes in Net Position	67
Financial Ratios	68
Revenue Bond Coverage.....	69
Traffic Statistics	70
Number of Employees/Traffic Accident and Policing Statistics	71
Population Demographics	72
Significant Dates	73
Miscellaneous Data and Statistics.....	76
Toll Rates and Vehicle Classifications	77
Map of West Virginia Turnpike.....	78

Introductory Section

West Virginia Parkways Authority

West Virginia Parkways Authority

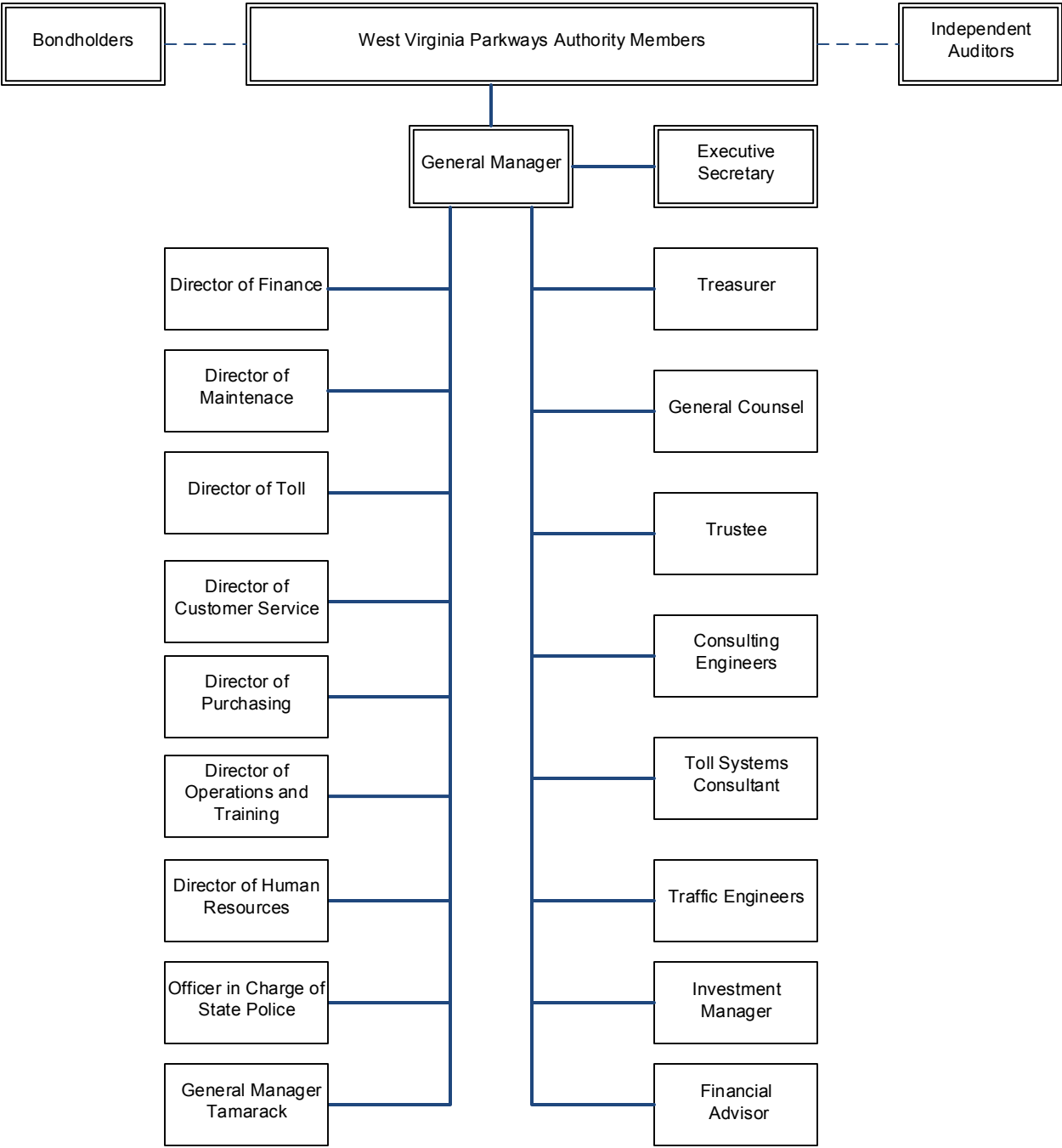
List of Authority Members, Administrative Staff, and Professional Consultants

<u>Authority Members</u>		<u>Date Appointed</u>	<u>Term Expires (2)</u>
Chairman	The Honorable James C. Justice, II Governor, State of West Virginia	January 16, 2017	(1)
Governor's Chairman Designee	Ann V. Urling	September 28, 2017	(1)
Secretary of Transportation	Thomas J. Smith	January 14, 2017	(1)
Vice Chairman, At Large Member	Mike Vinciguerra, Jr.	June 2, 2006	June 30, 2021
Secretary, 1 st Congressional District	Tom Mainella	July 10, 2010	June 30, 2020
3 rd Congressional District	William Seaver, IV	July 9, 2007	June 30, 2020
3 rd Congressional District	Douglas M. Epling	January 29, 2009	June 30, 2022
1 st Congressional District	William Cipriani	May 10, 2013	June 30, 2019
2 nd Congressional District	Troy N. Giatras	January 12, 2017	June 30, 2019
2 nd Congressional District	Alisha G. Maddox	July 1, 2017	June 30, 2021
 <u>Administrative Staff</u>			
General Manager	Gregory C. Barr		
Executive Assistant	Robin Shamblin		
General Counsel	A. David Abrams, Jr.		
Director of Finance	Parrish T. French		
Chief Engineer	Ronald B. Hamilton		
Director of Maintenance	James F. Meadows		
Director of Tolls	Douglas E. Ratcliff		
Director of Customer Service	D. Wayne Webb		
Director of Purchasing	Margaret Vickers		
Director of Operations and Training	Tyrone C. Gore		
Director of Human Resources	Sherry Lilly		
Officer in Charge of State Police	Captain T. L. Bragg		
Executive Director – Tamarack	Tammy Coffman		
 <u>Professional Consultants</u>			
Trustee	United Bank, Inc., Charleston, West Virginia		
Independent Auditor	Suttle & Stalnaker, PLLC, Charleston, West Virginia		
General Counsel	Abrams & Byron, Beckley, West Virginia		
Bond Counsel	Bowles Rice, LLP Charleston, West Virginia		
	Spilman, Thomas & Battle, Charleston, West Virginia		
Consulting Engineers	HNTB Corporation, Scott Depot, West Virginia		
Traffic Engineers	CDM Smith, New Haven, Connecticut		
Financial Advisor	Public Resources Advisory Group, New York, New York		
Investment Advisor	BB&T Scott & Stringfellow		

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

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

West Virginia Parkways Authority Organization Chart





Jim Justice
Governor

West Virginia Parkways Authority

P.O. Box 1469
Charleston, West Virginia 25325-1469
Telephone: 304-926-1900
Fax: 304-926-1909
E-ZPass: 1-800-206-6222
www.wvturnpike.com

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

October 24, 2018

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

The Comprehensive Annual Financial Report (CAFR) of the West Virginia Parkways Authority (the Authority) for the fiscal years ended June 30, 2018 and 2017, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the financial presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, the accompanying data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, changes in financial position, and cash flows of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included. Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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

ORGANIZATION AND BACKGROUND

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

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

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

The Turnpike System

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

From its beginning, the Turnpike has been an important route for commercial truck traffic serving the northeast and upper Midwest industrial areas to industrial areas and population centers of the South. Today, heavy truck traffic accounts for over 20% of total transactions and approximately 50% of toll revenues. The Turnpike is also important to summer and holiday travelers. Average daily passenger car traffic increases by approximately 28% during the summer travel months of June, July and August. Studies have indicated approximately 76% of toll revenues are collected from out-of-state vehicles.

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

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

The Authority is a member of the E-ZPass® Group which develops guidelines for and facilitates the electronic collection of tolls among at least 27 toll agencies from 16 states in the Eastern and Midwest portions of the U.S. The E-ZPass program is the largest, most successful interoperable toll collection program anywhere in the world, servicing more than 32 million customers and processing more than 3 billion electronic toll transactions a year. The West Virginia Turnpike processes 40.9% of toll transactions and collects 48.3% of toll revenue with the E-ZPass® system.

Reorganization

In 2010, the Authority was renamed and reorganized as the West Virginia Parkways Authority. The Authority's governance board was expanded to nine members to include two members from each of the State's three congressional districts, one at-large member, the Secretary of Transportation and the Governor or his designee, as Chairman. Members are appointed to five year terms.

Governor's Road To Prosperity Program

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

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

S.B. 1003 includes various provisions that govern the amounts and processes the Authority must follow in order to continue to charge tolls and the amount of revenues for which the tolls must generate. Specifically, the provisions require the Authority to implement a Single Fee Program in order to continue and/or raise tolls on the Turnpike beyond 2019. The Single Fee Program is intended to enable the Authority to allow purchasers of West Virginia E-ZPass transponders to have unlimited passage on toll roads within the State for an annual flat fee. The flat fee shall be set by the Authority (with certain limitations including, but not limited to, a cap at \$25 per year) at a rate or amount so that the aggregate of all toll revenues estimated to be received by the Authority at the time of fixing any such rate or amount, or any increase thereof, provides sufficient toll revenues to pay debt service, fund necessary reserves and to cover the administrative costs of the program.

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

On July 31, 2018, the Authority issued \$166.4 million Senior Lien Turnpike Toll Revenue Bonds with net original issue premium of \$18.0 million. \$172.0 million was deposited to the State Road Construction Account. The proceeds will be used to finance the costs of construction by the Division of Highways for transportation projects located not on the Turnpike but in counties adjacent to the Turnpike. The projects are from a list of projects to be constructed by the Division of Highways under its Roads to Prosperity Program and include the Powells Creek Bridge Project in Nicholas County, the Kenneth Shadrick Bridge Project in Wyoming County, the King Coal Highway: Airport Road to John Nash Boulevard Project in Mercer County and several pieces of the West Virginia Route 10 Operation Improvements Project in Mercer County.

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

Highway and Bridge Rehabilitation Projects

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

Beginning in 2010, improvements in pavement ride quality on some sections of the Turnpike became apparent. While approximately 40% of pavements were condition assessed as good or very good in 2010, by May, 2017 the goal of having 80% of pavements condition assessed as good or very good had been attained. Major construction projects in 2017 and 2018 included the continuation of asphalt overlay and paving on the northern portion of the Turnpike. Following Memorial Day, most work is performed at night, Monday through Thursday from 6:00 p.m. to 6:00 a.m., in order to keep traffic delays at a minimum.

Bridge deck replacement using accelerated bridge construction (ABC) method

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

as the units are made in a casting plant. Once the casts are brought in, the old deck is replaced and the new deck is put into place with a crane and locked in place.

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

Routine Maintenance

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

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

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

Traffic Management and Safety

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

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

Travel Plazas and Tourist Information Centers

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

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

Long-Range Financial Planning

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

Economic Development and Tourism

In 1989, the Authority 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 meeting, the Board refocused the Authority's core and principal mission of operating and maintaining the Turnpike as a modern, efficient and safe roadway. All economic development and tourism projects, except Tamarack-the Best of West Virginia, 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 agreed to participate in the State of West Virginia's Enterprise Resource Planning (ERP) project as an agency of the Department of Transportation. In 2014, the Authority began the transition to the State's new ERP System. The State calls this project wvOASIS and it is a comprehensive suite of commercially available integrated modules that provide end-to-end support for statewide administrative functions. ERP includes personnel, payroll, procurement, accounts payable, accounting and project management. The Authority began using the new system on July 8, 2014 for financial and procurement purposes. Also, the new wvOASIS system is designed to provide for integration of Purchasing Card ("P-Card") use to enhance the efficiencies of purchasing and reduce the number of disbursements as well as on-line reconciliation of monthly usage by P-Card holders. All purchasing policies, including bidding and approvals for different levels of purchasing authority, will still apply. The Authority participated in "Wave 2" implementation of the human resources and payroll modules which occurred during 2016.

Tri-Party Agreement of 1988 and Trust Indentures

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

The trust indentures also require an annual audit by independent certified public accountants. The accounting firm of Suttle & Stalnaker, PLLC was engaged by the Authority to perform the audit for the fiscal years ended June 30, 2018 and 2017.

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 28 years through the period ended June 30, 2017, 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, 2017

Christopher P. Morill

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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 3 to the financial statements, in 2018, the Authority adopted new accounting guidance, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 16 through 21, the schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of proportionate share of net other post-employment benefits (OPEB) liability, schedule of other post-employment benefits (OPEB) contributions and related notes on pages 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of the Authority. They do not purport to, and do not present fairly the financial position of the State of West Virginia, as of June 30, 2018 and 2017, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script, reading "Suttle & Stalnaker, PLLC".

Charleston, West Virginia
September 25, 2018

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

The management of the West Virginia Parkways Authority (hereinafter referred to as the Authority) offers this narrative overview and analysis of the Authority's financial activities for the year ended June 30, 2018 which should be read in conjunction with the Authority's basic financial statements.

FINANCIAL HIGHLIGHTS

- The total number of transactions on the West Virginia Turnpike during fiscal year 2018 increased 0.1% from fiscal year 2017. The increase in transactions along with increased toll enforcement collections and other recoveries resulted in an increase in toll revenue of approximately \$2.0 million or 2.2%.
- In conjunction with the adoption of the new toll rate schedule in August 2009, the Authority implemented a ten-year program to address the then approximately \$335 million backlog of essential deferred maintenance and capital needs identified with the Authority's consulting engineers. In addition to the increased activity of the Authority's own maintenance staff, the Authority has utilized over \$296.5 million of capital towards roadway reconstruction, rehabilitation and repair and other capital expenditures since the rate increase. At June 30, 2018, the Authority had contractual commitments totaling approximately \$40 million for various Turnpike System improvement projects.
- Excluding depreciation, operating expenses decreased \$2.24 million or 4.6% from 2017. Decreases in expenditures mainly related to a reduction to the guardrail replacement program and other maintenance expenses.

Basic Financial Statements

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

Overview of the Financial Statements

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

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

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

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 decreased 0.6% and large commercial traffic volume increased by 2.8% during 2018. Passenger car toll revenues decreased 1.2% and large commercial toll revenues increased by 1.6%. Total net toll revenues and other recoveries increased approximately \$2.0 million or 2.2%.

CHANGES IN NET POSITION INFORMATION

(in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change '18 - '17</u>
Revenues:				
Operating revenues:				
Toll revenues	\$ 95,288	\$ 93,249	\$ 93,579	2.2%
Other revenues	7,182	7,370	7,404	(2.6)%
Nonoperating revenues:				
Net investment revenue	632	280	336	125.7%
Payments on behalf	584	-	-	100.0%
Total revenues	<u>103,686</u>	<u>100,899</u>	<u>101,319</u>	2.8%
Expenses:				
Operating expenses:				
Maintenance	23,599	25,056	24,791	(5.8)%
Toll collection	9,369	9,857	9,566	(5.0)%
Traffic enforcement and communications	2,888	3,231	3,172	(10.6)%
General and administrative	10,358	10,308	11,248	0.5%
Depreciation	40,639	37,318	36,929	8.9%
Nonoperating expenses:				
Interest expense	<u>1,051</u>	<u>2,210</u>	<u>2,631</u>	(52.4)%
Total expenses	<u>87,904</u>	<u>87,980</u>	<u>88,337</u>	(0.1)%
Change in net position	15,782	12,919	12,982	22.2%
Net position, beginning of year	501,018	488,099	475,117	2.6%
Net effect of change in accounting policy	<u>1,057</u>	<u>-</u>	<u>-</u>	100.0%
Net position, beginning of year, as restated	<u>502,075</u>	<u>488,099</u>	<u>475,117</u>	2.9%
Net position, end of year	<u>\$ 517,857</u>	<u>\$ 501,018</u>	<u>\$ 488,099</u>	3.4%

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

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

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

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

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

Beginning in the fiscal year ended June 30, 2010, toll revenues exceeded projections allowing the Authority to proceed with the plan ahead of schedule. The Authority has utilized over \$296.5 of capital towards roadway reconstruction, rehabilitation and repair and other capital expenditures since the rate increase.

Operating Expenses

For the year ended June 30, 2018, total operating expenses increased 1.3% or \$1.1 million. Depreciation expense increased \$3.3 million due to the increasing amount of infrastructure projects being placed in service. Decreases in other operating expenditures were mainly related to a reduction to the guardrail replacement program and other maintenance expenses.

For the year ended June 30, 2017, total operating expenses increased 0.1% or \$64 thousand. Depreciation expense increased \$389 thousand due to the increasing amount of infrastructure projects being placed in service. Decreases in other expenditures were related to salt, damage claims and recoveries, guardrail replacement and other maintenance expenses.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

Non-operating Revenue and Expense

Interest expense decreased 52.4% in 2018 and 16.0% in 2017 due to the amortization of principal and stabilization of the Authority's variable interest rate associated with the Series 2008 Toll Revenue Bonds. Net investment revenue has increased 125.7% in the current year due to a general increase in interest rates.

CONDENSED STATEMENTS OF NET POSITION INFORMATION
(in Thousands)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>Change '18 - '17</u>
Current assets	\$ 75,418	\$ 68,601	\$ 61,088	9.9%
Long-term investments	19,770	27,806	25,603	(28.9)%
Capital assets, net	<u>457,290</u>	<u>451,041</u>	<u>453,833</u>	1.4%
Total assets	552,478	547,448	540,524	0.9%
Deferred outflows	<u>3,728</u>	<u>8,126</u>	<u>7,402</u>	(54.1)%
Total assets plus deferred outflows	<u>\$ 556,206</u>	<u>\$ 555,574</u>	<u>\$ 547,926</u>	0.1%
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>				
Current liabilities	\$ 21,012	\$ 21,367	\$ 18,720	(1.7)%
Long-term revenue bonds	-	10,523	20,479	(100.0)%
Other long-term liabilities	<u>14,236</u>	<u>21,465</u>	<u>17,033</u>	(33.7)%
Total liabilities	35,248	53,355	56,232	(33.9)%
Deferred inflows	<u>3,101</u>	<u>1,201</u>	<u>3,595</u>	158.2%
Total liabilities plus deferred inflows	<u>38,349</u>	<u>54,556</u>	<u>59,827</u>	(29.7)%
Net position:				
Net investment in capital assets	447,418	432,154	426,447	3.5%
Restricted	67,677	65,834	58,626	2.8%
Unrestricted	<u>2,762</u>	<u>3,030</u>	<u>3,026</u>	(8.8)%
Total net position	<u>517,857</u>	<u>501,018</u>	<u>488,099</u>	3.4%
Total liabilities, deferred inflows and net position	<u>\$ 556,206</u>	<u>\$ 555,574</u>	<u>\$ 547,926</u>	0.1%

Assets

The Authority's cash and investment balances decreased by \$2.8 million in the year ended June 30, 2018. Cash and investment balances decreased as the Authority spent more on capital improvements. For the year ended June 30, 2017 cash balances remained relatively consistent.

For the year ended June 30, 2018, net capital assets increased \$6.2 million with capital improvements of \$46.8 million less depreciation expense of \$40.6 million. For the year ended June 30, 2017, net capital assets decreased by \$2.8 million as the result of capital improvements of \$34.5 million offset by \$37.3 million of depreciation expense.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

Liabilities

For the year ended June 30, 2018, total liabilities and deferred inflows of resources decreased \$16.2 million. Current liabilities decreased due to the timing of invoices related to infrastructure projects in progress. Regularly scheduled principal maturities contributed to the decrease in long-term debt. Other long-term liabilities decreased due to a decrease in the net pension liability and the other post-employment benefits liability.

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

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

CAPITAL ASSETS

The Authority's capital assets consist of land, buildings, equipment and infrastructure. Infrastructure assets are typically items that are immovable such as highways and bridges. The Authority's investment in capital assets at June 30, 2018 amounted to approximately \$1.259 billion of gross asset value with accumulated depreciation of approximately \$802 million, leaving a net book value of approximately \$457 million. Capital assets represented 82.2% of the Authority's total assets and deferred outflows of resources at June 30, 2018. Additional information on the Authority's capital assets can be found in the Note 6 to the financial statements.

LONG-TERM DEBT

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

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

Additional information on the Authority's long-term liabilities activity can be found in Notes 7, 8, 9, and 15 to the financial statements.

FACTORS IMPACTING FUTURE OPERATIONS

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2018 and 2017

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

As an additional part of the Roads to Prosperity Program, the Division of Highways intends to widen certain sections of the Turnpike from Exit 48 at North Beckley to the I-77/I-64 interchange at Exit 40 south of Beckley by adding an additional travel lane over approximately eight miles each way including widening eight bridges. The lane-widening project will mainly be funded from proceeds of the State's General Obligation State Road Bonds, Series 2018 A and Series 2018 B except for project management expenses including contract administration and quality assurance that will be paid by the Authority. Funding of this project by the Division of Highways eliminates a significant capital investment that otherwise would have been required of the Authority.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

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

STATEMENTS OF NET POSITION

June 30, 2018 and 2017
(In Thousands)

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 28,463	\$ 31,872
Short-term investments	37,467	28,790
Accounts receivable	3,721	3,518
Accrued interest receivable	123	102
Inventory	4,118	3,780
Other	1,526	539
Total current assets	<u>75,418</u>	<u>68,601</u>
Noncurrent assets:		
Investments in securities maturing beyond one year	19,770	27,806
Capital assets, net	457,290	451,041
Total noncurrent assets	<u>477,060</u>	<u>478,847</u>
Total assets	<u>552,478</u>	<u>547,448</u>
Deferred outflows of resources:		
Deferred outflows related to pension	2,165	6,052
Deferred outflows related to other post-employment benefits	904	-
Fair value of hedging derivative instrument	158	633
Deferred bond refunding loss:		
Series 2002 revenue bonds	217	588
Series 2008 revenue bonds	284	853
Total deferred outflows of resources	<u>3,728</u>	<u>8,126</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	4,138	5,023
Accrued interest payable	55	115
Customer deposits	2,181	2,357
Other accrued liabilities	3,549	3,294
Current portion of compensated absences	716	773
Current portion of long-term revenue bonds	10,373	9,805
Total current liabilities	<u>21,012</u>	<u>21,367</u>
Noncurrent liabilities:		
Noncurrent portion of long-term revenue bonds, net of unamortized premiums:		
Series 2002 revenue bonds	-	3,823
Series 2008 revenue bonds	-	6,700
	<u>-</u>	<u>10,523</u>
Noncurrent portion of compensated absences	368	224
Net pension liability	4,615	10,007
Accrued post-employment benefits other than pensions	9,253	11,234
Total noncurrent liabilities	<u>14,236</u>	<u>31,988</u>
Total liabilities	<u>35,248</u>	<u>53,355</u>
Deferred inflows of resources:		
Fair value of hedging derivative instrument	158	633
Deferred inflows related to pension	1,501	568
Deferred inflows related to other post-employment benefits	1,442	-
Total deferred inflows of resources	<u>3,101</u>	<u>1,201</u>
Total liabilities plus deferred inflows of resources	<u>38,349</u>	<u>54,556</u>
Net position:		
Net investment in capital assets	447,418	432,154
Restricted by trust indenture and tri-party agreement	67,677	65,834
Unrestricted	2,762	3,030
Total net position	<u>\$ 517,857</u>	<u>\$ 501,018</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, 2018 and 2017

(In Thousands)

	<u>2018</u>	<u>2017</u>
Operating revenues:		
Toll revenues	\$ 95,288	\$ 93,249
Other revenues	<u>7,182</u>	<u>7,370</u>
Total operating revenues	<u>102,470</u>	<u>100,619</u>
Operating expenses:		
Maintenance	23,599	25,056
Toll collection	9,369	9,857
Traffic enforcement and communications	2,888	3,231
General and administrative	10,358	10,308
Depreciation	<u>40,639</u>	<u>37,318</u>
Total operating expenses	<u>86,853</u>	<u>85,770</u>
Operating income	15,617	14,849
Nonoperating revenues (expenses):		
Interest expense	(1,051)	(2,210)
Net investment revenue	632	280
Payments on behalf	<u>584</u>	<u>-</u>
Nonoperating revenues (expenses), net	<u>165</u>	<u>(1,930)</u>
Change in net position	15,782	12,919
Net position, beginning of year	501,018	488,099
Net effect of change in accounting policy	<u>1,057</u>	<u>-</u>
Net position, beginning of year, as restated	<u>502,075</u>	<u>488,099</u>
Net position, end of year	<u>\$ 517,857</u>	<u>\$ 501,018</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 CASH FLOWS

Years Ended June 30, 2018 and 2017

(In Thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 102,294	\$ 100,007
Cash paid to employees	(27,477)	(24,417)
Cash paid to suppliers	(20,639)	(21,971)
Net cash provided by operating activities	<u>54,178</u>	<u>53,619</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(47,511)	(32,420)
Debt service for revenue bonds:		
Principal	(9,782)	(9,311)
Interest	(284)	(1,399)
Net cash used in capital and related financing activities	<u>(57,577)</u>	<u>(43,130)</u>
Cash flows from investing activities:		
Purchase of investments	(25,878)	(45,351)
Proceeds from sales and maturities of investments	25,236	34,741
Interest from investments	632	280
Net cash used in investing activities	<u>(10)</u>	<u>(10,330)</u>
Increase (decrease) in cash and cash equivalents	(3,409)	159
Cash and cash equivalents, beginning of year	<u>31,872</u>	<u>31,713</u>
Cash and cash equivalents, end of year	<u>\$ 28,463</u>	<u>\$ 31,872</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 15,617	\$ 14,849
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	40,639	37,318
Other post-employment benefits expense - special funding situation	584	-
Net effect of GASB 75	1,057	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(225)	98
(Increase) decrease in inventory	(338)	111
(Increase) decrease in other current assets	(988)	844
(Increase) decrease in deferred outflows of resources	2,983	(2,537)
Increase (decrease) in accounts payable and other liabilities	(154)	8
Increase (decrease) in deferred inflows of resources	2,376	(1,543)
Increase (decrease) in net pension liability	(5,392)	4,159
Increase (decrease) in accrued post-employment benefits	(1,981)	312
Net cash provided by operating activities	<u>\$ 54,178</u>	<u>\$ 53,619</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)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 1 - FINANCIAL REPORTING ENTITY

Pursuant to Senate Bill 427, the Authority's legal name was changed to the West Virginia Parkways Authority effective July 1, 2010. The West Virginia Parkways Economic Development and Tourism Authority was created as the successor-in-interest to the West Virginia Turnpike Commission (the Turnpike Commission) by an Act (the Act) of the West Virginia Legislature effective June 1, 1989. All the duties, powers, and functions of the Turnpike Commission were transferred to the Authority. Under the Act, the Authority assumed all assets, property, obligations, indebtedness, and other liabilities of the Turnpike Commission and personnel of the Turnpike Commission were transferred to the employment of the Authority. The Authority has the power to enact and amend its operating budget, and receives no appropriations from the State of West Virginia (the State). The State's Governor or his designee serves as chairman of the Authority and the State's Secretary of Transportation serves as a board member. The other seven Authority members are appointed by the Governor with the approval of the Senate. As the State is able to impose its will over the Authority, the Authority is considered a component unit of the State and its financial statements are discretely presented in the comprehensive annual financial report of the State.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Authority is accounted for as a government entity engaged in business-type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

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

Cash Equivalents

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

Allowance for Doubtful Accounts

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

As of June 30, 2018 and 2017, management believes that all accounts receivable will be collected; therefore, no allowance for doubtful accounts has been booked.

Inventory

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

Capital Assets

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

Deferred Outflow of Resources

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

Compensated Absences

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Other Post Employment Benefit (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9 for further discussion.

Customer Deposits

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

Bond Discounts, Premiums and Deferred Loss on Advance Refunding

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

Net Position

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

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

Deferred Inflow of Resources

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

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 2017 financial statements have been reclassified to conform to the 2018 presentation.

NOTE 3 - CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF BEGINNING NET POSITION

The Authority changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 75 – As of July 1, 2017, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement reclassified some items previously reported as expenses as deferred outflows of resources and deferred inflows of resources. This statement also changed the valuation methodology used to record the net other postemployment benefits (OPEB) liability.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 3 - CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF BEGINNING NET POSITION (Continued)

Employer contributions to the West Virginia Retiree Health Benefit Trust Fund (RHBT) made subsequent to the measurement date are now recorded as deferred outflows of resources. For the fiscal year ended June 30, 2018, the Authority reported \$904 as deferred outflows of resources relating to these payments. Additionally, the net difference between the projected and actual investment earnings are required to be recorded as deferred inflows of resources or deferred outflows of resources and are amortized over 5 years. All other deferred outflows of resources and deferred inflows or resources relating to the OPEB liability are amortized over 4.71 years, the average expected remaining service life. For the fiscal year ended June 30, 2018, the Authority reported deferred inflows of resources relating to these earnings of \$1,442.

Net effect of the change in accounting policy on beginning net position is as follows:

Net position at June 30, 2017, as previously stated	\$ 501,018
Net effect of change in accounting policy	<u>1,057</u>
Net position at June 30, 2018, restated	<u><u>\$ 502,075</u></u>

NOTE 4 - DEPOSITS AND INVESTMENTS

All of the Authority's cash on hand is held with outside bank accounts and the West Virginia State Treasurer's Office, totaling approximately \$28,463 and \$31,872 in 2018 and 2017, respectively.

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

	<u>June 30, 2018</u>
As disclosed in this Note:	
Total deposits with outside banks	\$ 24,635
Total WV State Treasurer's Office	3,828
Total WV Short Term Bond Pool	3,283
Total other investments	<u>53,954</u>
	<u>\$ 85,700</u>
As reported on the Statement of Net Position:	
Cash and cash equivalents	\$ 28,463
Short-term investments	37,467
Investments in securities maturing beyond one year	<u>19,770</u>
	<u>\$ 85,700</u>

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

	<u>June 30, 2017</u>
As disclosed in this Note:	
Total deposits with outside banks	\$ 26,185
Total WV State Treasurer's Office	5,687
Total WV Short Term Bond Pool	3,248
Total other investments	<u>53,348</u>
	<u>\$ 88,468</u>
As reported on the Statement of Net Position:	
Cash and cash equivalents	\$ 31,872
Short-term investments	28,790
Investments in securities maturing beyond one year	<u>27,806</u>
	<u>\$ 88,468</u>

The cost of investment securities is allocated at June 30, 2018 and 2017, among the following restricted and designated accounts created under the various Trust Indentures or by the adoption of Authority resolution (in thousands):

	<u>June 30</u>	
	<u>2018</u>	<u>2017</u>
Restricted and designated assets:		
Assets restricted by trust indenture and tri-party agreement		
Series 1993, 2002, and 2008 Reserves	\$ 10,808	\$ 10,808
Renewal and replacement	16,988	13,832
Operating and maintenance	4,974	4,974
Series 2002 debt service	441	1,191
Series 2008 debt service	515	2,052
Reserve revenue, restricted by tri-party agreement	40,977	41,230
Insurance liability	1,000	1,000
Patron account	<u>2,181</u>	<u>2,357</u>
Total restricted	<u>77,884</u>	<u>77,444</u>
Non toll revenue fund	<u>2,762</u>	<u>3,030</u>
Total restricted and designated assets as allocated by trust indentures	<u>\$ 80,646</u>	<u>\$ 80,474</u>

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.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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, 2018 and 2017, respectively, the Authority had the following investments and maturities (in years):

<u>Investment Type</u>	2018				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10+</u>
Government agency bonds	\$ 40,352	\$ 20,829	\$ 19,523	\$ -	\$ -
Corporate bonds	3,283	3,283	-	-	-
U.S. Treasury notes	2,286	2,286	-	-	-
Certificate of deposit – financial institution	11,316	11,068	248	-	-
	<u>\$ 57,237</u>	<u>\$ 37,466</u>	<u>\$ 19,771</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Investment Type</u>	2017				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10+</u>
Government agency bonds	\$ 42,103	\$ 15,442	\$ 26,661	\$ -	\$ -
Corporate bonds	3,248	3,248	-	-	-
Certificate of deposit – financial institution	11,245	10,100	1,145	-	-
	<u>\$ 56,596</u>	<u>\$ 28,790</u>	<u>\$ 27,806</u>	<u>\$ -</u>	<u>\$ -</u>

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority's cash deposits with financial institutions were \$24,635 and \$26,185 at June 30, 2018 and 2017, respectively. These deposits, which had a bank balance of \$24,200 and \$25,883, respectively, are insured by the Federal Deposit Insurance Corporation and/or collateralized with securities held in the Authority's name by its agent.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2018, 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	28%
	Federal Home Loan Banks	14
	Federal Farm Credit Bank	12
	Federal Home Loan Mortgage Corp.	12
	Freddie Mac Sovereign Agency	6

As of June 30, 2017, the Authority had investment balances with the following issuers which were greater than or equal to 5% of the Authority's total investment balance:

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

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

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

BTI DISCLOSURE INFORMATION

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 4 - 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 long-term corporate debt to be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments:

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Security Type	Credit Rating		June 30, 2018	
	Moody's	S&P	Carrying Value	Percent of Pool Assets
U.S. Treasury notes *	Aaa	AA+	\$ 86,189	12.10%
U.S. agency collateralized mortgage obligations *	Aaa	AA+	32,546	4.57
Corporate fixed- and floating-rate bonds and notes	Aaa	AAA	2,878	0.40
	Aa1	AA+	5,012	0.70
	Aa2	AA+	3,990	0.56
	Aa2	AA-	7,094	1.00
	Aa2	A+	9,940	1.39
	Aa3	AA-	13,999	1.96
	Aa3	A+	5,084	0.71
	A1	AA-	11,813	1.66
	A1	A+	10,595	1.49
	A1	A	6,306	0.88
	A1	A-	3,273	0.46
	A2	A+	5,968	0.84
	A2	A	27,673	3.89
	A2	A-	11,531	1.62
	A3	A	8,974	1.26
	A3	A-	29,872	4.19
	A3	BBB+	27,112	3.80
	Baa1	A	2,828	0.40
	Baa1	A-	8,922	1.25
	Baa1	BBB+	28,242	3.96
	Baa1	BBB	13,078	1.84
	Baa2	A-	1,016	0.14
	Baa2	BBB+	8,353	1.17
	Baa2	BBB	30,250	4.25
	Baa2	BBB-	2,946	0.41
	Baa3	BBB+	3,003	0.42
	Baa3	BBB	8,548	1.20
	Baa3	BBB-	12,378	1.74
	Baa3	NR	2,135	0.30
	Ba1	A-	350	0.05
	Ba1	BBB	2,007	0.28
	Ba1	BBB-	6,219	0.87
	NR	BBB+	2,572	0.36
	NR	BBB-	1,953	0.28
Collateralized mortgage obligations	Aaa	AAA	14,773	2.07
	Aaa	NR	3,308	0.46
Commercial mortgage-backed securities	Aaa	NR	3,014	0.42
Asset-backed securities	Aaa	AAA	87,146	12.23
	Aaa	NR	88,599	12.44
	NR	AAA	66,039	9.27
Money market funds	Aaa	AAAm	5,054	0.71
			<u>\$ 712,582</u>	<u>100.00%</u>

NR = Not Rated

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

Security Type	Credit Rating		June 30, 2017	
	Moody's	S&P	Carrying Value	Percent of Pool Assets
Commercial paper	P-1	A-1+	\$ 9,963	1.32%
	P-1	A-1	13,940	1.85
Corporate asset backed securities	Aaa	AAA	68,441	9.06
	Aaa	NR	79,853	10.58
	NR	AAA	67,375	8.92
	NR	AA	2,003	0.26
Corporate bonds and notes	Aaa	AA+	2,935	0.39
	Aaa	AA+	4,019	0.53
	Aa1	AA+	5,027	0.67
	Aa2	AA+	4,036	0.53
	Aa2	AA	6,989	0.93
	Aa2	AA-	17,124	2.27
	Aa3	AA-	15,106	2.00
	Aa2	A	4,011	0.53
	Aa3	A+	1,104	0.15
	A1	AA-	16,588	2.20
	A1	A+	19,078	2.53
	A1	A	6,355	0.84
	A1	A-	7,276	0.96
	A2	A+	2,616	0.35
	A2	A	25,032	3.32
	A2	A-	10,079	1.33
	A3	A	10,747	1.42
	A3	A-	30,242	4.01
	A3	BBB+	20,183	2.67
	Baa1	A	1,501	0.20
	Baa1	A-	11,991	1.59
	Baa1	BBB+	47,392	6.28
	Baa1	BBB	8,495	1.12
	Baa2	A-	1,018	0.13
	Baa2	BBB	28,770	3.81
	Baa2	BBB-	3,000	0.40
	Baa2	NR	2,000	0.26
	Baa2	BBB+	10,268	1.36
	Baa3	BBB	15,627	2.07
	Baa3	BBB-	7,166	0.95
	Ba1	BBB	2,005	0.27
	Ba1	BBB-	2,304	0.31
	Ba2	BBB-	824	0.11
	NR	BBB+	2,637	0.35
	NR	BBB-	1,990	0.26
U.S. agency mortgage backed securities	Aaa	AA+	37,287	4.94
Corporate mortgage backed securities	Aaa	AAA	4,217	0.56
	Aaa	NR	17,281	2.29
U.S. Treasury notes *	Aaa	AA+	87,588	11.60
Money market funds	Aaa	AAAm	11,479	1.52
			<u>\$ 754,962</u>	<u>100.00%</u>

NR = Not Rated

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

At June 30, 2018 and 2017, the Authority ownership of approximately \$3,283 represents 0.5% and ownership of approximately \$3,248 represents 0.4%, respectively, of these amounts held by the BTI.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

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

The overall effective duration of the investments of the WV Short Term Bond Pool 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	2018		2017	
	Carrying Value (In Thousands)	Effective Duration (Days)	Carrying Value (In Thousands)	Effective Duration (Days)
Corporate mortgage-backed securities	\$ -	-	\$ 21,498	347
Corporate fixed-rate bonds and notes	178,097	696	-	-
Corporate floating-rate bonds and notes	147,817	44	-	-
Corporate bonds and notes	-	-	355,535	412
Corporate asset-backed securities	-	-	217,672	423
Commercial paper	-	-	23,903	113
Commercial mortgage-backed securities	3,014	52	-	-
Collateralized mortgage obligations	18,081	106	-	-
U.S. Treasury bonds and notes	86,189	472	87,588	766
U.S. agency mortgage-backed securities	-	-	37,287	148
U.S. agency collateralized mortgage obligations	32,546	56	-	-
Asset-backed securities	241,784	374	-	-
Money market funds	5,054	-	11,479	1
	<u>\$ 712,582</u>	<u>372</u>	<u>\$ 754,962</u>	<u>426</u>

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

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

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

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 5 - FAIR VALUE MEASUREMENTS

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

- Level 1 is defined as observable inputs such as quoted prices in active markets for identical assets or liabilities or the publicly available amount at which the asset or liability can be redeemed. Level 1 assets include the Authority's bond investments.
- Level 2 is defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets include certificates of deposit not considered cash equivalents.
- Level 3 is defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Level 3 assets include the interest rate swap on the series 2008 refunding variable rate bonds.

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

Fair Value Measurements at Reporting Date Using

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2018</u>				
Government agency bonds	\$ 40,352	\$ 40,352	\$ -	\$ -
Corporate bonds	3,283	3,283	-	-
U.S. Treasury notes	2,286	2,286	-	-
Certificates of deposit	11,316	-	11,316	-
Total investments at fair value	<u>\$ 57,237</u>	<u>\$ 45,921</u>	<u>\$ 11,316</u>	<u>\$ -</u>
Deferred outflows of hedging derivative instrument	\$ 158	\$ -	\$ -	\$ 158
Deferred inflows of hedging derivative instrument	(158)	-	-	(158)
Total hedging derivative instrument at fair value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

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

NOTE 6 - CAPITAL ASSETS

A summary of capital assets at June 30 follows:

<u>2018</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, non-depreciable:				
Land	<u>\$ 53,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,247</u>
Capital assets, depreciable:				
Buildings	103,237	997	(15)	104,219
Equipment	19,268	3,204	(656)	21,816
Infrastructure	<u>1,037,404</u>	<u>42,687</u>	<u>(422)</u>	<u>1,079,669</u>
Total capital assets being depreciated	<u>1,159,909</u>	<u>46,888</u>	<u>(1,093)</u>	<u>1,205,704</u>
Less accumulated depreciation for:				
Buildings	(79,322)	(2,547)	15	(81,854)
Equipment	(11,963)	(1,152)	656	(12,459)
Infrastructure	<u>(670,830)</u>	<u>(36,940)</u>	<u>422</u>	<u>(707,348)</u>
Total accumulated depreciation	<u>(762,115)</u>	<u>(40,639)</u>	<u>1,093</u>	<u>(801,661)</u>
Total depreciable capital assets, net	<u>397,794</u>	<u>6,249</u>	<u>-</u>	<u>404,043</u>
Total capital assets, net	<u>\$ 451,041</u>	<u>\$ 6,249</u>	<u>\$ -</u>	<u>\$ 457,290</u>

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 6 - CAPITAL ASSETS (Continued)

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

Interest cost capitalized was \$718 and \$138 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7 - REVENUE BONDS PAYABLE

Revenue bonds payable consisted of the following at June 30:

	<u>2018</u>	<u>2017</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	\$ 3,585	\$ 6,990
Series 2008 Variable Rate Demand Revenue Refunding Bonds, \$59,100 at variable rates, due in varying installments through April 2019	6,700	13,100
Total revenue bonds payable	10,285	20,090
Add:		
Unamortized premium	88	238
Less:		
Current portion of revenue bonds payable	(10,373)	(9,805)
Total long term revenue bonds payable	-	10,523
Less:		
Unamortized deferred loss on advance refunding	(501)	(1,441)
	\$ (501)	\$ 9,082

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 7 - REVENUE BONDS PAYABLE (Continued)

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 \$10,140, \$10,760, and \$10,755, for the years ended June 30, 2018, 2017, and 2016, respectively. Total pledged revenues were approximately \$59,261, \$50,815, and \$54,100, which represents 584.43%, 472.26%, and 503.02% of the total debt service, respectively, for the years ended June 30, 2018, 2017, and 2016.

In 2002, \$44,205 of Revenue Refunding Bonds were issued for the express purpose of defeasing \$36,036 of Series 1993 Bonds. The advance refunding resulted in a \$6,313 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$371 in 2018 and 2017. The Authority completed the advance refunding to reduce its aggregate debt service payments by almost \$3,003 over an 18-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,624.

In July 2008, the Authority issued \$59,100 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$59,100 of the Authority's Series 2003 Bonds. This refunding resulted in a \$5,972 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$569 in 2018 and 2017, 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	\$6,700
Effective Date	July 2, 2008
Maturity Date	April 15, 2019
Terms	Pay 4.387%, receive 67% of One Month LIBOR

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 7 - REVENUE BONDS PAYABLE (Continued)

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, 2018 and 2017, the decrease in the value of the swap since inception was equal to the market value of the swap creating a deferred inflow of resources that offsets the deferred outflow of resources in the Statements of Net Position.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2018, and the change in fair value of the instrument for the year ended June 30, 2018, as reported in the 2018 financial statements are as follows:

<u>Changes in fair value:</u>	
Increase (decrease)	<u>\$ (475)</u>
 <u>Fair value at June 30, 2018</u>	
Amount	<u>\$ 158</u>

Risks

Credit Risk - The credit ratings of the counterparty to the interest rate swap are A1 from Moody's, A+ from Standard & Poor's, and A+ from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2018, 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.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 7 - REVENUE BONDS PAYABLE (Continued)

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

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

Swap Payments and Associated Debt - Using rates as of June 30, 2018, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending June 30	<u>Variable-Rate Bonds</u> <u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u> <u>Swap, Net</u>	<u>Total</u>
2019	\$ 6,700	\$ 177	\$ 201	\$ 7,078

Bonds Payable Progression and Maturities

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

<u>2018</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Amortization</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Series 2002	\$ 7,229	\$ -	\$ (3,405)	\$ (151)	\$ 3,673	\$ 3,673
Series 2008	13,100	-	(6,400)	-	6,700	6,700
	<u>\$ 20,329</u>	<u>\$ -</u>	<u>\$ (9,805)</u>	<u>\$ (151)</u>	<u>\$ 10,373</u>	<u>\$ 10,373</u>

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

Debt service requirements for the Revenue Bonds subsequent to June 30, 2018, are as follows:

Year Ending June 30	<u>Principal</u> <u>Maturities</u>	<u>Interest,</u> <u>Including</u> <u>Accretion</u>	<u>Total</u>
2019	\$ 10,285	\$ 454	\$ 10,739

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 7 - REVENUE BONDS PAYABLE (Continued)

Principal outstanding June 30, 2018	
Add:	\$ 10,285
Unamortized premium	88
Less:	
Current portion of revenue bonds payable	<u>(10,373)</u>
Long-term portion	<u>\$ -</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, 2018 and 2017, the Authority's estimated arbitrage rebate liability was zero.

NOTE 8 - PENSION PLAN

Plan Description

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 defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. PERS also provides delayed retirement, early retirement, death and disability benefits. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, WV 25304-1636 or by calling (304) 558-3570.

Benefits Provided

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

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 8 - PENSION PLAN (Continued)

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 11.0%, 12.0%, and 13.5% for the years ended June 30, 2018, 2017, and 2016, respectively. Effective July 1, 2018, a decrease in the contribution rate of 1.0%, will decrease the Authority's contribution rate to 10.0%. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively. Total contributions to PERS, for the fiscal years ended June 30, 2018, 2017, and 2016, were \$1,619, \$1,873, and \$2,081 from the Authority and \$681, \$703, and \$773 from the covered employees, respectively.

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

At June 30, 2018 and 2017, the Authority reported a liability of \$4,615 and \$10,007, respectively, for its proportionate share of the net pension liability. The June 30, 2018 net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The June 30, 2017 net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Authority's proportionate share was 1.07%, which was a decrease of .02% from its proportionate share measured as of June 30, 2016. At June 30, 2016, the Authority's proportionate share was 1.09%, which was an increase of .04% from its proportionate share measured as of June 30, 2015.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 8 - PENSION PLAN (Continued)

For the years ended June 30, 2018 and 2017, the Authority recognized pension expense of \$933 and \$1,669, respectively. At June 30, 2018 and 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,120
Difference between expected and actual experience	410	10
Changes of assumptions	-	239
Changes in proportion and differences between Authority contributions and proportionate share of contributions	136	132
Authority contributions subsequent to the measurement date	<u>1,619</u>	<u>-</u>
Total	<u>\$ 2,165</u>	<u>\$ 1,501</u>

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

\$1,619 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (422)
2020	484
2021	(47)
2022	<u>(970)</u>
Total	<u>\$ (955)</u>

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 8 - PENSION PLAN (Continued)

Actuarial assumptions and methods - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00%
Salary increases	3.0% – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core fixed income	7.5%	2.7%
High yield fixed income	7.5%	5.5%
US equity	27.5%	7.0%
International equity	27.5%	7.7%
Real estate	10.0%	7.0%
Private equity	10.0%	9.4%
Hedge funds	10.0%	4.7%
Total	<u>100.0%</u>	

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 8 - PENSION PLAN (Continued)

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

	1% Decrease <u>6.5%</u>	<u>Total Net Pension Liability</u> Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
2018 PERS	<u>\$ 12,752</u>	<u>\$ 4,615</u>	<u>\$ (2,281)</u>
2017 PERS	<u>\$ 18,114</u>	<u>\$ 10,007</u>	<u>\$ 3,122</u>

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com.

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are the Authority's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2018:

	<u>2018</u>
Net OPEB liability	\$ 9,253
Deferred outflows of resources	904
Deferred inflows of resources	1,442
Revenues	584
OPEB expense	1,101
Contributions made by the Authority	904

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description

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

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

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

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

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

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2017 were:

	July 2016-December 2016 2017	January 2017-June 2017 2017
Paygo premium	\$ 196	\$ 135

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

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

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

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

The Authority's contributions to the OPEB plan for the years ended June 30, 2018, 2017, and 2016, were \$904, \$773 and \$754, respectively.

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll over a 21 year closed period.
- Remaining amortization period: 21 years closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims cost beginning in 2020 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

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

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation and any estimate of future postemployment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, changes in the investment rate of return, and other matters increase the level of uncertainty in such estimates. As such, the estimate of postemployment program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated net OPEB liability.

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in RHBT's target asset allocation as of June 30, 2017, are summarized below.

Asset Class	Target Allocation
Domestic equity	27.5%
International equity	27.5%
Fixed income	15.0%
Real estate	10.0%
Private equity	10.0%
Hedge funds	10.0%

Asset Class	Long-term Expected Real Rate of Return
Large cap domestic	17.0%
Non-large cap domestic	22.0%
International qualified	24.6%
International non-qualified	24.3%
International equity	26.2%
Short-term fixed	0.5%
Total return fixed income	6.7%
Core fixed income	0.1%
Hedge fund	5.7%
Private equity	19.6%
Real estate	8.3%
Opportunistic income	4.8%
Cash	0.0%

Discount rate - The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will continue to follow the current funding policies. Based on those assumptions and that the OPEB plan is expected to be fully funded by the fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the discount rate of 7.15%, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net OPEB liability	<u>\$ 10,774</u>	<u>\$ 9,253</u>	<u>\$ 7,989</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate - The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the healthcare cost trend rate, as well as what the Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	<u>\$ 7,773</u>	<u>\$ 9,253</u>	<u>\$ 11,064</u>

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

The June 30, 2018 net OPEB liability was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2018, the Authority's proportionate share of the net OPEB liability was \$11,154. Of this amount, the Authority recognized \$9,253 as its proportionate share on the statement of net position. The remainder of \$1,901 denotes the Authority's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, the Authority's proportion was 0.376%, a decrease of 0.065% from its proportion of 0.441% calculated as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized OPEB expense of \$1,101. Of this amount, \$517 was recognized as the Authority's proportionate share of OPEB expense and \$583 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Authority also recognized revenue of \$584 for support provided by the State.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 31
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	1,263
Net difference between projected and actual investment earnings	-	148
Contributions after the measurement date	<u>904</u>	<u>-</u>
Total	<u>\$ 904</u>	<u>\$ 1,442</u>

The Authority will recognize the \$904 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (361)
2020	(361)
2021	(360)
2022	<u>(360)</u>
	<u>\$ (1,442)</u>

Payables to the OPEB Plan

The Authority did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2018.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 10 - NONCURRENT LIABILITIES

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

	2018				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 997	\$ 87	\$ -	\$ 1,084	\$ 716
OPEB liability	11,234	518	(2,499)	9,253	-
Net pension liability	10,007	933	(6,325)	4,615	-
Total noncurrent liabilities	<u>\$ 22,238</u>	<u>\$ 1,538</u>	<u>\$ (8,824)</u>	<u>\$ 14,952</u>	<u>\$ 716</u>

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

NOTE 11 - 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 at June 30 2018 and 2017. Accumulated depreciation on the facilities and service areas was \$28,788 and \$27,561 at June 30, 2018 and 2017, respectively.

The Authority receives both guaranteed payments and contingent payments under the leases. Aggregate rental income from the lease agreements was approximately \$3,265 and \$3,344 for the years ended June 30, 2018 and 2017, respectively. Total contingent rental income received was approximately \$2,498 and \$2,577 for the years ended June 30, 2018 and 2017, respectively. Future minimum rentals to be received during the year ended June 30, 2019 are \$383.

NOTE 12 - 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.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 12 - RISK MANAGEMENT (Continued)

The Authority, for an annual premium, obtains insurance coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters through the West Virginia Board of Risk and Insurance Management, a public risk pool entity insuring the State of West Virginia, its component units, local government entities, and eligible not-for-profit organizations. Liability coverage provided to all insured entities under this policy is limited to \$1,000 per occurrence, subject to an annual aggregate limit of coverage of \$22,000. To further reduce its risk of loss, the Authority, for an annual premium paid to a commercial insurer, has obtained an additional liability policy which provides coverage of \$10,000 over and above the coverage provided by the West Virginia Board of Risk and Insurance Management. For the fiscal years ended June 30, 2018, 2017, and 2016, the Authority's insurance coverage has been sufficient to meet all claims and settlements against the Authority.

NOTE 13 - 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, 2018, the Authority had contractual commitments totaling \$39,954 for various Turnpike System improvement projects. Subsequent to June 30, 2018, the Authority entered into additional contractual commitments totaling \$25,727.

NOTE 14 - ACCOUNTING PRONOUNCEMENTS

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Authority implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. See Note 3 for a discussion of the effect and additional disclosures at Note 9.

The Authority implemented Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of GASB Statement No. 85 had no impact on the June 30, 2018 financial statements.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 14 - ACCOUNTING PRONOUNCEMENTS (Continued)

Recent Statements Issued by the Governmental Accounting Standards Board

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

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Authority has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Authority has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Authority has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Authority has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017
(In thousands)

NOTE 15 - SUBSEQUENT EVENT

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2018

Public Employees Retirement System											
Last 10 Fiscal Years*											
(In Thousands)											
		<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Authority's proportion of the net pension liability (asset) (percentage)		1.07%	1.09%	1.05%	1.06%	1.07%					
Authority's proportionate share of the net pension liability (asset)	\$	4,615	\$ 10,007	\$ 5,848	\$ 3,925	\$ 9,756					
Authority's covered payroll	\$	15,608	\$ 15,415	\$ 14,664	\$ 14,241	\$ 14,321					
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		29.57%	64.92%	39.88%	27.56%	68.12%					
Plan fiduciary net position as a percentage of the total pension liability		93.67%	86.11%	91.29%	93.98%	79.70%					

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

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 1,619	\$ 1,873	\$ 2,081	\$ 2,053	\$ 2,065	\$ 2,005	\$ 2,061	\$ 1,787	\$ 1,681	\$ 1,541
Contributions in relation to the contractually required contribution	(1,619)	(1,873)	(2,081)	(2,053)	(2,065)	(2,005)	(2,061)	(1,787)	(1,681)	(1,541)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 14,718	\$ 15,608	\$ 15,415	\$ 14,664	\$ 14,241	\$ 14,321	\$ 14,214	\$ 14,296	\$ 15,282	\$ 14,676
Contributions as a percentage of covered payroll	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%	14.50%	12.50%	11.00%	10.50%

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018

Last 10 Fiscal Years*
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Authority's proportion of the net OPEB liability (asset) (percentage)	0.38%									
Authority's proportionate share of the net OPEB liability (asset)	\$ 9,253									
State's proportionate share of the net OPEB liability (asset)	<u>1,901</u>									
Total proportionate share of the net OPEB liability (asset)	<u>\$ 11,154</u>									
Authority's payroll (1)	\$ 15,606									
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its payroll (1)	59.29%									
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%									

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

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

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2018

Last 10 Fiscal Years
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contribution	\$ 904	\$ 773								
Contributions in relation to the statutorily required contribution	<u>(904)</u>	<u>(773)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Authority's payroll (1)	\$ 15,637	\$ 15,606								
Contributions as a percentage of payroll (1)	5.78%	4.95%								

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

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

Actuarial Changes Pension Plan

An experience study, which was based on the years 2009 through 2014, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2017 to reflect the most recent experience study:

	Projected Salary Increases		Mortality Rates	Withdrawal Rates	
	State	Nonstate		State	Nonstate
<u>2017</u>	3.00% - 4.6%	3.35% - 6.0%	3.00%	1.75-35.10%	2-35.88%
			Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational		0.007-.675%
			Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational		
			Retired healthy females- 101% of RP-2000 Healthy Annuitant, Scale AA fully generational		
			Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational		
<u>2016</u>	3.00% - 4.6%	3.35% - 6.0%	3.00%	1.75-35.10%	2-35.88%
			Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational		0.007-.675%
			Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational		
			Retired healthy females- 101 % of RP-2000 Healthy Annuitant, Scale AA fully generational		
			Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational		
<u>2015</u>	3.00% - 4.6%	3.35% - 6.0%	1.90%	1.75-35.1%	2-35.8%
			Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA		0-.675%
<u>2014</u>	4.25% - 6.0%	4.25% - 6.0%	2.20%	1-26%	2-31.2%
			Healthy males - 1983 GAM; Healthy females- 1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7		0-.8%

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2018

Actuarial Changes Other Postemployment Benefits Plan

There are no other factors that affect trends in the amounts reported, such as a change of benefit terms, size or composition of the population covered by the benefit terms, or other assumptions. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the year ended June 30, 2017.

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.

Contents	Page
Financial Trends	66
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
Debt Capacity	68
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.	
Revenue Capacity.....	70
This schedule contains trend information to help the reader understand the Authority's capacity to earn revenues and the primary sources of those revenues.	
Demographic and Economic Information	71
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.	
Miscellaneous Statistics	73
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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES										
Current assets	\$ 75,418	\$ 68,601	\$ 61,088	\$ 61,774	\$ 53,678	\$ 49,513	\$ 42,259	\$ 62,391	\$ 48,626	\$ 29,262
Long-term investments	19,770	27,806	25,603	22,989	26,240	20,401	24,528	8,662	11,894	15,408
Capital assets, net	457,290	451,041	453,833	458,292	458,490	470,889	470,161	466,398	472,092	484,038
Deferred outflows of resources	3,728	8,126	7,402	7,663	7,603	9,717	12,481	13,046	-	-
Total assets plus deferred outflows of resources	<u>\$ 556,206</u>	<u>\$ 555,574</u>	<u>\$ 547,926</u>	<u>\$ 550,718</u>	<u>\$ 546,011</u>	<u>\$ 550,520</u>	<u>\$ 549,429</u>	<u>\$ 550,497</u>	<u>\$ 532,612</u>	<u>\$ 528,708</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION										
Current liabilities	21,012	\$ 21,367	\$ 18,720	\$ 24,704	\$ 20,689	\$ 22,363	\$ 18,356	\$ 21,516	\$ 20,697	\$ 15,753
Long-term revenue bonds, net	-	10,523	20,479	29,939	39,084	47,775	55,836	63,881	62,254	73,754
Other long-term liabilities	14,236	21,465	17,033	14,495	10,039	9,901	9,522	6,908	4,415	1,868
Deferred inflows of resources	3,101	1,201	3,595	6,463	3,316	4,489	6,314	5,938	-	-
Total liabilities plus deferred inflows of resources	<u>38,349</u>	<u>54,556</u>	<u>59,827</u>	<u>75,601</u>	<u>73,128</u>	<u>84,528</u>	<u>90,028</u>	<u>98,243</u>	<u>87,366</u>	<u>91,375</u>
Net position:										
Net investment in capital assets	447,418	432,154	426,447	422,704	415,153	420,432	412,527	408,157	402,069	401,735
Restricted by trust indenture and tri-party agreement	67,677	65,834	58,626	51,094	56,020	43,824	45,127	40,961	39,570	30,175
Unrestricted	2,762	3,030	3,026	1,319	1,710	1,736	1,747	3,136	3,607	5,423
Total net position	<u>517,857</u>	<u>501,018</u>	<u>488,099</u>	<u>475,117</u>	<u>472,883</u>	<u>465,992</u>	<u>459,401</u>	<u>452,254</u>	<u>445,246</u>	<u>437,333</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 556,206</u>	<u>\$ 555,574</u>	<u>\$ 547,926</u>	<u>\$ 550,718</u>	<u>\$ 546,011</u>	<u>\$ 550,520</u>	<u>\$ 549,429</u>	<u>\$ 550,497</u>	<u>\$ 532,612</u>	<u>\$ 528,708</u>

WEST VIRGINIA PARKWAYS AUTHORITY

CONDENSED SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION

(In Thousands)

	Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Operating revenues:										
Toll revenues	\$ 95,288	\$ 93,249	\$ 93,579	\$ 88,697	\$ 84,907	\$ 83,519	\$ 83,907	\$ 81,960	\$ 79,871	\$ 53,341
Other revenues	7,182	7,370	7,404	6,797	6,749	6,944	7,217	7,010	7,087	6,923
	<u>102,470</u>	<u>100,619</u>	<u>100,983</u>	<u>95,494</u>	<u>91,656</u>	<u>90,463</u>	<u>91,124</u>	<u>88,970</u>	<u>86,958</u>	<u>60,264</u>
Operating expenses:										
Maintenance	23,599	25,056	24,791	25,488	23,028	21,907	22,337	23,827	21,287	17,664
Toll collection	9,369	9,857	9,566	9,273	9,826	10,332	11,411	10,984	11,058	10,207
Traffic enforcement	2,888	3,231	3,172	3,912	3,487	3,581	3,744	3,188	2,650	2,973
General and administrative	10,358	10,308	11,248	9,093	9,154	9,159	9,590	9,446	9,605	9,022
Depreciation	40,639	37,318	36,929	35,357	36,294	35,595	32,924	32,227	31,160	31,406
	<u>86,853</u>	<u>85,770</u>	<u>85,706</u>	<u>83,123</u>	<u>81,789</u>	<u>80,574</u>	<u>80,006</u>	<u>79,672</u>	<u>75,760</u>	<u>71,272</u>
Operating income (loss)	15,617	14,849	15,277	12,371	9,867	9,889	11,118	9,298	11,198	(11,008)
Nonoperating revenues (expenses):										
Net investment revenue	632	280	336	338	302	122	242	355	1,377	1,307
Intergovernmental	-	-	-	-	-	-	-	2,834	993	-
Interest expense	(1,051)	(2,210)	(2,631)	(2,784)	(3,278)	(3,420)	(4,213)	(4,630)	(5,655)	(7,090)
Payments on behalf	584	-	-	-	-	-	-	-	-	-
	<u>165</u>	<u>(1,930)</u>	<u>(2,295)</u>	<u>(2,446)</u>	<u>(2,976)</u>	<u>(3,298)</u>	<u>(3,971)</u>	<u>(1,441)</u>	<u>(3,285)</u>	<u>(5,783)</u>
Change in net position	15,782	12,919	12,982	9,925	6,891	6,591	7,147	7,857	7,913	(16,791)
Cumulative effect of implementation of GASB Statement 75 (2018), 68 (2015), and 65 (2011)	1,057	-	-	(7,691)	-	-	-	(849)	-	-
Net position, beginning of year	501,018	488,099	475,117	472,883	465,992	459,401	452,254	445,246	437,333	454,124
Net position, end of year	<u>\$ 517,857</u>	<u>\$ 501,018</u>	<u>\$ 488,099</u>	<u>\$ 475,117</u>	<u>\$ 472,883</u>	<u>\$ 465,992</u>	<u>\$ 459,401</u>	<u>\$ 452,254</u>	<u>\$ 445,246</u>	<u>\$ 437,333</u>

WEST VIRGINIA PARKWAYS AUTHORITY

FINANCIAL RATIOS

	Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Long-term series 2001 revenue bonds to total assets plus deferred outflows of resources	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.99%
Long-term series 2002 revenue bonds to total assets plus deferred outflows of resources	0.00%	0.65%	1.28%	1.85%	2.43%	3.10%	3.63%	4.14%	4.08%	4.52%
Long-term series 2008 revenue bonds to total assets plus deferred outflows of resources	0.00%	1.21%	2.39%	3.49%	4.60%	5.58%	6.53%	7.46%	7.61%	8.44%
Total long-term revenue bonds to total assets plus deferred outflows of resources	0.00%	1.85%	3.67%	5.34%	7.03%	8.68%	10.16%	11.60%	11.69%	13.95%
Net position to total assets plus deferred outflows of resources	93.11%	90.18%	89.08%	86.27%	86.61%	84.65%	83.61%	82.15%	83.60%	82.72%
Long-term bonds to lane miles	0.00	24.14	47.16	69.01	90.13	112.15	131.07	149.96	146.14	173.13
Long-term bonds to number of transactions/vehicles	0.00	0.28	0.54	0.82	1.10	1.39	1.39	1.62	1.81	2.19

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

REVENUE BOND COVERAGE (1)

(In Thousands)

	Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Toll revenues	\$ 95,288	\$ 93,249	\$ 93,579	\$ 88,697	\$ 84,907	\$ 83,519	\$ 83,907	\$ 81,960	\$ 79,871	\$ 53,341
Adjustment to toll revenues per Trust Indentures	(73)	(303)	(356)	(72)	(177)	(81)	(333)	480	(683)	200
Total revenues	<u>95,215</u>	<u>92,946</u>	<u>93,223</u>	<u>88,625</u>	<u>84,730</u>	<u>83,438</u>	<u>83,574</u>	<u>82,440</u>	<u>79,188</u>	<u>53,541</u>
Operating expenses	86,853	85,770	85,706	83,123	81,789	80,574	80,006	79,496	75,760	71,272
Adjustments to operating expenses per Trust Indentures:										
Depreciation	(40,639)	(37,318)	(36,929)	(35,357)	(36,294)	(35,595)	(32,924)	(32,227)	(31,160)	(31,406)
Renewal and replacement provided for by reserves	(2,518)	(2,031)	(2,701)	(2,476)	(3,139)	(2,789)	(2,888)	(3,280)	(2,617)	(2,963)
Economic development and tourism costs	(4,892)	(4,931)	(4,899)	(4,850)	(5,087)	(5,132)	(6,748)	(5,000)	(5,102)	(5,020)
Other	(1,355)	641	(2,054)	464	1,801	(1,286)	(2,403)	(3,098)	(3,747)	(975)
Total operating expenses	<u>37,449</u>	<u>42,131</u>	<u>39,123</u>	<u>40,904</u>	<u>39,070</u>	<u>35,772</u>	<u>35,043</u>	<u>35,891</u>	<u>33,134</u>	<u>30,908</u>
Net revenues available for debt service	<u>\$ 57,766</u>	<u>\$ 50,815</u>	<u>\$ 54,100</u>	<u>\$ 47,721</u>	<u>\$ 45,660</u>	<u>\$ 47,666</u>	<u>\$ 48,531</u>	<u>\$ 46,549</u>	<u>\$ 46,054</u>	<u>\$ 22,633</u>
Revenue bond coverage items:										
Total debt service	10,140	10,760	10,755	10,577	10,529	11,186	10,541	10,515	10,670	12,218
Renewal and replacement reserve requirement per recommendation of consulting engineer	13,184	12,553	13,952	11,187	11,163	10,280	11,128	8,673	8,743	10,077
Total debt service and renewal and replacement	<u>\$ 23,324</u>	<u>\$ 23,313</u>	<u>\$ 24,707</u>	<u>\$ 21,764</u>	<u>\$ 21,692</u>	<u>\$ 21,466</u>	<u>\$ 21,669</u>	<u>\$ 19,188</u>	<u>\$ 19,413</u>	<u>\$ 22,295</u>
Coverage percentages:										
Total debt service (150% required since 2002, 125% previously required) (1)	<u>569.68%</u>	<u>472.26%</u>	<u>503.02%</u>	<u>451.18%</u>	<u>433.66%</u>	<u>426.12%</u>	<u>460.40%</u>	<u>442.69%</u>	<u>431.62%</u>	<u>185.24%</u>
Total debt service and renewal and replacement per recommendation of consulting engineer (100% required)	<u>247.67%</u>	<u>217.97%</u>	<u>218.97%</u>	<u>219.27%</u>	<u>210.49%</u>	<u>222.05%</u>	<u>223.97%</u>	<u>242.59%</u>	<u>237.23%</u>	<u>101.52%</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, 2018, 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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of transactions:										
Passenger cars	28,966	29,146	28,924	28,006	27,154	26,934	27,549	27,140	27,043	26,511
Commercial vehicles	8,484	8,250	8,057	7,890	7,621	7,462	7,515	7,328	7,329	7,098
Total transactions	<u>37,450</u>	<u>37,396</u>	<u>36,981</u>	<u>35,896</u>	<u>34,775</u>	<u>34,396</u>	<u>35,064</u>	<u>34,468</u>	<u>34,372</u>	<u>33,609</u>
ETC penetration rate - transactions	<u>40.91%</u>	<u>38.83%</u>	<u>37.24%</u>	<u>36.54%</u>	<u>35.70%</u>	<u>34.20%</u>	<u>32.69%</u>	<u>30.16%</u>	<u>29.00%</u>	<u>26.25%</u>
Number of miles:										
Passenger cars	671,565	680,261	676,651	651,789	629,908	623,890	639,854	634,053	633,550	616,633
Commercial vehicles	345,291	336,067	328,146	320,245	308,082	300,589	302,644	296,473	297,710	285,689
Total miles	<u>1,016,856</u>	<u>1,016,328</u>	<u>1,004,797</u>	<u>972,034</u>	<u>937,990</u>	<u>924,479</u>	<u>942,498</u>	<u>930,526</u>	<u>931,260</u>	<u>902,322</u>
Total revenues:										
Passenger cars	\$ 49,766	\$ 48,847	\$ 50,333	\$ 46,309	\$ 44,032	\$ 43,429	\$ 43,280	\$ 42,066	\$ 40,685	\$ 26,584
Commercial vehicles	<u>45,522</u>	<u>44,402</u>	<u>43,246</u>	<u>42,388</u>	<u>40,875</u>	<u>40,090</u>	<u>40,627</u>	<u>39,894</u>	<u>39,186</u>	<u>26,757</u>
Total toll revenues	<u>\$ 95,288</u>	<u>\$ 93,249</u>	<u>\$ 93,579</u>	<u>\$ 88,697</u>	<u>\$ 84,907</u>	<u>\$ 83,519</u>	<u>\$ 83,907</u>	<u>\$ 81,960</u>	<u>\$ 79,871</u>	<u>\$ 53,341</u>
ETC penetration rate - revenue	<u>48.34%</u>	<u>45.66%</u>	<u>43.63%</u>	<u>42.15%</u>	<u>40.80%</u>	<u>39.09%</u>	<u>36.70%</u>	<u>35.60%</u>	<u>33.37%</u>	<u>35.06%</u>
Toll revenue per transaction:										
Passenger cars	\$ 1.72	\$ 1.68	\$ 1.74	\$ 1.65	\$ 1.62	\$ 1.61	\$ 1.57	\$ 1.55	\$ 1.50	\$ 1.00
Commercial vehicles	<u>5.37</u>	<u>5.38</u>	<u>5.37</u>	<u>5.37</u>	<u>5.36</u>	<u>5.37</u>	<u>5.41</u>	<u>5.44</u>	<u>5.35</u>	<u>3.77</u>
Toll revenue per mile:										
Passenger cars	\$ 0.074	\$ 0.072	\$ 0.074	\$ 0.071	\$ 0.070	\$ 0.070	\$ 0.068	\$ 0.066	\$ 0.064	\$ 0.043
Commercial vehicles	<u>0.132</u>	<u>0.132</u>	<u>0.132</u>	<u>0.132</u>	<u>0.133</u>	<u>0.133</u>	<u>0.134</u>	<u>0.135</u>	<u>0.132</u>	<u>0.094</u>
Miles per transaction:										
Passenger cars	23	23	23	23	23	23	23	23	23	23
Commercial vehicles	<u>41</u>	<u>41</u>	<u>41</u>	<u>41</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>41</u>	<u>40</u>

WEST VIRGINIA PARKWAYS AUTHORITY

NUMBER OF EMPLOYEES

	Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Permanent employees										
Toll	152	154	156	160	156	160	160	162	168	161
Maintenance	158	159	147	145	146	141	140	141	143	147
Other	66	61	60	55	57	53	53	55	49	49
	376	374	363	360	359	354	353	358	360	357
Temporary	62	75	76	74	78	43	98	82	69	36
Leased employees										
State police	32	30	28	28	29	31	31	27	23	24
Tamarack	132	134	144	132	147	149	146	146	139	139

Source: West Virginia Parkways Authority

TRAFFIC ACCIDENT AND POLICING STATISTICS

	Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of fatalities	9	8	7	5	1	8	7	7	6	9
Fatality rate per 100 million miles traveled	0.9	0.8	0.7	0.5	0.1	0.9	0.8	0.8	0.6	1.0
Policing statistics										
Arrests	5,123	6,065	10,445	9,604	10,189	12,019	10,943	11,033	6,254	5,793
Warning tickets	17,866	17,870	20,794	25,089	24,677	24,377	20,069	16,340	17,415	23,968
Assists to motorists	3,285	2,322	3,222	2,948	2,914	3,633	2,816	2,382	2,083	2,605

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY
POPULATION DEMOGRAPHICS

	Year Ended June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Population - WV (1)	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,852,994	1,808,344	1,808,344
Personal income - WV (\$ in thousands) (2)	\$ 69,872,741	\$ 68,548,511	\$ 68,272,316	\$ 67,804,094	\$ 66,037,342	\$ 63,968,460	\$ 62,178,478	\$ 60,484,487	\$ 58,631,433	\$ 57,410,905
Per capital personal income - WV (2)	\$ 37,708	\$ 37,386	\$ 37,047	\$ 36,644	\$ 35,613	\$ 34,477	\$ 33,513	\$ 32,641	\$ 32,219	\$ 31,634
Unemployment Rate - WV (3)	4.60%	4.60%	6.00%	7.40%	6.20%	7.30%	8.00%	9.10%	7.70%	4.20%

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

Principal Employers in the State of West Virginia		
	2017	Ranking 2008
Local Government	1	1
State Government	2	2
Federal Government	3	3
WVU Medicine	4	5
Wal-Mart Associates, Inc.	5	4
Charleston Area Medical Center, Inc.	6	6
Kroger	7	7
Mylan Pharmaceuticals, Inc.	8	
Lowe's Home Centers, Inc.	9	10
St. Mary's Medical Center, Inc.	10	13
Cabell-Huntington Hospital, Inc.	11	
Wheeling Hospital, Inc.	12	
Res-Care, Inc.	13	
American Electric Power		8
Eldercare Resources Corporation		9
CSX/CSX Hotels, Inc.		11
Pilgrim's Pride Corporation of WV		12

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

Source: WorkForce WV

Most Current Data Available

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

WEST VIRGINIA PARKWAYS AUTHORITY

Significant Dates

June 30, 2018

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, 2018

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

WEST VIRGINIA PARKWAYS AUTHORITY

Significant Dates (Continued)

June 30, 2018

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

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

Miscellaneous Data and Statistics

June 30, 2018

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, 2018

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

