

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Fiscal Year Ended June 30, 2012



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

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

Prepared by:

Director of Finance,
West Virginia Parkways Authority

West Virginia Parkways Authority
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

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Introductory Section

West Virginia Parkways Authority

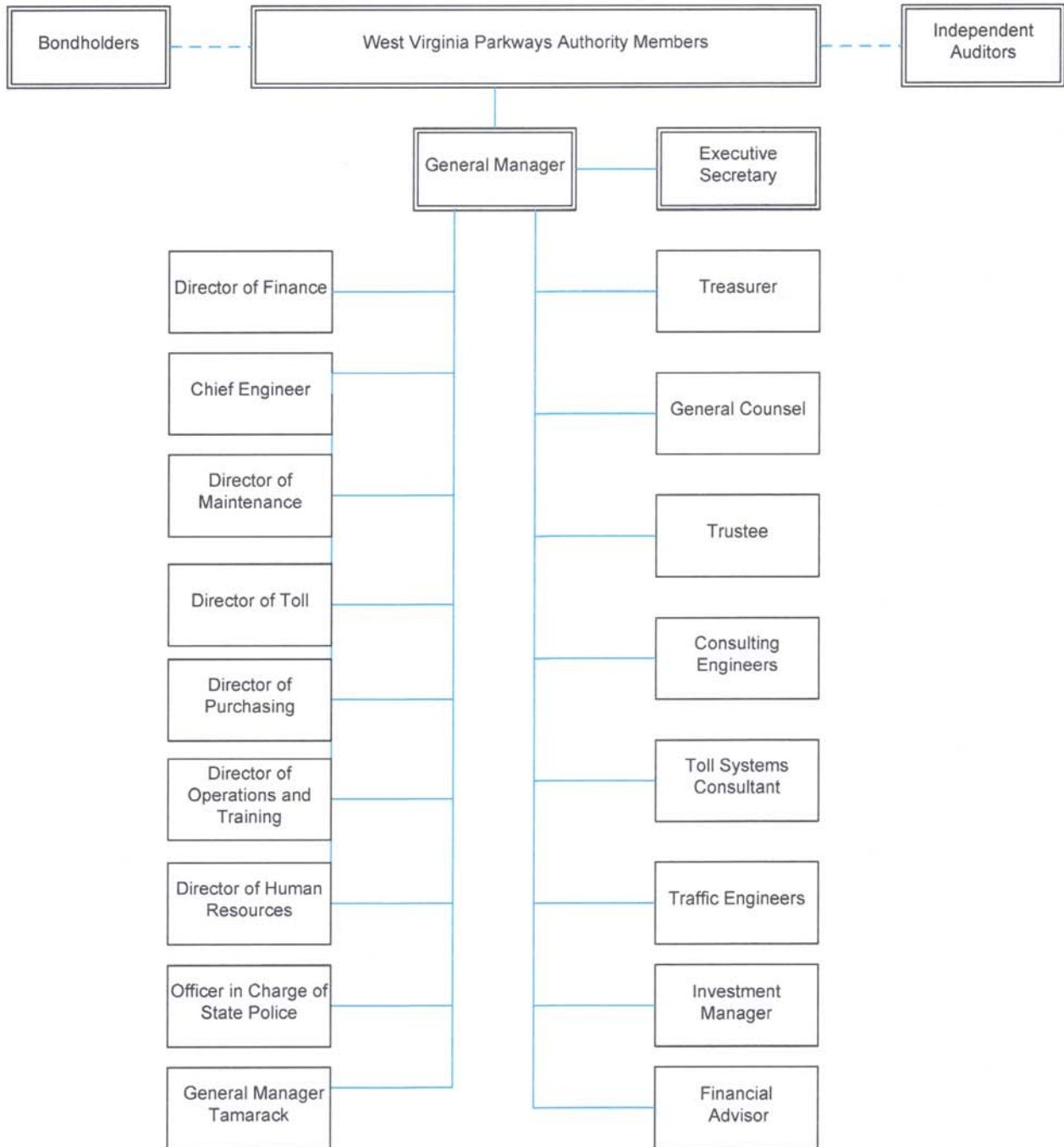
West Virginia Parkways Authority

List of Authority Members, Administrative Staff, and Professional Consultants

<u>Authority Members</u>	<u>Date Appointed</u>	<u>Term Expires</u>	
Chairman	The Honorable Earl Ray Tomblin Governor, State of West Virginia	November 16, 2010	(1)
Governor's Designee			
Chairman	Christopher T. Ferro	November 30, 2010	(1)
Secretary of Transportation	Paul A. Mattox, Jr.	June 9, 2006	(1)
Vice Chairman, 3 rd			
Congressional District	Cam Lewis	July 26, 2010	June 30, 2015
Secretary	Mike Vinciguerra	June 2, 2006	May 31, 2014
Member	Bill Seaver	July 9, 2007	June 30, 2015
Member, 2 nd Congressional			
District	Victor Grigoraci	June 23, 2011	May 31, 2016
Member, 3 rd Congressional			
District	Douglas M. Epling	January 29, 2009	May 31, 2017
Member, 1 st Congressional			
District	Tom Mainella	July 10, 2010	June 30, 2015
Member, 1 st Congressional			
District	Vacant		
 <u>Administrative Staff</u>			
General Manager	Gregory C. Barr		
General Counsel	A. David Abrams, Jr.		
Treasurer	David H. Rollins		
Director of Finance	Parrish T. French		
Chief Engineer	Ronald B. Hamilton		
Director of Maintenance	James F. Meadows		
Director of Tolls	F. Steven Maynard		
Director of Purchasing	Shelley Clay		
Director of Operations and			
Training	Tyrone C. Gore		
Director of Human Resources	Carrie Roache		
Officer in Charge of State Police	Captain Barry C. Marcum		
General Manager - Tamarack	Cheryl Hartley		
Deputy General Manager			
Tamarack	Dwight Trent		
Executive Secretary	Teresa G. Nissel		
 <u>Professional Consultants</u>			
Trustee	United Bank, Inc., Charleston, West Virginia		
Independent Auditors	Suttle & Stalnaker, PLLC, Charleston, West Virginia		
General Counsel	Abrams & Byron, Beckley, West Virginia		
Bond Counsel	Spilman, Thomas & Battle, Charleston, West Virginia		
Consulting Engineers	HNTB Corporation, Scott Depot, West Virginia		
Traffic Engineers	Wilbur Smith Associates, New Haven, Connecticut		
Financial Advisor	Public Resources Advisory Group, New York, New York		

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

West Virginia Parkways Authority Organization Chart





December 4, 2012

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the West Virginia Parkways Authority (the Authority) for the fiscal year ended June 30, 2012. Responsibility for both the fair presentation of the data, and the completeness and fairness of the presentation, including the disclosures, rests with the Authority. To the best of our knowledge and belief, the accompanying data is fairly presented in all material respects and is reported in a manner designed to present fairly the financial position, results of operations, and cash flows of the Authority. Disclosures necessary to enable readers to gain an understanding of the Authority's financial activities have been included. Readers of these financial statements are encouraged to review Management's Discussion and Analysis (MD&A) for an overview of the Authority's financial position and the results of its operations.

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

ORGANIZATION AND BACKGROUND

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

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

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

The Turnpike System

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

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

Turnpike operations are financed almost entirely by Turnpike toll revenues. Toll revenues must pay for operating and routine maintenance expenses, debt service, renewal and replacement requirements and deferred maintenance and capital needs. It is important to note that the Turnpike does not directly receive any State, Federal or Stimulus 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 also a toll barrier facility.

The Authority is an associate member of the E-ZPass® Group which develops guidelines for and facilitates the electronic collection of tolls among 24 toll agencies from 14 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 13 million accounts, 22 million tags and the collection of over \$5 billion dollars in electronic toll revenues. The West Virginia Turnpike processes 32.7% of toll transactions and collects 36.7% of toll revenue with the E-ZPass® system.

Highway and Bridge Rehabilitation Projects

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

During 2010, patrons began to see significant improvements in pavement ride quality on some sections of the Turnpike. By May, 2011, approximately 46% of pavements were condition assessed as good or very good compared to approximately 40% a year earlier. Summer construction work for 2011 consisted of rehabilitation work mainly in the Beckley area. During the 2012 construction season, the two largest projects consisted of major pavement rehabilitation and paving between Mahan and Standard, mileposts 66 to 72 and mill and inlay work on high priority areas over the entire Turnpike. Following Memorial Day, the majority of 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.

Maintenance Management System

In April 2011, the Authority Maintenance Division completed the last phase of its Maintenance Management System (MMS) implementation. The MMS had been under development since 2005; however, due to budget constraints the system had been only partially implemented. In late 2009, the Division received funding to complete the full MMS implementation.

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

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

As a result of full MMS implementation, the Authority now has a modern management approach to improve efficiency and reduce overall asset life cycle cost. Training workshops were held in June 2011 and the system officially kicked off July 1, 2011.

Incident Management Plan

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

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

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

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

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

Upgraded Electronic Toll Collection System

An upgraded toll collection system went online in December, 2011. The former system was over ten years old and in critical need of replacement. The toll system integrator, TransCore, was responsible for designing, installing, testing and maintaining the 5 plaza, 42-lane toll collection system. A notice to proceed was issued to TransCore, on October 8, 2010. The upgraded toll collection system replaced the lane software and lane equipment. In addition, all plaza, host and back office management software was replaced, and additional functionality such as on-line statements and renewals was added. There were upgrades to the toll plaza signage and “stop and go” lights, but the customers did not see any major changes at the plazas. Customers have seen the most changes in their ability to access and manage their accounts on-line via the internet.

2010 Reorganization

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

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

SERVICES PROVIDED

A number of convenience and safety services are offered to patrons of the West Virginia Turnpike.

Traffic Management and Safety

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

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

In March 2012, the Board approved funds to design a project for a new 2,200 square foot State Police detachment in Charleston. This new building will be used by the State Police Troop 7 Parkways Division that serves the traveling public on the Turnpike. The existing building was constructed in the 1950's and it was impractical and cost prohibitive to rehabilitate. This building was demolished in August 2012. The contractor was given notice to proceed on September 27, 2012.

Maintenance

In addition to snow and ice removal, road and bridge maintenance crews perform the 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.

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. Two other rest areas are accessible to southbound motorists. The rest area at mile 69 provides restrooms, snacks and sandwiches and vending machines while the rest area at mile 18 has no facilities, but provides a scenic view. The Authority also operates the West Virginia Welcome Center, located at Mile 9, Princeton, WV, which contains restroom, 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.

Long-Range Financial Planning

The Authority is required by its Trust Indenture to prepare an annual budget prior to the start of its next 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.

Economic Development and Tourism

In 1989, the Authority became responsible for the promotion and enhancement of the State tourism industry and to assist in economic and tourism development opportunities. The Authority designated revenues from restaurants and service stations to be used for this new responsibility. No toll revenues were used for economic development and tourism projects. During the April 12, 2007 Authority board meeting, a resolution was passed to refocus the Authority's core and principal mission to operating and maintaining the Turnpike as a modern, efficient and safe roadway. All economic development and tourism projects, except Tamarack-the Best of West Virginia, have been eliminated. Legislation approved in 2010 further restricted the Authority from future involvement in any such economic development projects.

Accounting Policies and Internal Controls

The Authority's accounting policies are briefly described in Note 1 of the financial statements.

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

In June 2012, the Authority voted to participate in the State of West Virginia's Enterprise Resource Planning (ERP) project as an agency of the Department of Transportation. The ERP system is a server-based accounting system that will tie all state agencies together providing more efficient accounting, management and transparency. This system will also provide new software for employee payroll, purchasing, accounting, and maintenance management among others.

Tri-Party Agreement of 1988 and Trust Indentures

In 1971, the Turnpike Commission, the FHWA, and the Department, adopted an agreement necessary for the Department to participate in the reconstruction of the highway. This document charged the Turnpike Commission with the responsibility for all maintenance of the improved facility utilizing toll revenues. The 1971 agreement was superseded and replaced in 1988.

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

Operations of the Authority are also controlled by the provisions of a Trust Indenture, dated February 15, 1993, as supplemented. The indentures require, 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 was engaged by the Authority to perform the audit for the fiscal years ended June 30, 2012 and 2011.

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 22 years through the period ended June 30, 2011, 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 content 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 auditors, 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

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Emer

Executive Director

Financial Section

West Virginia Parkways Authority



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets 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, 2012 and 2011, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

A handwritten signature in cursive script that reads 'Suttle & Stalnaker, PLLC'.

Charleston, West Virginia

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WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2012 and 2011

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, 2012 which should be read in conjunction with the Authority's basic financial statements. Certain amounts presented in the prior period have been reclassified to conform to the current period financial statements presentation.

FINANCIAL HIGHLIGHTS

- Effective August 1, 2009, the Authority adopted a new toll and discount rate schedule. Cash toll rates were increased by approximately 60% with discounts added for most patrons paying with electronic transponders. Together with increasing traffic, toll revenue increased by \$26.5 million or 49.7% for the fiscal year ended June 30, 2010. Total traffic remained flat for the year ended June 30, 2011, increasing just 0.3% but toll revenues increased another 2.6%. A further increase in traffic of 1.7% led to an additional toll revenue of \$1.9 million or 2.4% for 2012.
- In conjunction with the adoption of the new toll rate schedule, the Authority implemented a ten-year program to address the approximately \$335 million backlog of essential deferred maintenance and capital needs identified by the Authority's consulting engineers. In addition to the increased activity of the Authority's own maintenance staff, the Authority has committed to \$83.5 million of roadway reconstruction, rehabilitation and repair contracts since the rate increase.

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:

- Balance Sheet
- Statement of Revenues, Expenses and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

The Balance Sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets, over time, may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents revenue and expense information and how the Authority's net assets changed during the fiscal year as a result of these transactions.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2012 and 2011

The Statement of Cash Flows presents 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

The Authority's 2012 toll revenues exceeded those of the previous year by \$1.9 million or 2.4%. Total traffic transactions increased by 1.7% to 35.1 million with large, mainly commercial, trucks accounting for 31% of the increase. After declining from 2004 until 2008, 2012 passenger car traffic exceeded the record level that had been set in 2004. Commercial transactions, while much improved, are still over 12% lower than the 2006 peak. For the year ended June 30, 2011, total traffic remained flat, increasing just 0.3%. However, due to the full year the new toll rate schedule was in effect, compared to the schedule being in effect for 11 months during the prior year, toll revenues increased 2.6%. The following tables highlight toll revenues and transactions:

CHANGES IN NET ASSETS INFORMATION (in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Change '12-'11</u>
Revenues:				
Operating revenues:				
Toll revenues	\$ 83,907	\$ 81,960	\$ 79,871	2.4%
Other revenues	7,217	7,010	7,087	3.0%
Nonoperating revenues:				
Net investment revenue	242	355	1,377	(31.8)%
Intergovernmental revenue	-	2,834	993	(100.0)%
Total revenues	<u>91,366</u>	<u>92,159</u>	<u>89,328</u>	(0.9)%
Expenses:				
Operating expenses:				
Maintenance	22,337	23,827	21,287	(6.3)%
Toll collection	11,411	10,984	11,058	3.9%
Traffic enforcement	3,744	3,188	2,650	17.4%
General and administrative	9,522	9,270	9,605	2.7%
Depreciation	32,924	32,227	31,160	2.2%
Nonoperating expenses:				
Interest expense	<u>4,338</u>	<u>4,727</u>	<u>5,655</u>	(8.2)%
Total expenses	<u>84,276</u>	<u>84,223</u>	<u>81,415</u>	0.1%
Change in net assets	7,090	7,936	7,913	(10.7)%
Net assets, beginning of year	<u>453,182</u>	<u>445,246</u>	<u>437,333</u>	
Net assets, end of year	<u>\$ 460,272</u>	<u>\$ 453,182</u>	<u>\$ 445,246</u>	

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
Management's Discussion and Analysis (Unaudited)
Years Ended June 30, 2012 and 2011

Intergovernmental revenue in 2011 is related to funding received for installation of new variable message signs, closed circuit cameras and radio control equipment along the Turnpike. No such programs existed in 2012.

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

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

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

On July 1, 2009, the Authority adopted a new toll and discount rate schedule that became effective August 1, 2009. Cash toll rates were increased by approximately 60% from \$1.25 to \$2.00 per barrier for passenger cars and from \$4.25 to \$6.75 per barrier for 5-axle tractor-trailers. All other classes were increased proportionately. As required by state code, discounts for all classes of vehicles paying by electronic transponders issued by the Parkways Authority, was 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%.

For the fiscal year ended June 30, 2010, toll revenues exceeded projections allowing the Authority to proceed with the plan ahead of schedule and a total of \$30.3 million of roadway reconstruction rehabilitation and repair contracts were approved. An additional \$32.4 million and \$20.8 million of contracts were approved in the fiscal years ended June 30, 2012 and 2011, respectively.

Operating Expenses

After suffering through two winters of above average snowfall and the associated maintenance costs, a very mild winter propelled a savings in maintenance costs of \$1.5 million for the current year. Last year's increase of \$2.5 million over 2010 was attributed to severe winter weather and additional maintenance activities which had been deferred until the toll rate increase had taken effect.

During these three years, while Toll Collection and General and Administrative expense have remained stable, Traffic Enforcement expenses have increased due to increasing State Police patrol of the Turnpike and Depreciation expense has increased due to the increases in capital improvements in addressing the deferred maintenance backlog identified during the toll rate increase process.

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Non-operating Revenue and Expense

Interest expense decreased 8.2% in 2012 after decreasing 16.4% in 2010 due to the amortization of principal and the stabilization of the Authority's variable interest rate associated with the Series 2008 Toll Revenue Bonds. Net investment revenue has decreased to less than \$0.25 million as a result of the historically low interest rates on low risk securities of the type held as investments by the Authority.

CONDENSED BALANCE SHEET INFORMATION

(in thousands)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>Change '12-'11</u>
Current assets	\$ 42,259	\$ 62,391	\$ 48,626	(32.3)%
Long-term investments	24,528	8,662	11,894	183.2%
Capital assets, net	<u>470,161</u>	<u>466,398</u>	<u>472,092</u>	0.8%
Total assets	<u>\$ 536,948</u>	<u>\$ 537,451</u>	<u>\$ 532,612</u>	(0.1)%
 <u>LIABILITIES AND NET ASSETS</u>				
Current liabilities	\$ 18,356	\$ 21,516	\$ 20,697	(14.7)%
Long-term revenue bonds, net	48,798	55,845	62,254	(12.6)%
Other long-term liabilities	<u>9,522</u>	<u>6,908</u>	<u>4,415</u>	37.8%
Total liabilities	<u>76,676</u>	<u>84,269</u>	<u>87,366</u>	(9.0)%
 Net assets:				
Invested in capital assets, net of related debt	413,397	403,146	402,069	2.5%
Restricted	45,128	46,900	39,570	(3.8)%
Unrestricted	<u>1,747</u>	<u>3,136</u>	<u>3,607</u>	(44.3)%
Total net assets	<u>460,272</u>	<u>453,182</u>	<u>445,246</u>	1.6%
 Total liabilities and net assets	 <u>\$ 536,948</u>	 <u>\$ 537,451</u>	 <u>\$ 532,612</u>	 (0.1)%

Assets

Because of the expenditures made to capital improvements, cash and investments decreased by \$3.8 million this year after increasing by \$10.1 million in fiscal year 2011. For the year ended June 30, 2012, net capital assets increased \$3.8 million with capital improvements of \$36.7 million less depreciation expense of \$32.9 million. For the year ended June 30, 2011, capital assets decreased by \$5.7 million as the result of capital improvements of \$26.5 million that were offset by \$32.2 million of depreciation expense. See Note 4 of the financial statements for more detailed information on the Authority's capital assets.

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Liabilities

For the year ended June 30, 2012, total liabilities decreased \$7.6 million. Regularly scheduled long term principal maturities were offset by amortization related to accrued post-employment benefits. Current liabilities decreased by the timing of construction contracts in progress.

For the year ended June 30, 2011, total liabilities decreased \$3.1 million. Regularly scheduled long term principal maturities were offset by increases in current liabilities related to construction projects and additional accrued post-employment benefits. See notes to the financial statements for more detailed information on the Authority's long-term debt.

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

<u>Agency</u>	<u>Rating</u>
Standard & Poor's	AA-
Moody's Investors Service	AA3

FACTORS IMPACTING FUTURE OPERATIONS

In 2012, the State of West Virginia created a funding plan to pay down the state's liability for future health care costs for retired employees. For the last three years, the Authority has accrued an average \$2.75 million in the Annual Required Contribution (ARC) due under this Other Post Employment Benefits (OPEB) plan. For 2013 and beyond, it is estimated this exposure will reduce to approximately \$0.1 million per year.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

WEST VIRGINIA PARKWAYS AUTHORITY

(A Component Unit of the State of West Virginia)

BALANCE SHEETS

June 30, 2012 and 2011

(In Thousands)

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 22,825	\$ 29,674
Short-term investments	14,214	27,056
Accounts receivable	2,550	2,108
Accrued interest receivable	55	38
Inventory	2,516	2,586
Other	99	929
Total current assets	<u>42,259</u>	<u>62,391</u>
Noncurrent assets:		
Investments in securities maturing beyond one year	<u>24,528</u>	<u>8,662</u>
Capital assets	1,050,783	1,025,000
Less: accumulated depreciation	<u>580,622</u>	<u>558,602</u>
	470,161	466,398
Total noncurrent assets	<u>494,689</u>	<u>475,060</u>
Total assets	<u>\$ 536,948</u>	<u>\$ 537,451</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 4,846	\$ 8,765
Accrued interest payable	290	473
Customer deposits	1,299	1,534
Other accrued liabilities	3,955	3,404
Current portion of capital lease payable	71	220
Current portion of long-term revenue bonds	<u>7,895</u>	<u>7,120</u>
Total current liabilities	<u>18,356</u>	<u>21,516</u>
Noncurrent liabilities:		
Long-term revenue bonds, net of unamortized premiums, discounts and issuance costs, less current portion:		
Series 2002 revenue bonds (net of unamortized discount, issue costs and refunding loss of \$1,776 and \$2,045 as of June 30, 2012 and 2011, respectively)	17,169	19,595
Series 2008 revenue bonds (net of unamortized discount, issue costs and refunding loss of \$4,270 and \$4,849 as of June 30, 2012 and 2011, respectively)	<u>31,629</u>	<u>36,250</u>
	48,798	55,845
Capital lease payable, less current portion	-	66
Accrued post-employment benefits other than pensions	9,522	6,842
Fair value of hedging derivative instrument	6,314	5,938
Deferred outflows from changes in fair value of hedging derivative instrument	<u>(6,314)</u>	<u>(5,938)</u>
Total noncurrent liabilities	<u>58,320</u>	<u>62,753</u>
Total liabilities	<u>76,676</u>	<u>84,269</u>
Net assets:		
Invested in capital assets, net of related debt	413,397	403,146
Restricted by trust indenture	45,128	46,900
Unrestricted	<u>1,747</u>	<u>3,136</u>
Total net assets	<u>460,272</u>	<u>453,182</u>
Total net assets and liabilities	<u>\$ 536,948</u>	<u>\$ 537,451</u>

WEST VIRGINIA PARKWAYS AUTHORITY

(A Component Unit of the State of West Virginia)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended June 30, 2012 and 2011

(In Thousands)

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Toll revenues	\$ 83,907	\$ 81,960
Other revenues	<u>7,217</u>	<u>7,010</u>
Total revenues	<u>91,124</u>	<u>88,970</u>
Operating expenses:		
Maintenance	22,337	23,827
Toll collection	11,411	10,984
Traffic enforcement and communications	3,744	3,188
General and administrative	9,522	9,270
Depreciation	<u>32,924</u>	<u>32,227</u>
	<u>79,938</u>	<u>79,496</u>
Operating income	11,186	9,474
Nonoperating revenues (expenses):		
Interest expense	(4,338)	(4,727)
Net investment revenue	242	355
Intergovernmental revenue	<u>-</u>	<u>2,834</u>
Nonoperating revenues (expenses), net	<u>(4,096)</u>	<u>(1,538)</u>
Changes in net assets	7,090	7,936
Net assets, beginning of year	<u>453,182</u>	<u>445,246</u>
Net assets, end of year	<u>\$ 460,272</u>	<u>\$ 453,182</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, 2012 and 2011

(In Thousands)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 91,124	\$ 88,952
Cash paid to employees	(24,857)	(23,088)
Cash paid to suppliers	<u>(22,823)</u>	<u>(21,002)</u>
Net cash provided by operating activities	<u>43,444</u>	<u>44,862</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(36,687)	(23,628)
Debt service for revenue bonds and capital leases:		
Principal	(7,335)	(7,658)
Interest	<u>(3,421)</u>	<u>(3,761)</u>
Net cash used in capital and related financing activities	<u>(47,443)</u>	<u>(35,047)</u>
Cash flows from investing activities:		
Purchase of investments	(56,254)	(10,917)
Proceeds from sales and maturities of investments	53,162	16,354
Interest from investments	<u>242</u>	<u>337</u>
Net cash provided by (used in) investing activities	<u>(2,850)</u>	<u>5,774</u>
Increase (decrease) in cash and cash equivalents	(6,849)	15,589
Cash and cash equivalents, beginning of year	<u>29,674</u>	<u>14,085</u>
Cash and cash equivalents, end of year	<u>\$ 22,825</u>	<u>\$ 29,674</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income	\$ 11,186	\$ 9,474
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	32,924	32,227
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(442)	81
(Increase) decrease in inventory	70	(26)
(Increase) decrease in other current assets	830	(416)
Increase (decrease) in accounts payable and other liabilities	(3,804)	825
Increase in accrued postemployment benefits	<u>2,680</u>	<u>2,697</u>
Net cash provided by operating activities	<u>\$ 43,444</u>	<u>\$ 44,862</u>
Noncash transactions affecting financial position:		
Contributed capital assets	<u>\$ 0</u>	<u>\$ 2,834</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, 2012 and 2011

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.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash Equivalents

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

Investments

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

Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

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

Compensated Absences

Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Authority participates in an other post-employment benefit plan (see Note 7).

WEST VIRGINIA PARKWAYS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer Deposits

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

Bond Discounts, Premiums, Issuance Costs and Deferred Loss on Advance Refunding

Bond discounts, premiums, and issuance costs are being accreted and amortized using the effective interest method over the varying terms of the bonds issued. The difference between the reacquisition price and the net carrying amount of refunded debt is reported in the financial statements as a deduction from the refunding bonds, with the related amortization of such deferral being charged to interest expense using the effective interest method.

Net Assets

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

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods. 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 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 statement of revenues, expenses, and changes in fund net assets.

WEST VIRGINIA PARKWAYS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 - DEPOSITS AND INVESTMENTS

All of the Authority's cash on hand is held with outside bank accounts, totaling (in thousands) approximately \$22,825 and \$29,674 in 2012 and 2011, respectively.

BTI DISCLOSURE INFORMATION

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

WV Short Term Bond Pool:

Credit Risk — The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. As this pool has not been rated, the following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Security Type	Credit Rating		2012		2011	
	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	\$ 95,628	18.99%	\$ 87,197	18.40%
	Aaa	NR	38,524	7.64	19,891	4.20
	NR	* AA+	3,900	0.77	-	-
	Aa3	AA+	-	-	454	0.10
	B1	CCC	896	0.18	885	0.19
	B3	BB	311	0.06	-	-
	B3	B	-	-	366	0.08
	B3	BBB	-	-	631	0.13
	B3	BBB-	53	0.01	-	-
	B3	CCC	280	0.06	-	-
	Ca	CCC	-	-	664	0.14
	Caa2	CCC	186	0.04	473	0.10
	Caa3	CCC	243	0.05	393	0.08
	Caa3	D	26	0.01	27	0.01
	Ca	CCC	586	0.12	-	-
	NR	* NR	3,786	0.75	4,000	0.84
Total corporate asset backed securities			144,419	28.68	114,981	24.27
Corporate bonds and notes	Aaa	AAA	-	-	-	-
	Aaa	AA	-	-	2,043	0.43
	Aa1	AA	-	-	-	-
	Aa1	A	-	-	4,143	0.87
	Aa2	AA	-	-	11,866	2.50
	Aa2	AA+	9,025	1.79	-	-
	Aa3	AA	-	-	7,064	1.49
	Aa3	AA-	15,666	3.11	-	-
	Aa3	A	23,032	4.57	13,040	2.75
	A1	AA	12,145	2.41	8,107	1.71
	A1	A+	30,684	6.09	-	-
	A1	A	-	-	22,731	4.80
	A2	AA	-	-	2,555	0.54
	A2	A	39,064	7.76	23,976	5.06
	A3	A	-	-	8,770	1.85
	A3	A-	7,755	1.54	-	-
	A3	BBB+	3,006	0.60	-	-
	Baa1	A-	4,162	0.83	-	-
	Baa2	A-	6,709	1.33	-	-
Total corporate bonds and notes			151,248	30.03	104,295	22.00
Commercial paper	P-1	A-1	-	-	15,995	3.38
U.S. agency bonds	Aaa	AAA	-	-	20,017	4.22
U.S. agency bonds	Aaa	AA+	45,024	8.94	-	-
U.S. Treasury notes ***	Aaa	AAA	-	-	25,034	5.28
U.S. Treasury notes ***	Aaa	AA+	44,251	8.79	-	-
U.S. agency mortgage backed securities ****	Aaa	AAA	-	-	97,296	20.53
U.S. agency mortgage backed securities ****	Aaa	AA+	77,065	15.30	-	-
Money market funds	Aaa	AAAm	41,610	8.26	96,287	20.32
Money market funds	Aaa	AAA	-	-	-	-
			\$ 503,617	100.00%	\$ 473,905	100.00%

* NR = Not Rated

** The securities were not in compliance with BTI Investment Policy at June 30, 2012 and/or 2011. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2012 and 2011, the Authority ownership of approximately \$3,085,000 represents 0.6% and ownership of approximately \$3,056,000 represents 0.6%, respectively, of these amounts held by the BTI.

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

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Type	2012		2011	
	Carrying Value (In Thousands)	Effective Duration (Days)	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury bonds/notes	\$ 44,251	366	\$ 25,034	227
Commercial paper	-	-	15,995	55
Corporate notes	151,248	242	104,295	234
Corporate asset backed securities	144,419	250	114,981	268
U.S. agency bonds/notes	45,024	23	20,017	85
U.S. agency mortgage backed securities	77,065	13	97,296	18
Money market funds	41,610	1	96,287	1
	<u>\$ 503,617</u>	180	<u>\$ 473,905</u>	138

Other Investment Risks - Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below. The Authority also holds investments with outside investors totaling approximately \$35,657,000 and \$32,662,000 as of June 30, 2012 and 2011, respectively.

Interest Rate Risk - Other Investments

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, 2012, the Authority had the following investments (in thousands) and maturities (in years):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>10+</u>
Government agency bonds	\$ 35,649	\$ 14,214	\$ 21,144	\$ 244	\$ 47
State government bonds	8	-	8	-	-
Corporate bonds	3,085	3,085	-	-	-
	<u>\$ 38,742</u>	<u>\$ 17,299</u>	<u>\$ 21,152</u>	<u>\$ 244</u>	<u>\$ 47</u>

WEST VIRGINIA PARKWAYS AUTHORITY
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Years Ended June 30, 2012 and 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

As of June 30, 2012, the Authority had investment balances with the following issuers which were greater than or equal to 5% of the total investment balance:

<u>Type</u>	<u>Issuer</u>	<u>Percentage of Investments</u>
Government agency bonds	Federal Home Loan Bank	19%
	Federal National Mortgage Association	52
	Federal Farm Credit Bank Bond	20

Concentration of Credit Risk - Cash Deposits

The Authority's cash deposits with financial institutions (in thousands) were \$22,825 and \$29,674 at June 30, 2012 and 2011. These deposits, which had a bank balance of \$25,449 and \$28,223, are insured by the Federal Deposit Insurance Corporation and/or collateralized with securities held in the Authority's name by its agent.

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency. The Authority does not hold any foreign currency.

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government 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 above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

A reconciliation of the investments disclosed in this Note to the amounts reported in the Balance Sheet is as follows (in thousands):

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

As disclosed in this Note:

Total deposits	\$	22,825	
Total WV Short Term Bond Pool		3,085	
Total other investments		<u>35,657</u>	
			<u>\$ 61,567</u>

As reported on the Balance Sheet:

Cash and cash equivalents	\$	22,825	
Short-term investments		14,214	
Investments in securities maturing beyond one year		<u>24,528</u>	
			<u>\$ 61,567</u>

The cost of investment securities and related accrued interest receivable is allocated at June 30, 2012 and 2011, among the following restricted accounts created under the various Trust Indentures or by the adoption of Authority resolution (in thousands):

		<u>June 30</u>	
		<u>2012</u>	<u>2011</u>
Restricted and designated assets:			
Assets restricted by Trust Indenture:			
Series 1993, 2002, and 2008 Reserves	\$	10,808	\$ 10,808
Renewal and Replacement		9,368	8,673
Operating and Maintenance		4,788	4,573
Series 2002 Debt Service		839	1,323
Series 2008 Debt Service		<u>1,162</u>	<u>1,261</u>
		26,965	26,638
Reserve Revenue, restricted by Tri-Party Agreement		20,505	22,389
Facility Improvement		1,707	1,453
Insurance Liability		1,000	1,000
Non Toll Revenue Fund		<u>1,748</u>	<u>1,618</u>
Total restricted and designated assets as allocated by Trust Indentures		<u>\$ 51,925</u>	<u>\$ 53,098</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
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NOTE 3 - 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 economic development and tourism projects by the Authority. The only project remaining is Tamarack. All revenues derived from this project, including recovery of principal, were pledged as security for the 2001A and 2001B Bonds. The 2001A and 2001B Bonds were defeased during the year ended June 30, 2010.

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

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

NOTE 4 - CAPITAL ASSETS

A summary of capital assets at June 30, 2012 and 2011 follows (in thousands):

<u>2012</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets, non-depreciable:				
Land	\$ 53,247	\$ -	\$ -	\$ 53,247
Capital assets, depreciable:				
Buildings	98,675	801	-	99,476
Equipment	10,923	1,164	-	12,087
Infrastructure	<u>862,155</u>	<u>34,722</u>	<u>10,904</u>	<u>885,973</u>
Total capital assets, being depreciated	<u>971,753</u>	<u>36,687</u>	<u>10,904</u>	<u>997,536</u>
Less accumulated depreciation for:				
Buildings	(59,118)	(3,616)	-	(62,734)
Equipment	(6,191)	(737)	-	(6,928)
Infrastructure	<u>(493,293)</u>	<u>(28,571)</u>	<u>(10,904)</u>	<u>(510,960)</u>
Total accumulated depreciation	<u>(558,602)</u>	<u>(32,924)</u>	<u>(10,904)</u>	<u>(580,622)</u>
Total depreciable capital assets, net	<u>413,151</u>	<u>3,763</u>	<u>-</u>	<u>416,914</u>
Total capital assets, net	<u>\$ 466,398</u>	<u>\$ 3,763</u>	<u>\$ -</u>	<u>\$ 470,161</u>

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NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 4 - CAPITAL ASSETS (Continued)

<u>2011</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	97,527	1,148	-	98,675
Equipment	9,061	1,862	-	10,923
Infrastructure	<u>842,093</u>	<u>23,523</u>	<u>3,461</u>	<u>862,155</u>
Total capital assets, being depreciated	<u>948,681</u>	<u>26,533</u>	<u>3,461</u>	<u>971,753</u>
Less accumulated depreciation for:				
Buildings	(55,627)	(3,491)	-	(59,118)
Equipment	(5,476)	(715)	-	(6,191)
Infrastructure	<u>(468,733)</u>	<u>(28,021)</u>	<u>(3,461)</u>	<u>(493,293)</u>
Total accumulated depreciation	<u>(529,836)</u>	<u>(32,227)</u>	<u>(3,461)</u>	<u>(558,602)</u>
Total depreciable capital assets, net	<u>418,845</u>	<u>(5,694)</u>	<u>-</u>	<u>413,151</u>
Total capital assets, net	<u>\$ 472,092</u>	<u>\$ (5,694)</u>	<u>\$ -</u>	<u>\$ 466,398</u>

NOTE 5 - REVENUE BONDS PAYABLE

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

	<u>2012</u>	<u>2011</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	\$ 21,640	\$ 24,060
Series 2008 Variable Rate Demand Revenue Refunding Bonds, \$59,100 at variable rates, due in varying installments through May 2019	<u>41,100</u>	<u>45,800</u>
Total revenue bonds payable	62,740	69,860
Add:		
Unamortized premium	990	1,141
Less:		
Unamortized deferred loss on advance refunding	(6,168)	(7,008)
Unamortized discount and issuance costs	(869)	(1,028)
Current portion of revenue bonds payable	<u>(7,895)</u>	<u>(7,120)</u>
	<u>\$ 48,798</u>	<u>\$ 55,845</u>

WEST VIRGINIA PARKWAYS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 5 - 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.

In 2002, \$44,205,000 of Revenue Refunding Bonds were issued for the express purpose of defeasing \$36,036,000 of Series 1993 Bonds. The advance refunding resulted in a \$6,313,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$270,000 in 2012 and 2011. The Authority completed the advance refunding to reduce its aggregate debt service payments by almost \$3,003,064 over an 18-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,623,705.

Principal and interest paid on the 2002 bonds for the years ended June 30, 2012 and 2011 were \$3,683,150 and \$3,825,988 respectively, and the total pledged net revenues were toll revenues of the Authority.

In July 2008, the Authority issued \$54,800,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$54,800,000 of the Authority's Series 2003 Bonds. This refunding resulted in a \$5,972,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$569,000 in 2012 and 2011, 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 new supplemental indenture establishes eight distinct registered bonds which mature on the identical schedule as the previous bonds. 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.

Principal and interest paid on the Series 2008 bonds for the years ended June 30, 2012 and 2011 were \$6,717,679 and \$6,893,817 respectively, and the total pledged revenues were approximately all toll revenues of the Authority.

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:

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NOTE 5 - REVENUE BONDS PAYABLE (Continued)

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	\$63,900,000
Effective Date	July 2, 2008
Maturity Date	May 1, 2019
Terms	Pay 4.387%, receive 67% of One Month LIBOR

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rate implied by the yield curve correctly anticipate 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.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2012, and the change in fair value of the instrument for the year ended June 30, 2012, as reported in the 2012 financial statements are as follows (in thousands):

Changes in fair value:	
<u>Classification</u>	<u>Deferred inflow</u>
Increase (decrease)	(\$375,424)
Fair value at June 30, 2012	
<u>Classification</u>	<u>Debt</u>
Amount	\$6,313,519

Risks

Credit Risk - The credit ratings of the counterparty to the interest rate swap are A3 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, 2012, no collateralization was required by the interest rate swap agreement.

Interest Rate Risk - The Authority is not exposed to interest rate risk on this 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 an index other than interest rates the Authority pays on the hedged variable-rate debt. As of June 30, 2012, the weighted-average interest rate on the Authority's hedged variable-rate debt was 1.09% while 67% of the one month LIBOR was 0.16%.

WEST VIRGINIA PARKWAYS AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 5 - REVENUE BONDS PAYABLE (Continued)

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

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

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

Swap Payments and Associated Debt - Using rates as of June 30, 2012, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ending <u>June 30</u>	<u>Variable-Rate Bonds</u>		Interest Rate <u>Swap, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2013	\$ 5,200	\$ 449	\$ 1,736	\$ 7,385
2014	5,200	400	1,447	7,047
2015	5,600	347	1,238	7,185
2016	5,900	285	1,012	7,197
2017	6,100	210	774	7,084
2018-2019	<u>13,100</u>	<u>224</u>	<u>798</u>	<u>14,122</u>
	<u>\$ 41,100</u>	<u>\$ 1,915</u>	<u>\$ 7,005</u>	<u>\$ 50,020</u>

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Years Ended June 30, 2012 and 2011

NOTE 5 - REVENUE BONDS PAYABLE (Continued)

Bonds Payable Progression and Maturities

The following schedule summarizes the revenue bonds outstanding as of June 30, 2012 and 2011 (in thousands):

<u>2012</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Amortization</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2002	\$ 22,015	\$ -	\$ (2,420)	\$ 269	\$ 19,864	\$ 2,695
Series 2008	<u>40,950</u>	<u>-</u>	<u>(4,700)</u>	<u>579</u>	<u>36,829</u>	<u>5,200</u>
	<u>\$ 62,965</u>	<u>\$ -</u>	<u>\$ (7,120)</u>	<u>\$ 848</u>	<u>\$ 56,693</u>	<u>\$ 7,895</u>
<u>2011</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retired</u>	<u>Amortization</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2002	\$ 24,180	\$ -	\$ (2,435)	\$ 270	\$ 22,015	\$ 2,420
Series 2008	<u>45,209</u>	<u>-</u>	<u>(4,700)</u>	<u>441</u>	<u>40,950</u>	<u>4,700</u>
	<u>\$ 69,389</u>	<u>\$ -</u>	<u>\$ (7,135)</u>	<u>\$ 711</u>	<u>\$ 62,965</u>	<u>\$ 7,120</u>

Debt service requirements for the Revenue Bonds subsequent to June 30, 2012, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Principal Maturities</u>	<u>Interest, Including Accretion</u>	<u>Total</u>
2013	\$ 7,895	\$ 2,913	\$ 10,808
2014	7,910	2,548	10,458
2015	8,540	2,177	10,717
2016	8,995	1,773	10,768
2017	9,310	1,367	10,677
2018-2019	<u>20,090</u>	<u>1,367</u>	<u>21,457</u>
	<u>\$ 62,740</u>	<u>\$ 12,145</u>	<u>\$ 74,885</u>

Principal outstanding June 30, 2012	\$ 62,740
Add:	
Unamortized premium	990
Less:	
Unamortized deferred loss on advance refunding	(6,168)
Unamortized discount and issuance costs	(869)
Current portion of revenue bonds payable	<u>(7,895)</u>
Long-term portion	<u>\$ 48,798</u>

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NOTE 5 - REVENUE BONDS PAYABLE (Continued)

The Revenue Bonds are subject to the arbitrage rebate provisions of the Internal Revenue Code (the Code). The Code requires that 90% of excess investment earnings on the Bond proceeds be paid to the Internal Revenue Service every five years in order for the Bonds to maintain their tax-exempt status. At June 30, 2012 and 2011, the Authority's estimated arbitrage rebate liability was zero.

NOTE 6 - CAPITAL LEASING

The Authority entered into four lease agreements during FY 2006 for the financing of roadside maintenance vehicles, police cruisers, miscellaneous maintenance vehicles, and roadway maintenance vehicles. Additionally, the Authority entered into three additional leases during the year ended June 30, 2008 for the purpose of upgrading communication towers and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

In accordance with the Authority's capitalization guidelines, the Authority expensed \$437,031 of the equipment. The remaining assets acquired through capital leases are as follows (in thousands):

Equipment	\$ 2,732
Less accumulated depreciation	<u>(1,502)</u>
 Total	 <u>\$ 1,230</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows (in thousands):

Year Ending	
<u>June 30</u>	
 2013	 \$ <u>71.5</u>
Total minimum lease payments	71.5
Less amount representing interest	<u>(0.5)</u>
Present value of minimum lease payments	71.0
Less current portion	<u>71.0</u>
 Long-term portion	 <u><u>\$ -</u></u>

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NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

Funding Policy

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

The Authority's ARC was \$9,521,809, \$6,841,589 and \$4,144,473, and the Authority has paid premiums of \$822,780, \$791,341 and \$695,487, which represent 8.06%, 11.57% and 16.78% of the ARC, respectively, for the years ending June 30, 2012, 2011, and 2010.

NOTE 8 - PENSION PLAN

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

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NOTE 8 - PENSION PLAN (Continued)

The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 19.0% of annual covered payroll, including the Authority’s contribution of 14.5%, which is established by PERS. Effective July 1, 2012, decrease in the contribution rate of .5%, will lower the Authority’s contribution rate to 14%. The required employee and employer contribution percentages are determined by actuarial advisement within ranges set by statute. A summary of the Authority and employee contributions required and made for the years ended June 30, 2012, 2011, and 2010 are as follows (in thousands):

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Authority contributions	\$ 2,061	\$ 1,787	\$ 1,681
Employee contributions	<u>640</u>	<u>643</u>	<u>669</u>
Total contributions	<u>\$ 2,701</u>	<u>\$ 2,430</u>	<u>\$ 2,350</u>

NOTE 9 - 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 BrickStreet Mutual Insurance Company (BrickStreet), and the West Virginia Public Employees Insurance Agency (PEIA). In exchange for the payment of premiums to PEIA and BrickStreet, the Authority has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Authority, for an annual premium, obtains insurance coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters through the West Virginia Board of Risk and Insurance Management, a public risk pool entity insuring the State of West Virginia, its component units, local government entities, and eligible not-for-profit organizations. Liability coverage provided to all insured entities under this policy is limited to \$1,000,000 per occurrence, subject to an annual aggregate limit of coverage of \$22,000,000. To further reduce its risk of loss, the Authority, for an annual premium paid to a commercial insurer, has obtained an additional liability policy which provides coverage of \$10,000,000 over and above the coverage provided by the West Virginia Board of Risk and Insurance Management. In each of the three fiscal years in the period ending June 30, 2012, the Authority’s insurance coverage has been sufficient to meet all claims and settlements against the Authority.

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NOTE 10 - 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, 2012, the Authority had contractual commitments totaling \$36,066,392 for various Turnpike System improvement projects.

NOTE 11 - ACCOUNTING PRONOUNCEMENTS

Newly Adopted Statements Issued by GASB

The Governmental Accounting Standards Board has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for fiscal years beginning after December 15, 2011. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The early adoption of this statement had no impact on the June 30, 2012 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for fiscal years beginning after June 15, 2012. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The early adoption of this statement had no impact on the June 30, 2012 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and ACIPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The early adoption of this statement had no impact on the June 30, 2012 financial statements.

WEST VIRGINIA PARKWAYS AUTHORITY
(A Component Unit of the State of West Virginia)
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

NOTE 11 - ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for fiscal years beginning after June 15, 2011. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The adoption of this statement did not have a material impact on the financial statements.

Recent Statements Issued by GASB

The Governmental Accounting Standards Board has also issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position – an amendment of GASB Statements No. 3, No. 6, No. 10, No. 15, No. 17, No. 23, No. 25, No. 27, No. 28, No. 31, and No. 33*, effective for fiscal years beginning after December 15, 2011. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Authority has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Authority has not yet determined the effect that the adoption of GASB Statement No. 65 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No.10 and No. 62*, effective for fiscal years beginning after December 15, 2012. This statement will resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The Authority has not yet determined the effect that the adoption of GASB Statement No. 66 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 67, *Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25*, effective for fiscal years beginning after June 15, 2013. This statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The Authority has not yet determined the effect that the adoption of GASB Statement No. 67 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, 2012 and 2011

NOTE 11 - ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. This Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The Authority has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

Statistical Section

West Virginia Parkways Authority

Statistical Section

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

Contents	Page
Financial Trends	45
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	47
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	49
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	50
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	52
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 ASSETS

(In Thousands)

	Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
ASSETS										
Current assets	\$ 42,259	\$ 62,391	\$ 48,626	\$ 29,262	\$ 18,633	\$ 28,141	\$ 28,644	\$ 28,034	\$ 19,044	\$ 25,625
Long-term investments	24,528	8,662	11,894	15,408	27,589	21,396	20,662	15,460	22,530	21,040
Investments in economic development projects, net	-	-	-	-	-	2,000	2,125	2,125	2,135	2,188
Capital assets, net	470,161	466,398	472,092	484,038	506,746	517,772	531,202	546,919	559,891	570,844
Total assets	\$ 536,948	\$ 537,451	\$ 532,612	\$ 528,708	\$ 552,968	\$ 569,309	\$ 582,633	\$ 592,538	\$ 603,600	\$ 619,697
LIABILITIES AND NET ASSETS										
Current liabilities	\$ 18,356	\$ 21,516	\$ 20,697	\$ 15,753	\$ 16,443	\$ 15,211	\$ 11,557	\$ 11,208	\$ 8,211	\$ 10,076
Long-term revenue bonds, net	48,798	55,845	62,254	73,754	80,763	87,194	96,448	102,051	107,053	111,846
Other long-term liabilities	9,522	6,908	4,415	1,868	1,638	3,478	4,403	3,044	3,019	2,921
Total liabilities	76,676	84,269	87,366	91,375	98,844	105,883	112,408	116,303	118,283	124,843
Net assets:										
Invested in capital assets, net of related debt	413,397	403,146	402,069	401,735	416,812	422,455	429,571	441,961	449,957	456,037
Restricted by trust indenture	45,128	46,900	39,570	30,175	32,096	39,246	34,138	24,688	31,461	33,942
Unrestricted	1,747	3,136	3,607	5,423	5,216	1,725	6,516	9,586	3,899	4,875
Total net assets	460,272	453,182	445,246	437,333	454,124	463,426	470,225	476,235	485,317	494,854
Total liabilities and net assets	\$ 536,948	\$ 537,451	\$ 532,612	\$ 528,708	\$ 552,968	\$ 569,309	\$ 582,633	\$ 592,538	\$ 603,600	\$ 619,697

WEST VIRGINIA PARKWAYS AUTHORITY

CONDENSED SCHEDULES OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS

(In Thousands)

	Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Operating revenues:										
Toll revenues	\$ 83,907	\$ 81,960	\$ 79,871	\$ 53,341	\$ 56,563	\$ 58,165	\$ 61,858	\$ 57,999	\$ 56,854	\$ 54,757
Other revenues	7,217	7,010	7,087	6,923	7,459	7,657	7,383	6,911	6,418	5,642
	<u>91,124</u>	<u>88,970</u>	<u>86,958</u>	<u>60,264</u>	<u>64,022</u>	<u>65,822</u>	<u>69,241</u>	<u>64,910</u>	<u>63,272</u>	<u>60,399</u>
Operating expenses:										
Maintenance	22,337	23,827	21,287	17,664	17,448	16,837	18,004	16,290	16,324	16,721
Toll collection	11,411	10,984	11,058	10,207	10,117	9,195	9,426	9,574	10,043	9,626
Traffic enforcement	3,744	3,188	2,650	2,973	2,815	2,746	2,785	2,443	2,042	2,481
General and administrative	9,522	9,270	9,605	9,022	9,896	10,221	10,083	10,095	8,932	8,010
Depreciation	32,924	32,227	31,160	31,406	31,064	30,127	29,877	29,779	28,675	28,265
	<u>79,938</u>	<u>79,496</u>	<u>75,760</u>	<u>71,272</u>	<u>71,340</u>	<u>69,126</u>	<u>70,175</u>	<u>68,181</u>	<u>66,016</u>	<u>65,103</u>
Operating income (loss)	11,186	9,474	11,198	(11,008)	(7,318)	(3,304)	(934)	(3,271)	(2,744)	(4,704)
Nonoperating revenue (expenses):										
Interest earned on investments	242	355	1,377	1,307	2,293	2,710	1,445	1,285	381	2,313
Intergovernmental	-	2,834	993	-	-	-	-	-	-	-
Interest expense	(4,338)	(4,727)	(5,655)	(7,090)	(7,330)	(6,205)	(6,521)	(7,096)	(7,174)	(7,553)
On-behalf contributions	-	-	-	-	496	-	-	-	-	-
	<u>(4,096)</u>	<u>(1,538)</u>	<u>(3,285)</u>	<u>(5,783)</u>	<u>(4,541)</u>	<u>(3,495)</u>	<u>(5,076)</u>	<u>(5,811)</u>	<u>(6,793)</u>	<u>(5,240)</u>
Change in net assets	7,090	7,936	7,913	(16,791)	(11,859)	(6,799)	(6,010)	(9,082)	(9,537)	(9,944)
Cumulative effect of implementation of GASB Statement 43	-	-	-	-	2,557	-	-	-	-	-
Net assets, beginning of year	453,182	445,246	437,333	454,124	463,426	470,225	476,235	485,317	494,854	504,798
Net assets, end of year	<u>\$ 460,272</u>	<u>\$ 453,182</u>	<u>\$ 445,246</u>	<u>\$ 437,333</u>	<u>\$ 454,124</u>	<u>\$ 463,426</u>	<u>\$ 470,225</u>	<u>\$ 476,235</u>	<u>\$ 485,317</u>	<u>\$ 494,854</u>

WEST VIRGINIA PARKWAYS AUTHORITY
FINANCIAL RATIOS

	Year Ended June 30,										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Long-term bonds to total assets	9.09%	10.39%	11.69%	13.95%	14.60%	15.32%	16.55%	17.22%	17.74%	181.28%	
Net assets to total assets	85.72%	84.32%	83.60%	82.71%	82.12%	81.40%	80.71%	80.40%	80.40%	802.07%	
Long-term bonds to lane miles	114.55	131.09	146.14	173.13	189.58	204.68	226.60	239.76	251.52	262.78	
Long-term bonds to number of transactions/vehicles	1.39	1.62	1.81	2.19	2.34	2.48	2.74	2.88	3.02	3.25	

WEST VIRGINIA PARKWAYS AUTHORITY

REVENUE BOND COVERAGE (1)

(In Thousands)

	Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Toll revenues	\$ 83,907	\$ 81,960	\$ 79,871	\$ 53,341	\$ 56,563	\$ 58,165	\$ 61,858	\$ 57,999	\$ 56,854	\$ 54,757
Adjustment to toll revenues per Trust Indentures	(333)	480	(683)	200	127	54	(52)	153	972	93
Total revenues	<u>83,574</u>	<u>82,440</u>	<u>79,188</u>	<u>53,541</u>	<u>56,690</u>	<u>58,219</u>	<u>61,806</u>	<u>58,152</u>	<u>57,826</u>	<u>54,850</u>
Operating expenses	79,938	79,496	75,760	71,272	71,340	69,124	70,176	68,253	66,016	65,103
Adjustments to operating expenses per Trust Indentures:										
Depreciation	(32,924)	(32,227)	(31,160)	(31,406)	(31,064)	(30,127)	(29,877)	(29,779)	(28,675)	(28,265)
Renewal and replacement provided for by reserves	(2,888)	(3,280)	(2,617)	(2,963)	(2,714)	(1,366)	(2,700)	(2,098)	(3,672)	(2,577)
Economic development and tourism costs	(6,748)	(5,000)	(5,102)	(5,020)	(5,590)	(6,166)	(6,004)	(6,051)	(5,420)	(4,406)
Other	(2,335)	(3,098)	(3,747)	(975)	(789)	1,141	(117)	(67)	457	(2,272)
Total operating expenses	<u>35,043</u>	<u>35,891</u>	<u>33,134</u>	<u>30,908</u>	<u>31,183</u>	<u>32,606</u>	<u>31,478</u>	<u>30,258</u>	<u>28,706</u>	<u>27,583</u>
Net revenues available for debt service	<u>\$ 48,531</u>	<u>\$ 46,549</u>	<u>\$ 46,054</u>	<u>\$ 22,633</u>	<u>\$ 25,507</u>	<u>\$ 25,613</u>	<u>\$ 30,328</u>	<u>\$ 27,894</u>	<u>\$ 29,120</u>	<u>\$ 27,267</u>
Revenue bond coverage items:										
Total debt service	10,541	10,515	10,670	12,218	11,852	10,876	10,801	10,505	12,439	12,693
Renewal and replacement reserve requirement per recommendation of consulting engineer	11,128	8,673	8,743	10,077	9,073	4,352	4,331	4,151	3,460	2,442
Total debt service and renewal and replacement	<u>\$ 21,669</u>	<u>\$ 19,188</u>	<u>\$ 19,413</u>	<u>\$ 22,295</u>	<u>\$ 20,925</u>	<u>\$ 15,228</u>	<u>\$ 15,132</u>	<u>\$ 14,656</u>	<u>\$ 15,899</u>	<u>\$ 15,135</u>
Coverage percentages:										
Total debt service (150% required since 2002, 125% previously required) (1)	<u>460.40%</u>	<u>442.69%</u>	<u>431.62%</u>	<u>185.24%</u>	<u>215.21%</u>	<u>235.50%</u>	<u>280.79%</u>	<u>265.53%</u>	<u>234.10%</u>	<u>214.82%</u>
Total debt service and renewal and replacement per recommendation of consulting engineer (100% required)	<u>223.97%</u>	<u>242.59%</u>	<u>237.23%</u>	<u>101.52%</u>	<u>121.90%</u>	<u>168.20%</u>	<u>200.42%</u>	<u>190.32%</u>	<u>183.16%</u>	<u>180.16%</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 125% from 100% 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, 2011, 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,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Number of transactions:										
Passenger cars	27,549	27,140	27,043	26,511	26,413	26,960	26,745	27,078	27,544	26,809
Commercial vehicles	7,515	7,328	7,329	7,098	8,018	8,265	8,437	8,308	7,866	7,607
Total transactions	<u>35,064</u>	<u>34,468</u>	<u>34,372</u>	<u>33,609</u>	<u>34,431</u>	<u>35,225</u>	<u>35,182</u>	<u>35,386</u>	<u>35,410</u>	<u>34,416</u>
ETC penetration rate - transactions	<u>32.69%</u>	<u>30.16%</u>	<u>29.00%</u>	<u>26.25%</u>	<u>26.30%</u>	<u>25.22%</u>	<u>23.94%</u>	<u>20.82%</u>	<u>19.38%</u>	<u>18.60%</u>
Number of miles:										
Passenger cars	639,854	634,053	633,550	616,633	601,891	614,549	617,247	622,655	636,415	619,412
Commercial vehicles	302,644	296,473	297,710	285,689	322,683	333,378	324,117	323,246	308,119	299,535
Total miles	<u>942,498</u>	<u>930,526</u>	<u>931,260</u>	<u>902,322</u>	<u>924,574</u>	<u>947,927</u>	<u>941,364</u>	<u>945,901</u>	<u>944,534</u>	<u>918,947</u>
Total revenues:										
Passenger cars	\$ 43,280	\$ 42,066	\$ 40,685	\$ 26,584	\$ 26,381	\$ 26,908	\$ 27,856	\$ 27,165	\$ 27,388	\$ 26,616
Commercial vehicles	40,627	39,894	39,186	26,757	30,182	31,257	34,002	30,834	29,466	28,141
Total toll revenues	<u>\$ 83,907</u>	<u>\$ 81,960</u>	<u>\$ 79,871</u>	<u>\$ 53,341</u>	<u>\$ 56,563</u>	<u>\$ 58,165</u>	<u>\$ 61,858</u>	<u>\$ 57,999</u>	<u>\$ 56,854</u>	<u>\$ 54,757</u>
ETC penetration rate - revenue	<u>36.70%</u>	<u>35.60%</u>	<u>33.37%</u>	<u>35.06%</u>	<u>35.20%</u>	<u>33.38%</u>	<u>31.70%</u>	<u>23.61%</u>	<u>22.29%</u>	<u>22.29%</u>
Toll revenue per transaction:										
Passenger cars	\$ 1.57	\$ 1.55	\$ 1.50	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.04	\$ 1.00	\$ 0.99	\$ 0.99
Commercial vehicles	5.41	5.44	5.35	3.77	3.76	3.78	4.03	3.71	3.74	3.70
Toll revenue per mile:										
Passenger cars	\$ 0.068	\$ 0.066	\$ 0.064	\$ 0.043	\$ 0.044	\$ 0.044	\$ 0.045	\$ 0.044	\$ 0.043	\$ 0.043
Commercial vehicles	0.134	0.134	0.132	0.094	0.094	0.094	0.105	0.095	0.096	0.094
Miles per transaction:										
Passenger cars	23	23	23	23	23	23	23	23	23	23
Commercial vehicles	40	40	41	40	40	40	39	39	39	39

WEST VIRGINIA PARKWAYS AUTHORITY
NUMBER OF EMPLOYEES

	Year Ended June 30,										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Permanent employees											
Toll	160	162	168	161	163	164	160	162	165	172	
Maintenance	140	141	143	147	144	139	143	150	152	151	
Other	53	55	49	49	59	57	62	62	59	61	
	<u>353</u>	<u>358</u>	<u>360</u>	<u>357</u>	<u>366</u>	<u>360</u>	<u>365</u>	<u>374</u>	<u>376</u>	<u>384</u>	
Temporary	98	82	69	36	65	50	73	98	114	100	
Leased employees:											
State police	31	27	23	24	25	26	25	28	25	31	
Tamarack	146	146	139	139	135	144	150	174	156	115	

Source: West Virginia Parkways Authority

TRAFFIC ACCIDENT AND POLICING STATISTICS

	Year Ended June 30,										
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Type of accidents:											
Fatal	7	7	6	8	4	8	6	11	9	10	
Injury	TBD	297	172	183	161	218	208	195	231	200	
Property damage	TBD	384	426	406	378	506	493	533	489	540	
Total accidents	<u>TBD</u>	<u>688</u>	<u>604</u>	<u>597</u>	<u>543</u>	<u>732</u>	<u>707</u>	<u>739</u>	<u>729</u>	<u>750</u>	
Fatalities and injuries:											
Number of fatalities	7	7	6	9	4	8	6	11	9	11	
Fatality rate per 100 million miles traveled	0.8	0.8	0.6	1.0	0.4	0.8	0.6	1.2	0.9	1.2	
Number of injuries	TBD	TBD	260	266	243	323	270	315	325	292	
Policing statistics											
Arrests	10,943	11,033	6,254	5,793	5,959	8,656	9,661	11,148	13,827	14,801	
Warning tickets	20,069	16,340	17,415	23,968	24,932	26,077	20,843	2,076	3,864	5,931	
Assists to motorists	2,816	2,382	2,083	2,605	2,581	2,493	2,791	2,625	2,450	3,151	

TBD - Data Currently Unavailable

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY
POPULATION DEMOGRAPHICS

	Year Ended June 30,									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Population - WV (1)	1,852,994	1,852,994	1,808,344	1,808,344	1,808,344	1,808,344	1,808,344	1,808,344	1,808,344	1,808,344
Personal income - WV (\$ in thousands) (2)	\$ 62,178,478	\$ 60,484,487	\$ 58,631,433	\$ 57,410,905	\$ 54,555,485	\$ 54,893,647	\$ 48,138,995	\$ 46,497,446	\$ 44,905,618	\$ 43,883,797
Per capital personal income - WV (2)	\$ 33,513	\$ 32,641	\$ 32,219	\$ 31,634	\$ 30,121	\$ 28,714	\$ 26,686	\$ 25,785	\$ 24,917	\$ 24,388
Unemployment Rate - WV (3)	8.00%	9.10%	7.70%	4.20%	4.20%	4.50%	4.90%	5.30%	6.00%	5.90%

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

	Ranking	
	2011	2002
Wal-Mart Associates, Inc.	1	1
West Virginia United Health System (1)	2	2
Charleston Area Medical Center, Inc.	3	3
Kroger	4	4
American Electric Power	9	9
Consolidation Coal Company	5	
Lowes Home Centers, Inc.	7	
St. Mary's Hospital	8	
Mentor Management, Inc.	10	
Mylan Pharmaceuticals, Inc.	6	
CSX		6
Weirton Steel Corporation		5
E.I. DuPont de Nemours and Company		7
Verizon		8
Allegheny Energy Service Corporation		9

(1) Employer was formerly known as West Virginia University Hospitals, Inc.

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

** This data was compiled by the WV Department of Labor and Economic Research. Due to a confidentiality agreement between the WV Department of Labor and the individual businesses listed, the number of employees for each of these companies is not published.

WEST VIRGINIA PARKWAYS AUTHORITY

Significant Dates

June 30, 2012

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, 2012

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
July 2008	Issued \$59.1 million of Series 2008 Variable Rate Demand Revenue Refunding Bonds to advance refund for savings \$59.1 million of Series 2003 Bonds
August 2009	Adopted new toll rate schedule, the first increase in 28 years. Cash toll rates increased 60%. Discounts were given to E-ZPass users
July 2010	Renamed and reorganized as the West Virginia Parkways Authority

Source: West Virginia Parkways Authority

WEST VIRGINIA PARKWAYS AUTHORITY

Miscellaneous Data and Statistics

June 30, 2012

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, 2012

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 \$100.00 per year per mainline toll plaza, which includes the Corridor "L" Ramp Plaza, or \$5.00 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 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

