

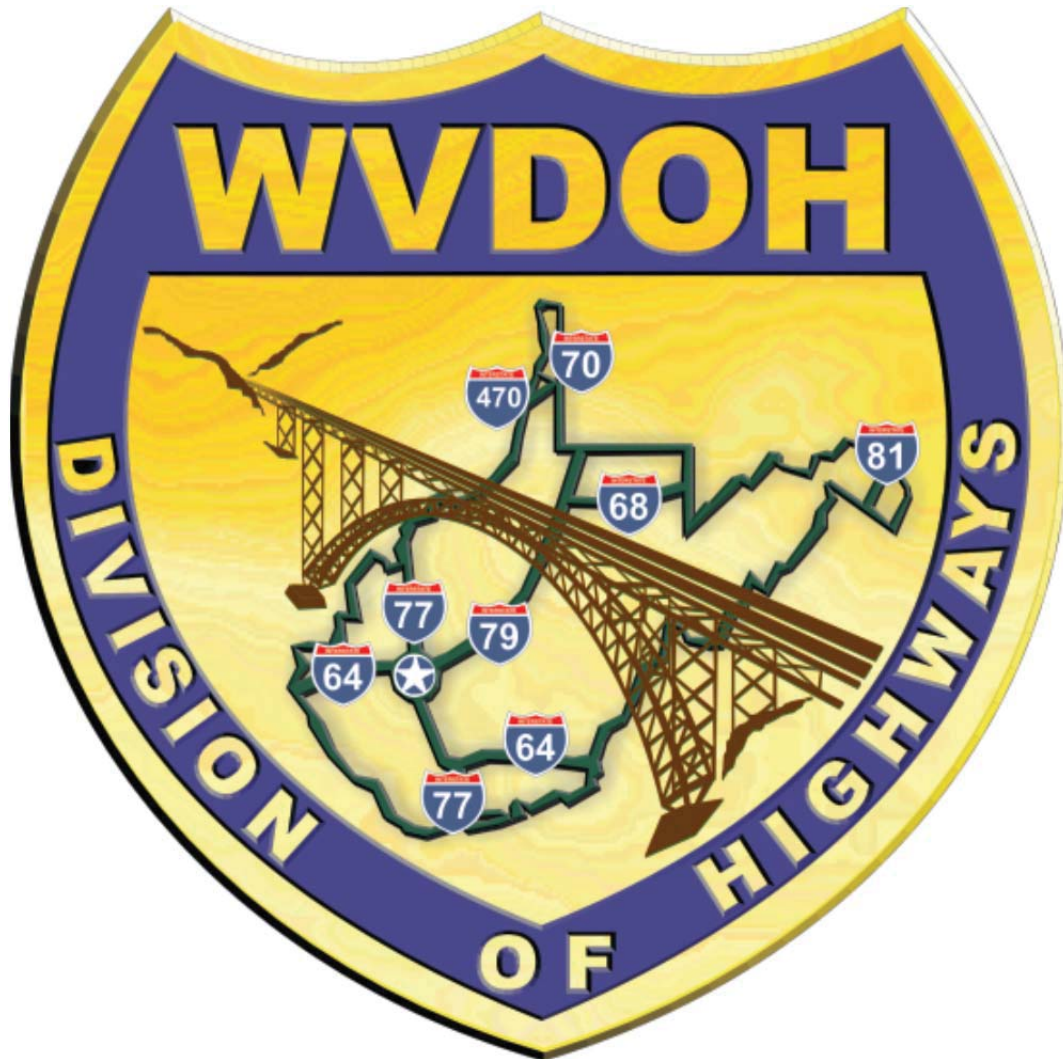


West Virginia Department of Transportation  
**Division of Highways**  
A Component Unit of  
The State of West Virginia

**Comprehensive Annual Financial Report**  
for the Year Ended  
**June 30, 2013**

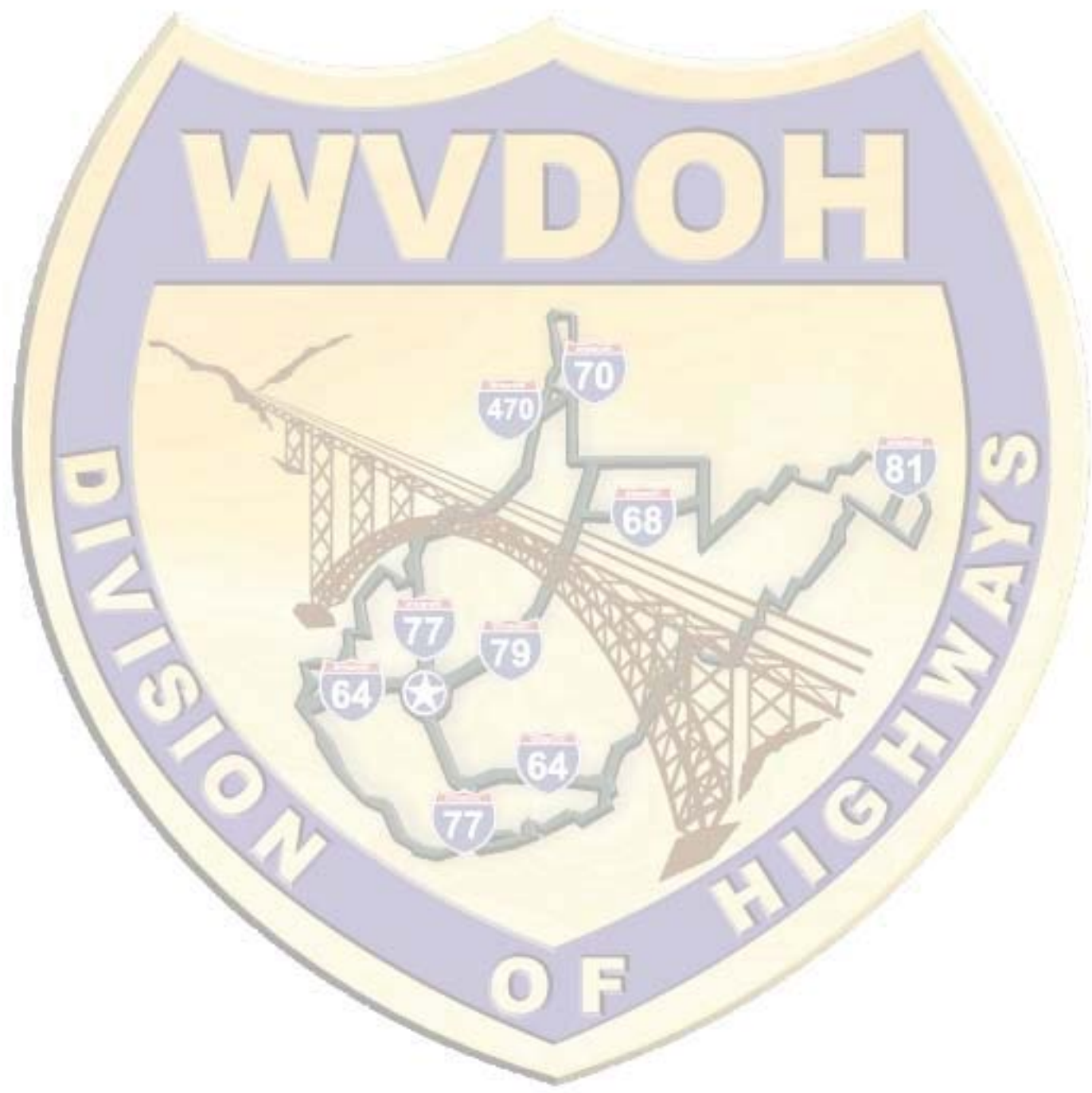


WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
**DIVISION OF HIGHWAYS**  
COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013**

Prepared by:  
Finance and Administration Division



## TABLE OF CONTENTS

	<b>PAGE</b>
<b><u>Introductory Section</u></b>	
Letter of Transmittal	2
Government Finance Officers Association Certificate of Achievement	7
Organizational Chart	8
List of Principal Officers	9
<b><u>Financial Section</u></b>	
Independent Auditor's Report	12
Management's Discussion and Analysis	15
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet - Governmental Fund	28
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	31
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund	32
Notes to the Financial Statements	33
<b><u>Statistical Section</u></b>	
Statistical Section Narrative and Table of Contents	53
Net Position by Component	54
Changes in Net Position	56
Changes in Fund Balance of Governmental Fund	58

**TABLE OF CONTENTS (Continued)**

	<b>PAGE</b>
Fund Balance, Governmental Fund	60
Tax and License Fee Revenue by Source	62
Fuel and Privilege Tax Rates	63
Ratios of Outstanding Debt by Type	64
Demographic Statistics of West Virginia	65
Principal Employers	66
Employees by Program	68
Highway Construction and Improvement, Total Projects Authorized	70
Highway Construction and Improvement, Total Projects Authorized by Type	71
Roadway Projects – System Expansion Only	72
Roadway Resurfacing Projects	73
Total Highway Mileage by Category	74

# Introductory Section

West Virginia Department of Transportation  
Division of Highways





**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION**  
**Division of Highways**

**1900 Kanawha Boulevard East • Building Five • Room 110**  
**Charleston, West Virginia 25305-0430 • (304) 558-3505**

**Earl Ray Tomblin**  
**Governor**

**Paul A. Mattox, Jr., P. E.**  
**Secretary of Transportation/  
Commissioner of Highways**

December 31, 2013

The Honorable Earl Ray Tomblin, Governor;  
The Members of the West Virginia Legislature;  
The Citizens of the State of West Virginia

We are pleased to submit the Comprehensive Annual Financial Report of the West Virginia Department of Transportation, Division of Highways (the Division) for the fiscal year ended June 30, 2013. The purpose of the report is to provide the Governor, Legislature, Citizens and other interested parties with reliable financial information about the Division.

Management assumes all responsibility for both the accuracy of the information and the completeness and fairness of presentation, including all disclosures of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Since the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. All disclosures necessary to enable the reader to gain an understanding of the Division's financial activities have been included.

State statute requires that an annual audit of the Division is performed. The accounting firm of Suttle & Stalnaker was engaged to perform the audit for the year ended June 30, 2013. Their report is included in the financial section of this report. The West Virginia Department of Transportation is included in the West Virginia Single Audit in accordance with the provisions of the Single Audit Act of 1984, including 1996 amendments, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The West Virginia Single Audit for the year ended June 30, 2013 is available upon request.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

**PROFILE OF THE GOVERNMENT**

The Division is an operating division of the state government of West Virginia (the State). The State Road Fund (the Division's general fund) is considered a special revenue fund of the State and represents separate funds of the State that are not a part of the State's General Fund. Effective July 1, 1989, the Department of Highways became the Division of Highways when the Department of Transportation was established as a result of legislation enacted by the West Virginia Legislature. It had been the Department of Highways since 1969 when the name was changed from the State Road Commission, which was established in 1917.



With roughly 39,000 miles of public highway mileage, West Virginia is one of only four states (Delaware, North Carolina and Virginia are the others) in which there is no county and/or township ownership of highways. As a result, the Division has statutory authority for the construction, improvement and maintenance of nearly all public highway miles (approximately 36,000 or 92%) in the state, the highest percentage in the nation. Furthermore, despite West Virginia's relatively small size, the Division is responsible for the sixth-largest state-maintained highway network in the nation.

## **RELEVANT FINANCIAL POLICIES**

The Division is dependent on revenues generated from the purchase and use of motor fuel, motor vehicle fees, and sales (privilege) tax on consumer purchases of motor vehicles and reimbursement from federal funding generated from motor fuel purchases. Revenues are affected by state and national economic conditions, world events affecting availability and pricing of motor fuel, and fuel consumption rates for motor vehicles.

The Division's expenditures are subject to the legislative budget process of the State of West Virginia. The budget is legally enacted through passage of a legislative bill and approval of the Governor. The Division's internal accounting system is used to accumulate and segregate expenditures and compare them against legislative appropriations. A computerized accounting system with daily input of expenditures from all of the Division's facilities throughout the state is used to provide management with current information. This expenditure data, in conjunction with actual revenue collection data, is used by the Division's management to track current cash status and to forecast future cash requirements. These forecasts are used to adjust planned expenditures to a level appropriate to the forecasted cash availability.

Short-term goals and policies for the Division reside in the 2013-2018 Statewide Transportation Improvement Program (STIP). The STIP is organized so that all projects that are programmed fall within one of seven core programs. The goal is to better manage assets to meet the Program's needs and less emphasis on the type of funding used. The STIP includes a wide variety of projects including roadway, bridge, bicycle, pedestrian, safety and public transportation (transit) projects. Projects are subject to many considerations and actions from conception to completion that may impede or accelerate their progress. These considerations may include policy decisions; changes in design requirements; conflicts with other scheduled activities; unforeseen circumstances such as funding reductions; shortage of manpower; and inflation of project costs. Project cost estimates are based on the best available engineering estimates at the time the STIP is developed. When a project is adversely affected by any of the above mentioned factors, the projected fiscal year dates and/or costs will be adjusted accordingly.

Long-term goals and policies for the Division currently reside in the Multi-Modal Statewide Transportation Plan for 2010 – 2034, which discusses in broad terms the long-range goals and objectives. This plan not only meets new federal requirements, but also makes the plan more project specific by incorporating a tool for calculating a preliminary benefit/cost ratio on larger projects. This tool, in conjunction with other data, can be used to help prioritize larger projects which must compete for scarce resources. It also allows both existing unfunded projects and future proposals to be monitored and adjusted to meet the needs of the citizens of West Virginia.

## **ECONOMIC CONDITIONS AND OUTLOOK**

According to the *West Virginia Economic Outlook 2014*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, "West Virginia's economy continues to improve, and the pace of improvement has exceeded that of the United States by several measures recently. We expect the economic recovery in West Virginia to continue, although at a somewhat slower rate that will likely fall short of the national pace on several key dimensions in the near-term.

Employment in the state has increased by approximately 3,000 jobs (0.4 percent) over the past year and overall level of employment in the state is down only slightly from the all-time high observed earlier this year. The natural resources and mining sector has been the largest contributor to statewide net job growth over the past few years. Other areas of job growth are in retailing, construction, leisure and hospitality, education and health services. West Virginia's unemployment rate is at its lowest level since early-2009, and the rate is significantly below the national average. Per capita personal income in

West Virginia has grown rapidly over the past five years, reaching \$34,477 in 2012. Overall, the state's real gross domestic product (GDP) expanded 3.3 percent during 2012, noticeably above the national rate. Exports have grown dramatically in terms of their importance to the West Virginia economy.

Employment in West Virginia is estimated to increase 1 percent per year through 2018. Construction sector employment is expected to increase at an annual rate of 2.3 percent over the next 5 years. The service-producing side of the economy is expected to experience the strongest rate of job growth during the outlook period. The state's unemployment is expected to continue to fall during the period, reaching a low of 4.5 percent by the end of 2018. Per capita personal income is expected to grow at an annual average rate of 2.3 percent over the next five years.

Job growth in natural resources and mining is expected to drop off considerably from the pace of gains observed in recent years, diminishing to a 0.3 percent annual growth rate. The state's population is expected to decline at an annual rate of 0.1 percent over the next five years, driven by a continued slowdown in net in-migration and death rates that outnumber birth rates. West Virginia's population is expected to grow increasingly older, at a rate that surpasses the national trend. Challenges exist that could threaten the expected growth for the U.S. and West Virginia economies. These include a potential slowdown in the economies of major U.S. trading partners that could threaten exports; a high level of U.S. federal government debt; the potential for inflation to destabilize the economy as bank lending and broader economy improve; and the coming rise in interest rates.

### LONG-TERM FINANCIAL PLANNING

The schedule that follows presents summary revenue and expenditure information for the State Road (General) Fund for the year ended June 30, 2013. All data is presented in thousands of dollars.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Change from Prior Year</u>	
			<u>Amount</u>	<u>Percent</u>
Motor Fuel Excise Tax	\$ 417,571	34%	\$ 9,000	2%
Automobile privilege taxes	188,197	15%	1,897	1%
Motor vehicle registration and licenses	90,062	7%	321	0%
Special fees and permits	7,676	1%	(704)	(8)%
Federal aid	462,329	38%	(35,485)	(7)%
Investments and interest income	87	1%	(122)	(58)%
Intergovernmental	11,340	1%	(16,738)	(60)%
Miscellaneous	39,351	3%	1,656	4%
Total revenues	<u>\$1,216,613</u>	<u>100%</u>	<u>\$ (40,175)</u>	<u>(3)%</u>
Road construction and other road operations	\$ 598,590	50%	\$ (48,349)	(7)%
Road maintenance	425,952	35%	(62,483)	(13)%
Support and administrative operations	116,790	10%	(33,605)	(22)%
Debt Service	65,953	5%	(11,418)	(15)%
Total Expenditures	<u>\$1,207,285</u>	<u>100%</u>	<u>\$(155,855)</u>	<u>(11)%</u>

Overall, State tax and fee revenues in Fiscal Year 2013 increased by 3% over Fiscal Year 2012. State Road Fund revenues and fees are forecast to remain stagnant through Fiscal Year 2019. Federal Aid revenues dropped by 7% primarily due to lower funding being available at the Federal level. Investments and interest income also dropped sharply due to a decreasing cash balance in the State Road Fund and historically low interest rates. Without new revenue sources, or increased motor fuel taxes and DMV fees, the State Road Fund cannot sustain the current level of funding without reducing the agency's level of service to the citizens of West Virginia and the traveling public.

Road maintenance expenditures decreased due to less state dollars being available for renovation projects focused on pavement preservation and rehabilitation. On a high note, road maintenance repairs appear to have a longer useful life reducing the need to continually repair the same areas.

At June 30, 2013 the outstanding principal balance of long-term general obligation bonds was \$245,365,000. These bonds were issued between 1998 and 2010 including \$550,000,000 issued under the Safe Road Amendment of 1996, and are scheduled to be retired through June 1, 2025. Total debt service payments will remain around \$36.8 million annually for fiscal years 2014-2016.

At June 30, 2013 the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was \$77,000,000. The notes were issued in 2006, 2007 and 2009 as a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. Under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year.

## **MAJOR INITIATIVES**

During the fiscal year, the Division was able to continue work on several of its major initiatives around the State. Construction was completed on both the Charlestown Bypass and Shenandoah River Bridge portions of WV 9 in the eastern panhandle. Also, work on the long standing priority of Corridor H included the completion of another 9.35 mile segment in Grant County. In addition to the improvements on WV 9 and Corridor H, a section of the upgrade of WV 10 in Logan County (Midway Plaza to South of Madison) and a section of the King Coal Highway (US 52) in Mingo County (Hampden to CO 10) have been graded and are awaiting paving. The Division continues to advance major initiatives throughout the State as funding permits.

In conjunction with improvement of the road system through construction and upgrading, the Division has emphasized roadway and bridge preservation and renovation. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State. Consequently, the State's road system includes 7,024 vehicular bridges, of which approximately one third are either functionally or structurally obsolete. The Division's bridge program, enhanced by a state-funded program that started in 1988 for small bridges, has been relatively successful in correcting these problems. Since July 1, 1989 some 4,473 bridges have been repaired or replaced at a cost of more than \$3.1 billion. During the fiscal year several major structures around the State were completed, including: the Keyser-McCoole Bridge, the Ices Ferry Bridge, the Mount Gay Overpass and the Oxbow Bridge. Other accomplishments during the fiscal year ended June 30, 2013 include the resurfacing of approximately 1,132 miles of roadway at a cost of \$183 million.

During the fiscal year ended June 30, 2013, the Division continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately \$15.6 million in new replacement units. The Division is continuing to give priority to replacing equipment involved in its core maintenance functions.

West Virginia emphasizes the safety of its Citizens by promoting seat belt use. The Division further emphasizes safety through its railroad grade crossing, high hazard location, and guardrail installation programs. The Division also adheres to national standards for traffic control in road construction and road maintenance work areas to maximize safety for motorists and its employees.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the past twenty-one consecutive fiscal years (1992-2012). The Certificate of Achievement is a prestigious international award recognizing conformance with the highest standards for preparation of state and local government financial reports. The Division was the second West Virginia state agency to be awarded the GFOA Certificate and is one of only eight State of West Virginia agencies to receive the Certificate for the year ended June 30, 2012.

In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial report (CAFR), whose contents conform to program standards. The CAFR must satisfy accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Division believes its FY2013 comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and the Division is submitting it to the GFOA for review under this program.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the personnel of the Transportation Finance & Administration and Transportation Budget Divisions. I express my sincere appreciation for the contributions made by these individuals in the preparation of this report, particularly the Financial Reporting Section of the Finance & Administration Division, which has administrative responsibility for this function.

Sincerely,

A handwritten signature in blue ink, appearing to read "Keith E. Chapman".

Keith E. Chapman  
Chief Financial Officer/Business Manager  
West Virginia Division of Highways



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

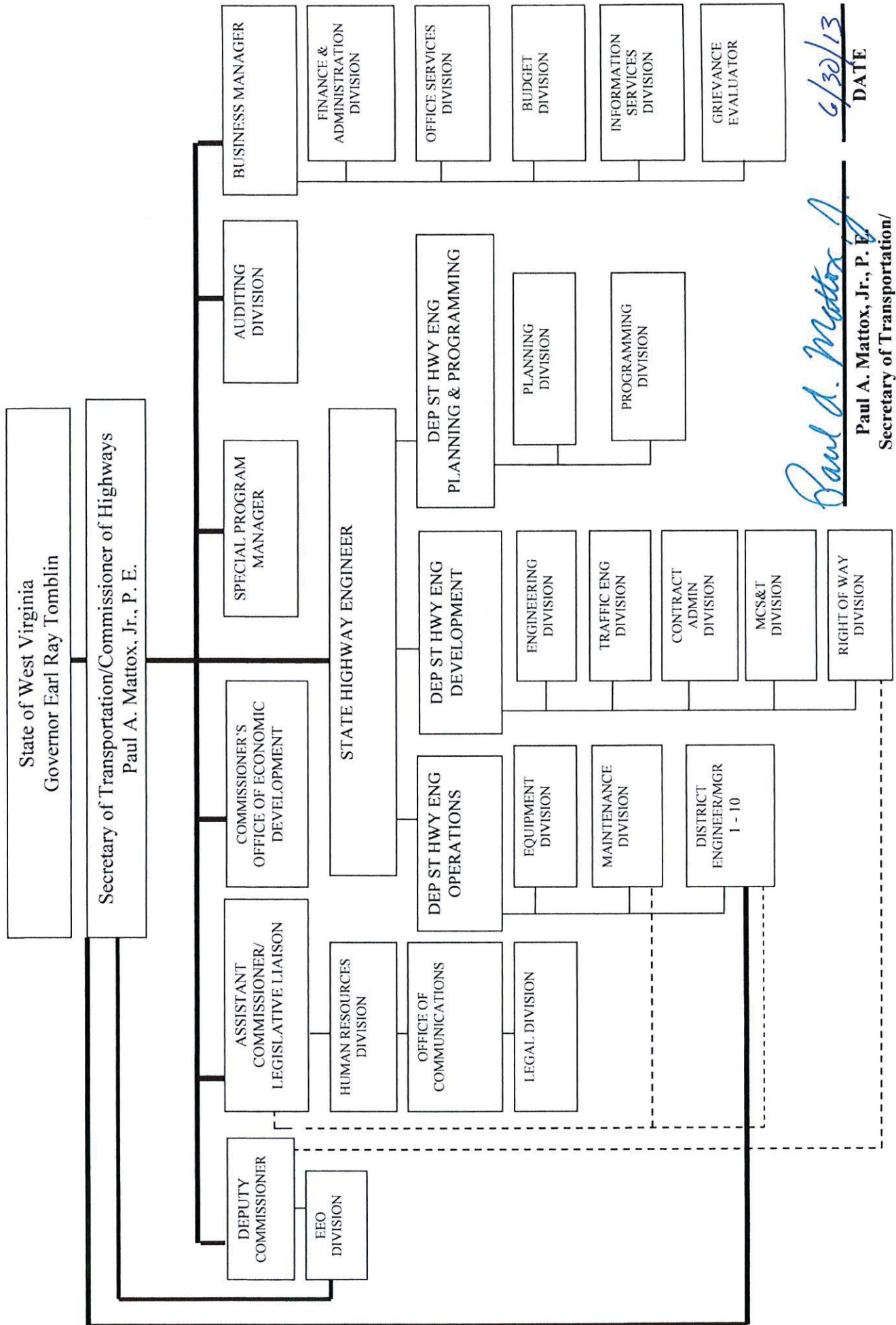
**West Virginia  
Division of Highways**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# WEST VIRGINIA DIVISION OF HIGHWAYS ORGANIZATIONAL CHART



*Paul A. Mattox, Jr.*

**Paul A. Mattox, Jr., P. E.**  
Secretary of Transportation/  
Commissioner of Highways

*6/30/13*

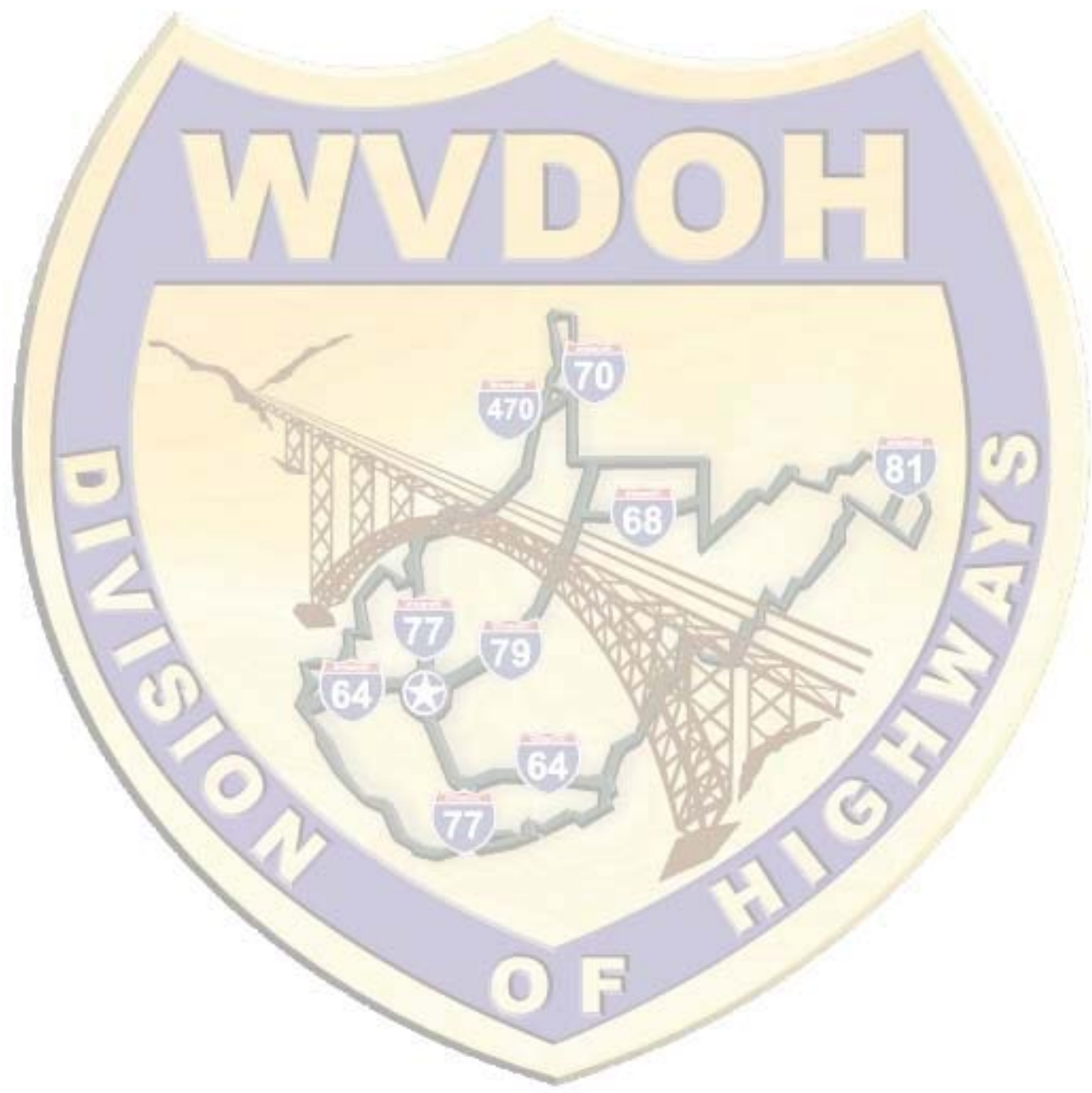
DATE

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 LIST OF PRINCIPAL OFFICIALS  
 June 30, 2013

Paul A. Mattox, Jr.	Secretary of Transportation
Paul A. Mattox, Jr.	Commissioner of Highways
Howard Mullens	Deputy Secretary DOT/Assistant Commissioner DOH
Harry Bergstrom	Deputy Secretary DOT/Deputy Commissioner DOH
Darrell Allen	Assistant Secretary DOT/State Highway Engineer DOH
Keith Chapman	Assistant Secretary for Finance DOT/Business Manager DOH
Todd Rumbaugh	Deputy State Highway Engineer-Construction and Development (Acting)
Ronald Smith	Deputy State Highway Engineer-Operations
Greg Bailey	Deputy State Highway Engineer-Planning and Programming
Marvin Murphy	Assistant Deputy Secretary
David Cramer	Commissioner's Office of Economic Development
Rob Pennington	Highway Engineer Chief
Jimmy Wriston	Special Program Manager
Kathy Holtsclaw	Legislative Services
Chuck Runyon	Executive Assistant to the Commissioner
Randy Wade	Director, Auditing Division
Eric Crawford	Director, Budget Division
Brent Walker	Director, Communications
Todd Rumbaugh	Director, Contract Administration Division
David Bodnar	Director, Engineering Division (Acting)
Drema Smith	Director, Equal Employment Oportunity Division
Bob Andrew	Director, Equipment Division
Jim Hash	Director, Finance and Administration Division
John McBrayer	Director, Human Resources Division (Acting)
Kim Asseff	Director, Information Services Division
Anthony Halkias	Director, Legal Division
Kyle Stollings	Director, Maintenance Division
Aaron Gillespie	Director, Materials Control Soil & Testing Division
Ameche Watson	Director, Office Services Division (Acting)
Vacant	Director, Program Planning & Administration Division
David Neil	Director, Right of Way Division
Cindy Cramer	Director, Traffic Engineering Division
Kristi Goodman	Correspondence & Central Files
Laura Conley-Rinehart	Staff Engineer
Wilson Braley	Regional Operations Engineer
Eugene Tuckwiller	Regional Operations Engineer
Gary Clayton	Regional Operations Engineer

DISTRICT ENGINEERS/MANAGERS

District 1	Raymond Scites (Acting)	Charleston
District 2	Scott Eplin	Huntington
District 3	James Roten	Parkersburg
District 4	Greg Phillips	Clarksburg
District 5	Lee Thorne	Burlington
District 6	Daniel Sikora (Acting)	Moundsville
District 7	Ron Hooton	Weston
District 8	Michael Moran	Elkins
District 9	Steve Cole	Lewisburg
District 10	Tom Camden	Princeton





# Financial Section

West Virginia Department of Transportation  
Division of Highways



## INDEPENDENT AUDITOR'S REPORT

To the Secretary  
West Virginia Department of Transportation  
Charleston, West Virginia

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

We have audited the accompanying financial statements of the governmental activities and each major fund of West Virginia Department of Transportation, Division of Highways (the Division), a component unit of the State of West Virginia and the State of West Virginia Department of Transportation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Division as of June 30, 2013 and the respective changes in financial position and, when applicable, budgetary comparison information for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, in fiscal year 2013, the Division adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 66, *Technical Corrections -2012- an amendment of GASB Statement No. 10 and No. 62*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

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

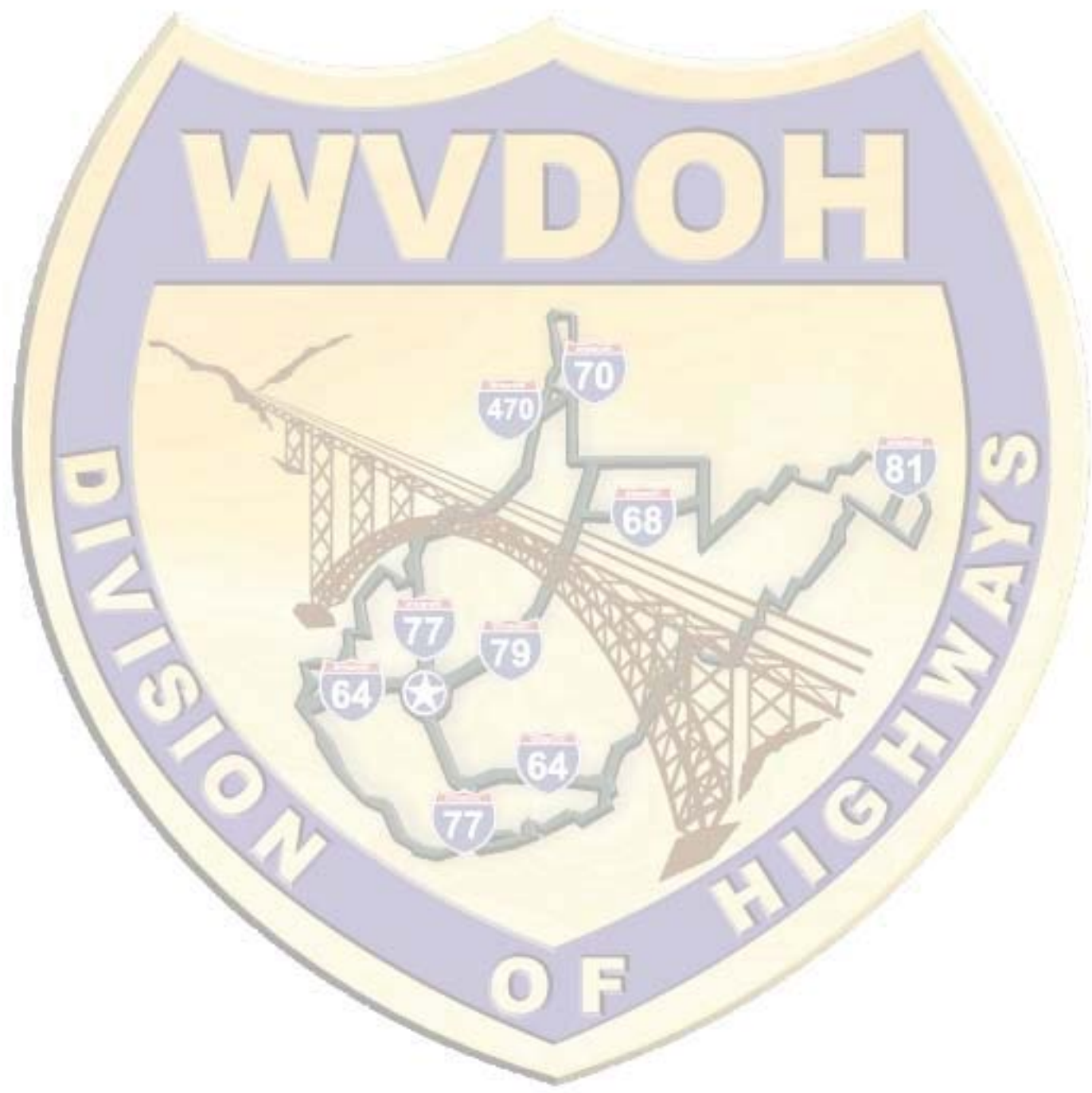
### ***Other Information***

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

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



Charleston, West Virginia  
November 18, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2013. This section introduces the basic financial statements and provides an analytical overview of the Division's financial activities. Please read it in conjunction with the Division's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT**

Net Position - The net position of the Division was \$7.88 billion at the close of fiscal year 2013.

Changes in Net Position - During the year the Divisions' net position increased by \$181 million or 2.35%. This percentage is an increase from the prior year, when net position decreased \$49 million or .63%.

Revenues and Expenses - Total revenues decreased by \$41 million or 3.28% Total expenses decreased \$271 million or 20.73%. There were no significant changes in the programs carried out by the Division during the year.

Governmental Funds - Fund Balances - As of the close of fiscal year 2013, the Division's governmental funds reported combined total fund equity of \$50 million, an increase of \$10 million in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, decreased by \$25 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, decreased by \$23 million decreasing total long term debt by 13.10% during the current fiscal year.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the Division's basic financial statements. The Division's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements.

**Government-wide Statements**

Government-wide financial statements provide both long-term and short-term information about the Division's financial condition. Changes in the Division's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the Division's net position changed during the fiscal year is presented in the Statement of Activities.

**Fund Financial Statements**

The fund financial statements focus on the individual parts of the Division, reporting the Division's operations in more detail than the government-wide financial statements. Fund financial statements can include the statements for governmental, proprietary, and fiduciary funds. The Division has only one governmental financial reporting fund.

**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)

**CONDENSED FINANCIAL INFORMATION**

**Condensed Statement of Net Position**

The following condensed financial information was derived from the government-wide statement of net position and summarizes the Division's net position as of June 30, 2013 and 2012 (amounts in thousands).

The largest component of the Division's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure and others) less any related debt outstanding (excluding debt proceeds that have yet to be expended for infrastructure construction) that was needed to acquire or construct the assets. The Division uses these capital assets to provide services to the citizens and businesses in the State; consequently, these resources are not available for future spending. The remaining portion is classified as either restricted or unrestricted net position. The unrestricted net position may be used at the Division's discretion. The restricted net position has constraints as to how these funds may be used. Enabling legislation directs the use of these funds.

**Statement of Net Position  
 June 30**

	2013	2012	% Change
Assets and deferred outflows			
Total current assets	\$ 296,053	\$ 271,231	9.15%
Capital assets	8,217,318	8,109,900	1.32%
Other non-current assets	458	2,050	-77.66%
Total assets and deferred outflows	8,513,829	8,383,181	1.56%
Liabilities, deferred inflows and net position			
Total current liabilities	312,780	300,105	4.22%
Long term liabilities	315,065	378,118	-16.68%
Total liabilities and deferred inflows	627,845	678,223	-7.43%
Net position			
Invested in capital assets	7,871,718	7,712,955	2.06%
Restricted	11,077	17,350	-36.16%
Unrestricted	3,189	(25,347)	-112.58%
Total net position	7,885,984	7,704,958	2.35%
Total liabilities, deferred inflows and net position	\$ 8,513,829	\$ 8,383,181	1.56%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

**Condensed Statement of Activities**

The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net position changed during the fiscal year (amounts in thousands):

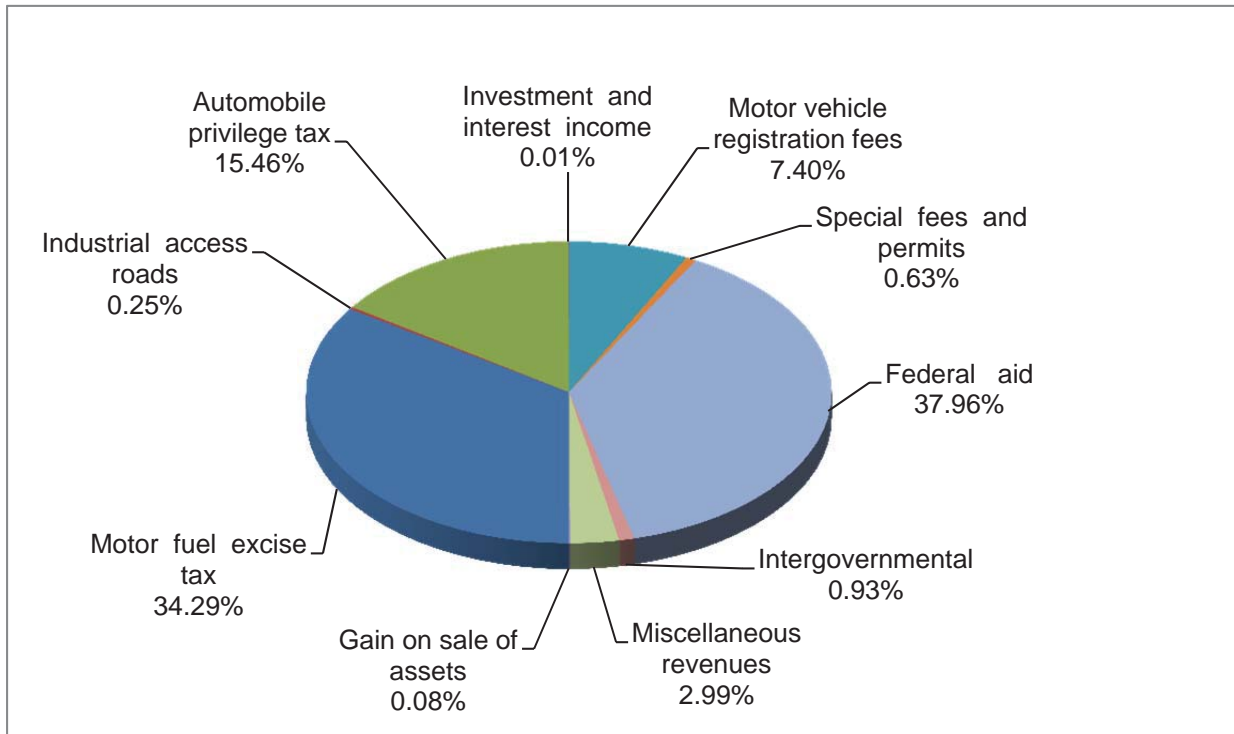
Statement of Activities Year Ended June 30,			
	2013	2012	% Change
<b>Revenues</b>			
Taxes	\$ 605,768	\$ 594,871	1.83%
Investment and interest income	87	209	-58.37%
Intergovernmental	11,340	28,078	-59.61%
Miscellaneous revenues	36,351	34,695	4.77%
Gain on sale of assets	985	2,149	-54.16%
Total general revenues	654,531	660,002	-0.83%
Capital grants and contributions	465,329	500,814	-7.09%
Charges for services	97,738	98,121	-0.39%
Total program revenues	563,067	598,935	-5.99%
Total revenues	1,217,598	1,258,937	-3.28%
<b>Expenses</b>			
Road maintenance	438,367	491,044	-10.73%
Other road operations	503,220	672,251	-25.14%
General and administration	74,821	123,397	-39.37%
Interest on long-term debt	15,728	17,136	-8.22%
Unallocated depreciation	4,436	3,751	18.26%
Total expenses	1,036,572	1,307,579	-20.73%
Change in net position	181,026	(48,642)	-472.16%
Net position, beginning	7,704,958	7,753,600	-0.63%
Net position, ending	\$7,885,984	\$7,704,958	2.35%

Over time, increases and decreases in net position measure whether the Division's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$181 million or 2.35%.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

The following chart depicts the revenues of the Division for the fiscal year.



Total revenues decreased by approximately \$41 million. Total tax revenues increased by approximately \$11 million. Federal aid revenue decreased by approximately \$36 million or 7.13%. The following summarizes revenues for the years ended June 30, 2013 and June 30, 2012 (amounts in thousands):

	2013	2012	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise tax	\$ 417,571	\$ 408,571	\$ 9,000	2.20%
Industrial access roads	3,000	3,000	-	0.00%
Automobile privilege tax	188,197	186,300	1,897	1.02%
Motor vehicle registration fees	90,062	89,741	321	0.36%
Special fees and permits	7,676	8,380	(704)	-8.40%
Federal aid	462,329	497,814	(35,485)	-7.13%
Investment and interest income	87	209	(122)	-58.37%
Intergovernmental	11,340	28,078	(16,738)	-59.61%
Miscellaneous revenues	36,351	34,695	1,656	4.77%
Gain on sale of assets	985	2,149	(1,164)	-54.16%
	<u>\$ 1,217,598</u>	<u>\$ 1,258,937</u>	<u>\$ (41,339)</u>	-3.28%

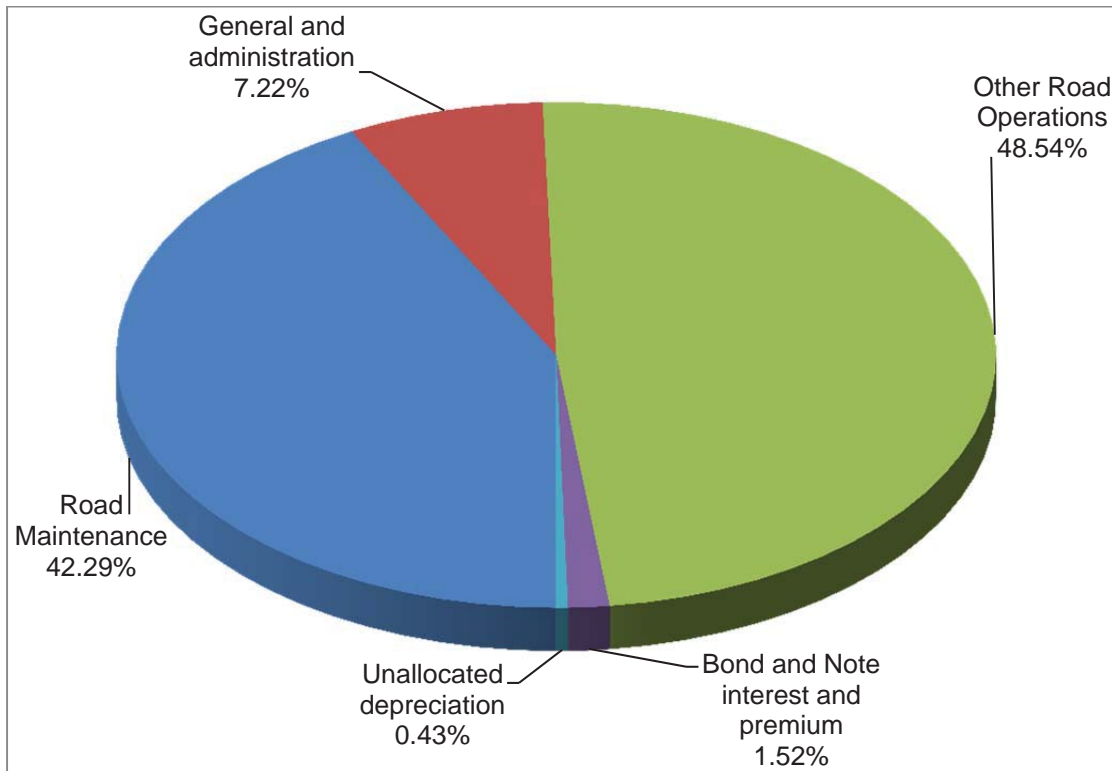
WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

The Division's primary sources of revenue for funding of ongoing administration of the Division, general maintenance and construction of the state road system and for providing resources to match available Federal funds are derived from fuel taxes, automobile privilege taxes, motor vehicle registration and license fees, net of costs incurred by the Division of Motor Vehicles in collecting funds for deposit into the State Road Fund

FY 2013 tax collections reported on a cash basis grew by \$22.7 million (3.41%) over FY 2012 tax collections. Motor fuel tax collections were \$1.0 million (0.26%) above estimates and \$21.8 million (5.65%) higher than FY 2012 collections. Privilege tax collections were \$13.4 million (7.71%) above estimates and \$1.1 million (0.61%) above FY 2012 collections. Registration fee collections were \$2.5 million (2.73%) above estimates and \$431 thousand (0.48%) below FY 2012 collections. In FY 2014, motor fuel tax, privilege tax collections and registration fee collections are all projected to be stagnant. As a result, many programs that are operated by the Division will experience little, if any, real growth in the foreseeable future, and it is possible that some programs will be reduced.

The Division also relies on federal funds as a source of revenue. The federal aid is obtained in the form of reimbursable grants. Federal transportation legislation and special spending authorizations provide funds that are available for obligation by the Federal Government in specific years, and the Division expects to continue to fully obligate available funds, thus ensuring that it captures all federal dollars. Revenue under these grants is recognized when expenditures occur on specific projects that have qualified for federal participation. Federal funds received during 2013 were authorized under the Highway Transit Bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU); and the American Recovery and Reinvestment Act of 2009 (ARRA); and the Moving Ahead for Progress in the 21st Century Act (MAP-21).

The following chart depicts expenses of the Division for the fiscal year.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)

Total expenses decreased by approximately \$271 million or 20.73%. The following summarizes expenditures for the years ended June 30, 2013 and June 30, 2012 (amounts in thousands):

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Road maintenance	\$ 438,367	\$ 491,044	\$ (52,677)	-10.73%
Other road operations	503,220	672,251	(169,031)	-25.14%
General and administration	74,821	123,397	(48,576)	-39.37%
Interest on long-term debt	15,728	17,136	(1,408)	-8.22%
Unallocated depreciation	4,436	3,751	685	18.26%
	<u>\$ 1,036,572</u>	<u>\$ 1,307,579</u>	<u>\$ (271,007)</u>	-20.73%

The maintenance expenses of the Division are comprised primarily of routine maintenance, small bridge repair, and contract paving.

Operating units are allocated yearly amounts for routine maintenance. The type of routine maintenance expenses incurred is dependent, to a degree, on the level of snow removal and ice control (SRIC) that is required in a given year. In FY 2013, the agency continued its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, and patching maintenance activities. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

Other road operations expenditures reported in the Government-Wide Financial Statements include the total expended for all other road operations and small construction activities that fail to meet the criteria established for capitalization as infrastructure assets. A discussion of the change in actual funds expended is included in the financial analysis of the Division's Fund Financial Statements below.

**FINANCIAL ANALYSIS OF THE DIVISION'S MAJOR FUND**

At June 30, 2013, the Division reported fund balances of approximately \$50 million. Of this total amount \$(4) million constitutes unassigned fund balance while \$11 million is restricted for various purposes. The remainder of fund balance is nonspendable and is not available for spending because it is comprised of inventories.

**State Road Fund**

The State Road Fund is the Division's General Fund. At the end of the 2013 fiscal year, unassigned fund balance of the General Fund was \$(4) million and nonspendable fund balance was \$43 million while the restricted fund balance was \$11 million. The total General Fund balance increased \$10 million during the fiscal year primarily due to decreased expenditures for road construction, maintenance and rehabilitation projects.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 (Unaudited)

**State Road (General) Fund and Budgetary Highlights**

The Division is dependent on revenues generated from the purchase and use of motor fuel, motor vehicle fees, privilege tax on consumer purchases of motor vehicles, and federal funding generated from motor fuel purchases. Revenues are affected by state and national economic conditions, world events affecting availability and pricing of motor fuel, and fuel consumption rates for motor vehicles. As fuel consumption is forecast to decrease each year through FY 2019, it is expected to have a significant impact on revenue collections unless there is a corresponding change to the tax rates or structure. Neither Privilege tax collections nor registration fee collections are forecast to increase significantly through FY 2019. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Motor fuel excise and wholesale fuel	\$ 417,571	\$ 408,571	\$ 9,000	2.20%
Motor vehicle registration	90,062	89,741	321	0.36%
Privilege tax	188,197	186,300	1,897	1.02%
	<u>\$ 695,830</u>	<u>\$ 684,612</u>	<u>\$ 11,218</u>	1.64%

The gasoline and special fuels excise tax was repealed by HB 218 passed during the 2008 Second Legislative Special Session, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate that is calculated yearly. The variable rate changed on January 1, 2013, when the rate rose from 12.9 cents to 14.2 cents per invoiced gallon.

The Division's federal revenue, on a cash (budgetary) basis for fiscal year 2013 was \$433.4 million, used primarily for design, right-of-way and construction of Corridor H, WV 9, and other major corridors including King Coal Highway, WV 10 and all other federal highways. As previously discussed the recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures are dependent on variables such as the weather, the existence of differing site conditions that require plan modification, or delays caused by environmental issues or the results of public meetings, expenditures often do not occur as planned. Federal revenue recognized in the Statement of Activities in each of the last two years is summarized below (amounts in thousands):

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Federal reimbursement-Budgeted funds	\$ 422,913	\$ 467,532	\$ (44,619)	-9.54%
Federal reimbursement-Surface Transportation	27,549	27,591	(42)	-0.15%
Federal reimbursement-Emergency funds	11,867	2,691	9,176	340.99%
	<u>\$ 462,329</u>	<u>\$ 497,814</u>	<u>\$ (35,485)</u>	-7.13%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

It is anticipated that state revenues will basically remain unchanged in FY 2014. The Division's revenues are not projected to keep pace with increases in operating costs, and Management has taken steps to maintain a fiscally sound fund equity balance. The approved FY 2014 budget, exclusive of ARRA projects, which are 100% federally reimbursed is \$1.15 billion. If revenues are significantly less than estimated, Management is confident that adequate discretionary expenditure items can be reduced to permit the Division to continue to operate in a fiscally sound manner.

The Division is currently operating under a twenty-seven month federal highway funding authorization designated as Moving Ahead for Progress in the 21st Century Act (MAP-21). The effective date for most highway provisions in MAP-21, both funding and changes to policy, is October 1, 2013. West Virginia's FFY 2013 apportionment will be \$423.3 million, and its FFY 2014 apportionment will be \$426.9 million.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2013 the Division had invested \$8.2 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled \$326 million.

As the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. While these are significant construction projects, the additions are offset by \$300 million in depreciation of the infrastructure. The Division expended \$435 million dollars during the year ended June 30, 2013 for additions to capital assets. Of this amount, \$409 million was related to the acquisition of right of way and construction of roads and bridges. Construction costs for completed projects in the amount of \$366 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to Corridor H in Hardy and Grant Counties, the replacement of the Dick Henderson Memorial Bridge in Kanawha County, deck reconstruction of the existing Interstate 64 Dunbar/South Charleston Bridge in Kanawha County, upgrades to the Eugene A. Carter Memorial Bridge and the junction area of Interstate 64/Interstate 77 in Kanawha County, completion of the WV Route 9 Shenandoah River Bridge in Jefferson County, upgrade of the Guyandotte River Bridge on WV Route 10 in Logan County, construction of the Hinton to South Richmond section of the New River Parkway in Raleigh County, and continued environmental studies on various projects in process.

### **Long-term Debt**

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. All bonds authorized under prior constitutional amendments have been issued. At June 30, 2013, the Division had \$245 million in outstanding bonds. The amount outstanding decreased by million \$25 (9.32%) due to net principal payments.

The Division has also been authorized to issue revenue notes in the amount of \$200 million by constitutional amendment. The Division issued revenue notes in the amount of \$76 million in October 2006, \$33 million in April 2007, and \$77 million during fiscal year 2010. These notes are revenue notes and the debt service payments will be funded through federal aid revenue. At June 30, 2013, the Division had \$77 million in outstanding revenue notes. The amount decreased by \$23 million (23.28%) due to net principal payments.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

The following is a summary of the amounts outstanding, including insured status and bond and note ratings:

Issue	Status of insurance	Bond Rating	Amount (in thousands)
Safe Roads 05A - Bonds maturing on or before June 1, 2025	Insured by FSA	Fitch: AA+ Moody's: Aa1 S&P: AA	\$ 210,230
Safe Roads 10A - Bonds maturing on or before June 1, 2023.	Insured by FSA	Fitch: AA+ Moody's: Aa1 S&P: AA	35,135
Surface Transportation Improvements Special Obligation Notes (GARVEE 2006A) – Notes maturing on or before June 1, 2016	Not Insured - notes maturing Sept. 1, 2008 Insured by FSA – notes maturing after Sept. 1, 2008	Moody's: Aa2 S&P: AA	28,810
Surface Transportation Improvements Special Obligation Notes (GARVEE 2007A) – Notes Maturing on or before June 1, 2016	Not Insured - notes maturing Sept. 1, 2008 Insured by FSA – notes maturing after Sept. 1, 2008	Moody's: Aa2 S&P: AA	12,480
Surface Transportation Improvements Special Obligation Notes (GARVEE 2009A) – Notes Maturing on or before June 1, 2016	Insured by FSA	Moody's: Aa2 S&P: AA	35,710
			<u>\$ 322,365</u>

More detailed information regarding capital asset and long-term debt activity is included in the notes 7 and 9, respectively to the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview of the finances of the Division for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Virginia Department of Transportation, Division of Highways at 1900 Kanawha Boulevard, East, Building 5, Room 220, Charleston, West Virginia 25305.

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
STATEMENT OF NET POSITION  
June 30, 2013  
(amounts expressed in thousands)

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 99,288
Accounts receivable, net	67,378
Taxes receivable	80,940
Due from other State of West Virginia agencies	5,497
Inventories	42,950
Total current assets	296,053
Non-current assets	
Capital assets not being depreciated	
Land - non-infrastructure	21,543
Land - infrastructure	1,039,165
Construction in progress	783,128
Capital assets net of accumulated depreciation	
Land improvements	8,591
Buildings	93,901
Furniture and fixtures	1,115
Rolling stock	64,660
Scientific equipment	280
Shop equipment	74
Roads	3,938,068
Bridges	2,266,793
Total capital assets	8,217,318
Other non-current assets	458
Total non-current assets	8,217,776
Deferred outflows	
Total deferred outflows	-
Total assets and deferred outflows	8,513,829
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	93,451
Retainages payable	3,297
Accrued payroll and related liabilities	12,672
Other Post Employment Benefits Liability	132,775
Due to other State of West Virginia agencies	3,754
Accrued interest payable	2,203
Current maturities of long term obligations	64,628
Total current liabilities	312,780
Non-current liabilities	
Claims and judgments	17,500
Compensated absences	4,020
Bonds and notes	293,545
Total non-current liabilities	315,065
Deferred inflows	
Total deferred inflows	-
Total liabilities and deferred inflows	627,845
<b>NET POSITION</b>	
Invested in capital assets	7,871,718
Restricted	
Coal Resource	6,283
Waste Tire	2,605
Industrial Access	2,189
Unrestricted	3,189
Total net position	\$ 7,885,984

The Accompanying Notes Are An Integral Part Of These Financial Statements



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	
Government activities				
Road maintenance				
Expressway, trunkline & feeder & SLS	\$ 337,436	\$ -	\$ -	\$ (337,436)
Contract paving & secondary roads	57,386	-	-	(57,386)
Small bridge repair & replacement	20,628	-	-	(20,628)
Litter control program	1,880	-	-	(1,880)
Depreciation	21,037	-	-	(21,037)
Other road operations				
Interstate highways	26,404	-	90,213	63,809
Appalachian highways	714	-	49,451	48,737
Other federal aid programs	159,235	-	322,665	163,430
Non federal aid improvements	14,021	-	-	(14,021)
Industrial access roads	2,651	-	3,000	349
Depreciation	300,195	-	-	(300,195)
General and administration				
Support and administrative operations	34,179	7,676	-	(26,503)
Claims	2,147	-	-	(2,147)
Costs associated with DMV	36,702	90,062	-	53,360
Costs associated with OAH	1,793	-	-	(1,793)
Interest on long-term debt	15,728	-	-	(15,728)
Unallocated depreciation	4,436	-	-	(4,436)
	<u>\$ 1,036,572</u>	<u>\$ 97,738</u>	<u>\$ 465,329</u>	<u>(473,505)</u>
General revenues				
Taxes:				
Gasoline and motor carrier				417,571
Automobile privilege				188,197
Investment and interest income				87
Intergovernmental				11,340
Miscellaneous revenues				36,351
Gain on sale of assets				985
Total general revenues				<u>654,531</u>
Change in net position				181,026
Net position, beginning				<u>7,704,958</u>
Net position, ending				<u>\$ 7,885,984</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
 DIVISION OF HIGHWAYS  
 BALANCE SHEET - GOVERNMENTAL FUND  
 June 30, 2013  
 (amounts expressed in thousands)

	State Road (General)
<b>ASSETS</b>	
Assets	
Cash and cash equivalents	\$ 99,288
Receivables	67,378
Taxes receivable	80,940
Due from other State of West Virginia agencies	5,497
Inventories	42,950
Total assets	\$ 296,053
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts payable	\$ 93,451
Retainages payable	3,297
Accrued payroll and related liabilities	12,672
Other post employment benefits	132,775
Due to other State of West Virginia agencies	3,754
Total liabilities	245,949
Fund balances	
Non-spendable	
Inventories	42,950
Restricted	
Construction and maintenance of industrial access roads	2,189
Construction and maintenance of coal resource roads	6,283
Waste tire clean up and disposal	2,605
Unassigned	(3,923)
Total fund balances	50,104
Total liabilities and fund balances	\$ 296,053

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
June 30, 2013  
(amounts expressed in thousands)

Total fund balance - governmental fund \$ 50,104

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets not being depreciated		
Land - non-infrastructure	\$ 21,543	
Land - infrastructure	1,039,165	
Construction in progress	783,128	
Capital assets net of accumulated depreciation		
Land improvements	8,591	
Buildings	93,901	
Furniture and fixtures	1,115	
Rolling stock	64,660	
Scientific equipment	280	
Shop equipment	74	
Roads	3,938,068	
Bridges	2,266,793	8,217,318

Bonds issued by the Division have associated costs that are paid from current available financial resources in the funds. However, certain insurance costs are deferred on the statement of net position. 458

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest payable	(2,203)	
Claims and judgments	(18,248)	
Compensated absences	(15,845)	
General obligation bonds and revenue notes	<u>(345,600)</u>	<u>(381,896)</u>

Net position of governmental activities \$ 7,885,984

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
 DIVISION OF HIGHWAYS  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

	State Road (General)
Revenues	
Taxes	
Gasoline and motor carrier	\$ 417,571
Automobile privilege	188,197
Industrial access roads	3,000
License, fees and permits	
Motor vehicle registrations and licenses	90,062
Special fees and permits	7,676
Federal aid	
Interstate highways	90,213
Appalachian highways	49,451
Other federal aid programs	322,665
Investment and interest income, net of arbitrage rebate	87
Intergovernmental	11,340
Miscellaneous revenues	36,351
Total revenues	1,216,613
Expenditures	
Current	
Road maintenance	
Expressway, trunkline and feeder, state and local services	337,538
Contract paving and secondary roads	57,386
Small bridge repair and replacement	29,148
Litter control program	1,880
Support and administrative operations	76,203
Division of Motor Vehicles operations	36,702
Office of Administration Hearings operations	1,793
Claims	2,092
Capital outlay and other road operations	
Road construction and other road operations	
Interstate highways	108,503
Appalachian highways	68,957
Other federal aid programs	396,979
Nonfederal aid construction and road operations	21,500
Industrial access roads	2,651
Debt service	
Debt Service Fees	4
Principal	48,600
Interest	17,349
Total expenditures	1,207,285
Excess of revenues over expenditures	9,328
Other financing sources (uses)	
Proceeds of sale of assets	1,185
Net change in fund balances	10,513
Fund balances, beginning of year	39,591
Fund balances, end of year	\$ 50,104

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

Net change in fund balance - governmental fund	\$	10,513
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$433,287 exceeded depreciation of (\$325,668) in the current period.		107,619
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In the statement of activities only the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in the net position differs from the change in fund balance by the undepreciated cost of the assets sold.		(201)
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Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of position.		48,600
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the decrease in compensated absences of \$12,926, bond premium of \$2,744, and interest payable of \$470 exceed the increase in claims of (\$54) and the amortization of bond insurance costs of (\$1,591).		<u>14,495</u>
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Change in net position of governmental activities	\$	<u><u>181,026</u></u>
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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 (BUDGETARY BASIS) - STATE ROAD FUND  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>					
<b>Taxes</b>					
Gasoline and motor carrier	\$ 410,000	\$ -	\$ 410,000	\$ 408,915	\$ (1,085)
Automobile privilege	174,014	-	174,014	187,437	13,423
Motor vehicle registrations and licenses	92,787	-	92,787	90,252	(2,535)
Revenue Transfer to Industrial Access Roads	(3,000)	-	(3,000)	(3,000)	-
Federal aid	497,000	-	497,000	433,493	(63,507)
Miscellaneous revenues	39,005	-	39,005	37,851	(1,154)
	<u>1,209,806</u>	<u>-</u>	<u>1,209,806</u>	<u>1,154,948</u>	<u>(54,858)</u>
<b>Expenditures</b>					
<b>Road construction and other road operations</b>					
Interstate highways	120,000	-	120,000	104,469	15,531
Appalachian highways	120,000	(10,000)	110,000	90,661	19,339
Other federal aid programs	350,000	-	350,000	349,959	41
Nonfederal aid construction	12,500	5,000	17,500	17,476	24
Federal economic stimulus	3,000	2,000	5,000	2,884	2,116
Road maintenance					
Maintenance	354,846	-	354,846	337,424	17,422
Contract paving and secondary roads	60,000	4,000	64,000	62,337	1,663
Small bridge repair and replacement	30,000	-	30,000	23,579	6,421
Litter control program	1,755	-	1,755	1,755	-
Support and administrative operations					
General operations	55,033	-	55,033	44,101	10,932
Equipment revolving	15,000	-	15,000	7,572	7,428
Inventory revolving	4,000	-	4,000	(7,240)	11,240
Debt service	38,500	-	38,500	38,380	120
Division of Motor Vehicles operations	40,579	-	40,579	36,630	3,949
Office of Administrative Hearings operations	1,952	-	1,952	1,792	160
Claims - DOH and DMV	2,094	-	2,094	2,092	2
	<u>1,209,259</u>	<u>1,000</u>	<u>1,210,259</u>	<u>1,113,871</u>	<u>96,388</u>
<b>Excess (deficiency) of revenues over expenditures</b>	547	(1,000)	(453)	41,077	41,530
<b>Fund balance, beginning of year</b>	46,375	-	46,375	46,375	-
<b>Fund balance, end of year</b>	<u>\$ 46,922</u>	<u>\$ (1,000)</u>	<u>\$ 45,922</u>	<u>\$ 87,452</u>	<u>\$ 41,530</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION** - The accompanying financial statements of the West Virginia Department of Transportation, Division of Highways (the "Division") have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**REPORTING ENTITY** - The Division is an operating unit of the West Virginia Department of Transportation and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The Division is a legally separate entity defined by the State constitution, and has statutory responsibility for the construction, reconstruction, maintenance, and improvement of all State roads. The Division is governed by a commissioner who is appointed by the Governor, but does not have a governing board separate from the State Legislature. The Division is considered a component unit of the State and its financial statements are blended with the financial statements of the primary government in the State's comprehensive annual financial report.

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the financial reporting entity of the West Virginia Department of Transportation and the State of West Virginia, that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2013 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has considered all potential component units to be included in the Division's reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. These criteria include consideration of organizations for which the Division is financially accountable, or organizations for which the nature and significance of their relationship with the Division are such that exclusion would cause the Division's financial statements to be misleading or incomplete. Since no organizations meet these criteria, the Division has no component units.

The Division of Motor Vehicles is an operating division of the West Virginia Department of Transportation, which collects certain revenues for expenditure by the Division. The expenditures related to the collection of these revenues are recorded in the State Road Fund of the Division.

The Public Service Commission collects revenues from coal companies that are operating trucks with excessive weights. These revenues are deposited into the Coal Resource Fund, which is controlled by the Division.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** - The government-wide financial statements (the statement of net position and the statement of activities) report information of all of the activities of the primary government and its component units, if any. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Division does not allocate general government (indirect) expenses to other functions.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. The government-wide statement of net position reports \$11,077 restricted assets, of which all is restricted by enabling legislation.

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements, as necessary.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION –

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**GOVERNMENTAL FUND FINANCIAL STATEMENTS** - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. Principal revenues subject to accrual include gasoline and wholesale fuel taxes, automobile privilege taxes, federal reimbursements and other reimbursements for use of materials and services.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting for the governmental fund financial statements include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2013, has been reported only in the government-wide financial statements.
- Division employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the Division, an employee's sick leave benefits are considered ended and no reimbursement is provided. Any employee who retires, however, may convert any unused accumulated sick leave to increase service credits for retirement purposes. Additionally, certain employees may choose to apply any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium in lieu of increasing their service credits. Those employees cannot split their unused leave between the two options.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for transfer to the fiscal agent or for payment to be made early in the following year.
- Claims and judgments are recorded only when payment is due.

**FUND ACCOUNTING** - The Division uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. The following summarizes the major governmental fund that is presented in the accompanying financial statements:

- State Road (General) Fund - This fund serves as the Division's general fund and is used to account for all financial resources, except those required to be accounted for in another fund. The State Road Fund is funded primarily by dedicated highway user taxes and fees and matching federal highway funds.

INTERFUND ACTIVITY - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges from the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Division processes certain routine payments, such as payroll through the State Road Fund and allocates those costs to the other governmental funds based on individual projects charged. The interfund balances at June 30, 2013 generally are a result of these routine payments and transfers. At June 30, 2013 there was no interfund activity.

BUDGETING AND BUDGETARY CONTROL - The Division's expenditures are subject to the legislative budget process of the State, with annual budgets adopted utilizing the cash basis of accounting. The cash basis is modified at year-end to allow for payment of invoices up to 45 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 45 days after the end of the fiscal year, are incorporated into the Division's overall financial plan, which includes revenue estimates developed by the Division and the State's executive branch. Expenditures are budgeted using natural categories of activity including specific categories of construction, maintenance, and operations, as well as special items. Any revisions that alter overall budgeted expenditures for an expenditure category must be approved by the State Legislature.

The Division's State Road (General) Fund which includes the State Road Fund and A. James Manchin Fund has a legislatively approved budget. However, the Coal Resource Fund, Industrial Access Fund and certain monies reported within the State Road Fund in accordance with accounting principles generally accepted in the United States of America are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these funds have not been reported in the Division's Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund. A reconciliation of the excess of revenues over expenditures and other financing uses for the year ended June 30, 2013, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$	41,077
Basis of accounting differences (budgetary to GAAP)		(36,471)
Unbudgeted funds		<u>4,722</u>
Deficiency of revenues over expenditures - GAAP basis	<u>\$</u>	<u>9,328</u>

CASH AND CASH EQUIVALENTS - Cash and cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit in the State Treasurer's Office (STO) that are pooled funds managed by the West Virginia Board of Treasury Investments (BTI). Interest income from these investments is prorated to the Division at rates specified by the BTI based on the balance of the Division's deposits maintained in relation to the total deposits of all state agencies participating in the pool. Deposits are available with overnight notice to the BTI.

The STO has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The STO determines which funds to transfer to the BTI for investment in accordance with the West Virginia Code, policies set by the BTI, and provisions of bond indentures and trust agreements when applicable. The West Virginia Legislature, effective July 8, 2005, established the BTI to manage the short-term operating funds of the State. Prior to this date, the West Virginia Investment Management Board (the "IMB") was responsible for investment of both the short-term and long-term funds. The Legislature declared this transfer to ensure direct governmental oversight of state general and special revenue funds. The IMB continues to manage the retirement funds, the employment security funds, and other assets with longer time horizons.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORIES - Inventories are stated at weighted average cost generally using the "consumption method" whereby expenditures are recognized in the period in which inventory usage, as opposed to purchase, occurs. The portion of fund balance relating to inventories is reported as "Nonspendable" in the Government Fund Financial Statements.

CAPITAL ASSETS - Capital assets, which include buildings, non-infrastructure land, furniture and fixtures, rolling stock, scientific equipment, shop equipment and infrastructure assets (which are normally immovable and of value only to the Division, such as roads, bridges, and similar items), are reported in the statement of net position in the government-wide financial statements. Capital assets are defined by the Division as follows:

- Non-infrastructure assets with a useful life of at least three years and:
  - A cost of five thousand dollars or more for machinery, equipment, rolling stock, furniture and fixtures; or
  - An acquisition cost of twenty-five thousand dollars or more for buildings at the date of acquisition; and
- Infrastructure assets with a cost in excess of one million dollars.

Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on values that were compiled in 1983. Buildings and non-infrastructure land have been recorded at cost since 1983. Infrastructure constructed from July 1, 1980 to July 1, 2001 has been recorded at estimated historical cost. The estimated historical cost for years 1980-2001 was based on capital outlay expenditures reported by the West Virginia Department of Transportation in the annual reports for those years, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The Division has not capitalized any infrastructure expenditures for assets constructed prior to July 1, 1980, as permitted by GASB 34. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

New construction is put into construction in process until completed. At that time the projects are evaluated to determine if they meet the threshold for capitalization. The projects that don't meet the threshold for capitalization are expensed.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets are depreciated on the straight-line method over the assets' estimated useful lives. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

- |                            |              |                            |              |
|----------------------------|--------------|----------------------------|--------------|
| • Machinery and equipment: | 5 - 20 years | • Scientific equipment:    | 3 - 25 years |
| • Buildings:               | 40 years     | • Infrastructure: roads:   | 30 years     |
| • Furniture and fixtures:  | 3 - 20 years | • Infrastructure: bridges: | 50 years     |
| • Rolling stock:           | 3 - 20 years |                            |              |

ACCOUNTS AND TAXES RECEIVABLE - Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily motor fuel excise taxes and automobile privilege taxes, which are collected within forty-five days after year end. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**OTHER ASSETS** - Other assets represent payments that reflect costs applicable to future accounting periods and are recorded as other assets in both government-wide and fund financial statements.

**CLAIMS** - Claims awarded against the Division in the West Virginia State Court of Claims must be approved and funded by legislative action. Expenditures in the fund financial statements for such claims are recognized to the extent that claims awarded are approved and funded by the Legislature. A liability for unfunded claims is recorded in the government-wide financial statements when management and the Division's legal section determine that it is probable that a loss has occurred and the loss can be reasonably estimated. Such claims are segregated as either tort or contract actions and estimates of loss are based on an analysis of the individual claims and historical experience.

**COMPENSATED ABSENCES** - Division employees generally earn vacation and sick leave on a monthly basis. Vacation, up to specific limits, is fully vested when earned, and sick leave, while not vesting to the employee prior to retirement, can be carried over to subsequent periods. During 2008, the legislature passed a bill allowing regular full time employees hired before July 1, 2001, having accumulated at least 65 days of sick leave, to be paid, at their option, for a portion of their unused sick leave, not to exceed the number of sick leave days that would reduce the employee's sick leave balance to less than fifty days. The employee shall be paid at a rate equal to one quarter of their usual rate of daily pay during that calendar year. Expenditures for compensated absences are recognized as incurred in the governmental fund financial statements. The government-wide financial statements present the cost of accumulated compensated absences as a liability.

**POSTEMPLOYMENT BENEFITS** – For employees hired prior to July 1, 2001, any unused sick leave accumulated at employee retirement vests to the employee and may be provided in the form of post-retirement payment of all or a portion of the employee's health insurance premiums, or as service credits for retirement purposes, based on hire dates, periods of service and benefit amendments. To the extent that eligible conversion and retirement benefits are determined, a liability in the governmental fund financial statements has been accrued as a result of the Division's participation on the State's post-employment benefits plan, in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. See Note 13.

**RETIREMENT BENEFITS** - The Division's employees are covered by the West Virginia Public Employees Retirement System (PERS), a multi-employer cost-sharing defined benefit pension plan. PERS covers substantially all employees of the Division, with employer contributions prescribed by the State Legislature as a percentage of covered payroll.

**PREMIUMS, DISCOUNTS AND ISSUANCE COSTS** - In the government-wide financial statements long-term debt and other long-term obligations are presented in the columns for governmental activities. Where material, bond and note premiums and discounts are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, other than bond insurance, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**DEFERRED INFLOWS/OUTFLOWS** - A deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. The Division accounts for deferred inflows and outflows of resources in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The Division did not have any deferred inflows/outflows of resources at June 30, 2013.

**INTERGOVERNMENTAL REVENUE** – Intergovernmental revenue represents legally authorized appropriations under West Virginia State Code by the West Virginia Legislature.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET POSITION – As required by GASB Standards, the Division displays net position in the government-wide financial statements in three components: invested in capital assets, net of related debt; restricted and unrestricted.

INVESTED IN CAPITAL ASSETS – This component of net position consists primarily of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

RESTRICTED NET POSITION – Restricted net position is assets whose use or availability has been restricted and the restrictions limit the Division's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Division's policy to use restricted resources first, then unrestricted resources as needed.

UNRESTRICTED NET POSITION – Unrestricted net position consist of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt." In the governmental environment, net position is often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statement of net position.

FUND BALANCE – In accordance with GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions the division has classified in the governmental fund financial statements its fund balances in the following categories: nonspendable, restricted, committed, assigned and unassigned as applicable.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact.

The restricted fund balance classification includes amounts restricted for use to specific purposes including externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; imposed by law through constitutional provisions, or enabling legislation including legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by appropriation legislation passed by the West Virginia State Legislature, which is the highest level of decision making authority for the State. Those committed amounts cannot be used for any other purpose unless the West Virginia State Legislature passes new legislation concerning those amounts. The Division has no committed fund balances at June 30, 2013.

Assigned fund balances are constrained by the Division's intent to use such funds for specific purposes, but are neither restricted nor committed. The specific purpose for which the funds are intended is expressed within the appropriation requests of the Division and approved by the State Budget Office, according to the West Virginia State Code. Assigned fund balances include all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. The Division has no assigned fund balances at June 30, 2013.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Any negative fund balances are unassigned.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

RECENT STATEMENTS ISSUED BY THE 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 adoption of GASB Statement No. 63 had no financial impact on the June 30, 2013 financial statements, it only improved readability.

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 early adoption of GASB Statement No. 65 had no material impact on the June 30, 2013 financial statements, but improved readability.

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 adoption of this statement did not have a material effect on the 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 Division has not yet determined the effect that the adoption of GASB Statement No. 67 may have on its financial statements.

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 Division has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 69, Government Combinations and Disposals of Government Operations, effective for fiscal years beginning after December 15, 2013. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Division has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, effective for fiscal years beginning after June 15, 2013. This Statement will improve the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The Division has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents were as follows at June 30:

	Amortized Cost	Estimated Fair Value
Cash on deposit with State Treasurer	\$ 12,149	\$ 12,149
Cash on deposit with State Treasurer in Debt Service Fund	5	5
Cash on deposit with State Treasurer invested in BTI		
WV Money Market Pool	87,127	87,127
Cash in transit	7	7
	\$ 99,288	\$ 99,288

**West Virginia Board of Treasury Investments (BTI) WV Money Market Pool, WV Government Money Market Pool, and WV Short Term Bond Pool**

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

**WV Money Market Pool - Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2013, the WV Money Market Pool has been rated AAAM by Standard & Poor’s. A fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- 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. The pool must have at least 15% of its assets in U.S. Treasury issues. At June 30, 2013, the WV Money Market Pool investment had a total carrying value of \$2,495,868 of which the Division’s ownership represents 3.49%.

**Interest Rate Risk**

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 229,326	3
U.S. Treasury notes	279,755	132
U.S. Treasury bills	34,993	77
Commercial paper	970,395	43
Certificates of deposit	259,000	66
U.S. agency discount notes	445,784	47
Corporate bonds and notes	10,000	60
U.S. agency bonds	66,603	139
Money market funds	200,012	1
	<u>\$ 2,495,868</u>	52

**Other Risks of Investing**

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

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

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

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

**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. The above pool does not contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 consisted of the following:

Federal aid billed and not paid	\$ 16,924
Federal aid earned but not billed	43,496
Total federal aid receivable	60,420
Other receivables	7,268
Combined total receivables	67,688
Less: allowance for uncollectibles	(310)
Net accounts receivable	\$ 67,378

Accounts receivable representing federal aid earned but not billed relate principally to the Federal Highway Administration's (FHWA) participating share of expenditures on highway projects.

NOTE 4: TAXES RECEIVABLE

Taxes receivable at June 30, 2013 consisted of the following:

Automobile privilege taxes	\$ 17,868
Motor fuel excise taxes	60,281
Registration fees	2,791
Total taxes receivable	\$ 80,940

NOTE 5: DUE FROM/TO OTHER STATE OF WEST VIRGINIA AGENCIES

Amounts due from other State of West Virginia agencies at June 30, 2013 consisted of the following:

The Department of Motor Vehicles	\$ 1,983
Other agencies	3,514
Total amounts due from other State of West Virginia agencies	\$ 5,497

Amounts due to other State of West Virginia agencies at June 30, 2013 consisted of the following:

Public Employees Insurance Agency	\$ 1,917
Public Employee's Retirement	1,639
Other agencies	198
Total amounts due to other State of West Virginia agencies	\$ 3,754



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 6: INVENTORIES

Inventories at June 30, 2013 consisted of the following:

Materials and supplies	\$ 29,163
Equipment repair parts	9,645
Gas and lubrication supplies	<u>4,142</u>
Total inventories	<u><u>\$ 42,950</u></u>

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land - non infrastructure	\$ 23,025	\$ 431	\$ 1,913	\$ 21,543
Land - infrastructure	986,302	52,863	-	1,039,165
Construction-in-progress - buildings	10,923	12,009	9,149	13,783
Construction-in-progress - land improvements	958	1,264	1,353	869
Construction-in-progress - roads	585,251	209,438	229,687	565,002
Construction-in-progress - bridges	<u>198,241</u>	<u>147,431</u>	<u>142,198</u>	<u>203,474</u>
Total capital assets not being depreciated	<u>1,804,700</u>	<u>423,436</u>	<u>384,300</u>	<u>1,843,836</u>
Capital assets being depreciated:				
Buildings	136,045	10,217	421	145,841
Furniture and fixtures	4,488	323	-	4,811
Land improvements - non infrastructure	12,161	1,531	-	13,692
Rolling stock	244,227	15,622	7,674	252,175
Shop equipment	3,057	56	6	3,107
Scientific equipment	2,884	64	99	2,849
Infrastructure - roads	8,429,372	226,476	-	8,655,848
Infrastructure - bridges	<u>2,728,343</u>	<u>139,862</u>	<u>-</u>	<u>2,868,205</u>
Total capital assets being depreciated	<u>11,560,577</u>	<u>394,151</u>	<u>8,200</u>	<u>11,946,528</u>
Less accumulated depreciation:				
Buildings	48,706	3,649	415	51,940
Furniture and fixtures	3,492	204	-	3,696
Land improvements - non infrastructure	4,518	583	-	5,101
Rolling stock	174,149	20,850	7,484	187,515
Shop equipment	3,017	22	6	3,033
Scientific equipment	2,498	165	94	2,569
Infrastructure - roads	4,472,210	245,570	-	4,717,780
Infrastructure - bridges	<u>546,787</u>	<u>54,625</u>	<u>-</u>	<u>601,412</u>
Total accumulated depreciation	<u>5,255,377</u>	<u>325,668</u>	<u>7,999</u>	<u>5,573,046</u>
Total capital assets being depreciated, net	<u>6,305,200</u>	<u>68,483</u>	<u>201</u>	<u>6,373,482</u>
Governmental activities capital assets, net	<u><u>\$ 8,109,900</u></u>	<u><u>\$ 491,919</u></u>	<u><u>\$ 384,501</u></u>	<u><u>\$ 8,217,318</u></u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$321,232 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$4,436 unallocated depreciation expense is included as a separate line item in the statement of activities. Infrastructure depreciation is primarily related to construction type activities; depreciation of shop and rolling stock assets is primarily related to maintenance type activities; and depreciation of buildings and improvements and furniture and fixtures support all of the various activities of the Division.

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Buildings and improvements	\$ 3,649
Furniture and fixtures	204
Land improvements	583
Total unallocated	4,436
Rolling stock	20,850
Shop equipment	22
Scientific equipment	165
Total road maintenance	21,037
Infrastructure - roads	245,570
Infrastructure - bridges	54,625
Total other road operations	300,195
Total depreciation expense	\$ 325,668

NOTE 8: RETAINAGES PAYABLE

Retainages payable includes funds withheld from payments to consulting firms and construction contractors. Retainage payments are made to the consultants and contractors when work is satisfactorily completed. The Division has entered into an arrangement with the BTI whereby amounts retained from payments to construction contractors may, at the option of the contractor, be deposited in an interest bearing account in the contractor's name. The funds on deposit in these accounts are not reported as assets of the Division. At June 30, 2013, retainages payable included \$0 that was on deposit at BTI for construction contractors.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

**NOTE 9: LONG-TERM OBLIGATIONS**

Long-term obligations at June 30, 2013, and changes for the fiscal year then ended are as follows:

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
General obligation bonds payable from tax							
Safe road bonds	2001	3.50% - 5.50%	06/01/2013	\$ 1,565	\$ -	\$ 1,565	\$ -
Safe road bonds	2005	3.00% - 5.00%	06/01/2025	233,895	-	23,665	210,230
Safe road bonds	2010	4.00%	06/01/2023	35,135	-	-	35,135
Total general obligation bonds				<u>270,595</u>	<u>-</u>	<u>25,230</u>	<u>245,365</u>
Bond premium				21,902	-	1,726	20,176
Total general obligation bonds payable net of premium				<u>292,497</u>	<u>-</u>	<u>26,956</u>	<u>265,541</u>
Revenue notes payable from federal aid							
Surface transportation improvements special notes (Garvee 2006A)	2006	3.75% - 5.00%	06/01/2016	37,545	-	8,735	28,810
Surface transportation improvements special notes (Garvee 2007A)	2007	4.00% - 5.00%	06/01/2016	16,270	-	3,790	12,480
Surface transportation improvements special notes (Garvee 2009A)	2009	3.75% - 5.00%	06/01/2016	46,555	-	10,845	35,710
Total revenue notes payable				<u>100,370</u>	<u>-</u>	<u>23,370</u>	<u>77,000</u>
Bond premium				4,078	-	1,019	3,059
Total general obligation notes payable net of premium				<u>104,448</u>	<u>-</u>	<u>24,389</u>	<u>80,059</u>
Claims and judgments				18,194	3,000	2,946	18,248
Compensated absences				28,771	1,786	14,712	15,845
Total long-term obligations				<u>\$ 443,910</u>	<u>\$ 4,786</u>	<u>\$ 69,003</u>	<u>\$ 379,693</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

General obligation bond issues are authorized by constitutional amendments and are general obligations of the State of West Virginia. Legislation implementing the amendments requires that debt service on the bonds be paid from the State Road Fund and, to the extent that there are insufficient funds therein, from a levy of an annual state tax. All bonds authorized under prior constitutional amendments have been issued and include amounts outstanding above.

Surface Transportation Improvement Special Obligation Notes are authorized under Chapter 17, Article 17A of the Code of West Virginia, 1931, as amended. The Code provides for the issuance of special obligation notes to facilitate the construction of highways, secondary roads and bridges to be funded wholly or in part by federal dollars and in anticipation of reimbursement from such sources. The federal legislation that enables reimbursement of such costs is included in Title 23, Section 122. The Memorandum of Agreement executed between the Federal Highway Administration and the Division of Highways documents the procedures for managing the stewardship and oversight of highway projects that are financed with the proceeds of these notes.

Debt service expenditures included interest of \$17,349 for the year ended June 30, 2013. Total debt service costs, exclusive of coupon redemption costs, for each of the next five years and thereafter, on general obligation bonds payable and revenue notes payable liquidated through debt service funds, are as follows:

	2014	2015	2016	2017	2018	2019- 2023	2024- 2025	Total
General obligation bonds payable from tax revenue:								
Safe road bonds	\$ 36,757	\$ 36,765	\$ 36,765	\$ 23,301	\$ 23,301	\$ 116,008	\$ 47,031	\$ 319,928
Less: interest	11,917	10,675	9,370	8,001	7,236	24,058	3,306	74,563
Total principal	24,840	26,090	27,395	15,300	16,065	91,950	43,725	245,365
Bond premium	1,721	1,721	1,721	1,721	1,721	8,585	2,986	20,176
Total principal and bond premium	<u>\$ 26,561</u>	<u>\$ 27,811</u>	<u>\$ 29,116</u>	<u>\$ 17,021</u>	<u>\$ 17,786</u>	<u>\$ 100,535</u>	<u>\$ 46,711</u>	<u>\$ 265,541</u>
Revenue notes payable from federal aid revenue:								
Surface transportation special obligation notes	\$ 27,519	\$ 27,504	\$ 27,499	\$ -	\$ -	\$ -	\$ -	\$ 82,522
Less: interest	3,044	1,854	624	-	-	-	-	5,522
Total principal	24,475	25,650	26,875	-	-	-	-	77,000
Note premium	1,019	1,019	1,021	-	-	-	-	3,059
Total principal and note premium	<u>\$ 25,494</u>	<u>\$ 26,669</u>	<u>\$ 27,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,059</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

During the year ended June 30, 1997, the State was authorized by constitutional amendment to issue \$550,000 of general obligation bonds to fund highway and road construction projects known as Safe Road Bonds. These bonds will be repaid from revenues of the State Road Fund. Safe Road Bonds of \$220,000 were issued during July 1998; \$110,000 were issued during July 1999; \$110,000 were issued during July 2000; and an additional \$110,000 were issued during July 2001.

In 2005, the State refinanced part of the above mentioned bonds in the amount of \$321,405. These bonds will be repaid from revenues of the State Road Fund through the year 2025. The refinancing was to advance-refund \$319,860 of outstanding 1998, 1999 and 2000 Series bonds. The net proceeds of \$351,405 (after payment of \$1,606 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government State and Local Government Series securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refinanced portions of the 1998, 1999, and 2000 Series bonds. The defeased bonds were called on June 1, 2010 and are no longer outstanding.

During the year ended June 30, 2007, the State was authorized by constitutional amendment to issue \$200,000 of Surface Transportation Improvements Special Obligation Notes (Garvee Notes) to fund highway and road construction projects. These notes will be repaid from future federal highway revenues. Garvee Notes of \$76,000 were issued during October 2006 and \$33,000 were issued during April 2007. The Division sold \$76,835 of additional Garvee notes during the fiscal year ending June 30, 2009.

The Division issued on behalf of the State of West Virginia, \$35,135 in General Obligation State Road Refunding Bonds, Series 2010A on July 22, 2010, resulting in proceeds of \$38,048. This bond issue refunds Series 1998 and Series 2001 General Obligation State Road Bonds with cumulative outstanding principal of \$37,730, and will result in a net present value savings of \$4,265 over the life of the bond issue. The bonds that were refunded were called on June 1, 2011 and are no longer outstanding.

Long term obligations for compensated absences, claims payable, and general obligation bonds are as follows:

	<u>Compensated Absences</u>	<u>Claims and Judgments</u>	<u>General Obligation Bonds and Revenue Notes and Premium</u>	<u>Total</u>
Current liabilities	\$ 11,825	\$ 748	\$ 52,055	\$ 64,628
Long-term liabilities	<u>4,020</u>	<u>17,500</u>	<u>293,545</u>	<u>315,065</u>
	<u>\$ 15,845</u>	<u>\$ 18,248</u>	<u>\$ 345,600</u>	<u>\$ 379,693</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2013  
 (amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

The following summarizes the estimated claims liability for the current year and that of the preceding two years.

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Estimated claims liability, July 1	\$ 18,194	\$ 13,981	\$ 18,485
Additions for claims incurred during the year	748	2,094	2,391
Changes in estimates for claims of prior periods	1,400	4,510	(5,331)
Payments on claims	<u>(2,094)</u>	<u>(2,391)</u>	<u>(1,564)</u>
Estimated claims liability, June 30	<u>\$ 18,248</u>	<u>\$ 18,194</u>	<u>\$ 13,981</u>

At June 30, 2013, approximately \$16,000 of tort claims and \$1,500 in environmental claims were pending against the Division in the West Virginia State Court of Claims. With respect to these claims, the Division has an estimated obligation of \$17,500 recorded in the government-wide Statement of Net Position, based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Such claims will be recognized primarily as expenditures of the State Road Fund if, and when, they are approved for payment by the Legislature in accordance with legal statutes. Also included in claims are claims that have been settled in the court of claims and approved for payment through legislative action. These amounts total approximately \$748 thousand. During the normal course of operations, the Division may become subject to other litigation. No provision has been made in the financial statements for liabilities, if any, from such litigation.

The Division's obligation for accrued vacation leave time includes leave time and related costs expected to be paid to employees in the future and are determined using wage levels in effect at the date the obligation is calculated. Upon retirement, an employee may apply unused sick leave to reduce their future insurance premiums paid to the West Virginia Public Employees Insurance Agency or apply unused sick leave or annual leave or both to obtain a greater benefit under the West Virginia Public Employees Retirement System.

NOTE 10: RELATED PARTY TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

The Division enters into certain transactions with various agencies of the State of West Virginia. The following summarizes the nature and terms of the most significant transactions:

- The Division leases from the Department of Administration substantially all of State Office Building No. 5 which is owned by the State Building Commission. The Division may be released from its obligation only at the option of the lessor. The Division is obligated under the operating leases, which expires June 30, 2014 for rental payments of approximately \$2.3 million annually. Management expects the leases to be renewed upon expiration.
- The Division's employees participate in various benefit plans offered by the State of West Virginia. Employer contributions to these plans are mandatory. During the year ended June 30, 2013 the Division incurred payroll related expenditures of approximately \$26,811 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$25,698 in employer matching contributions to the State Public Retirement System.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 11: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$698,901 at June 30, 2013.

The Division participates in several federal programs which are subject to audit by the federal awarding agency. Any disallowed claims, including amounts already collected by the Division, may constitute a liability to the federal awarding agency of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal awarding agency cannot be determined at this time. The Division expects such amounts, if any, to be immaterial to the financial position of the Division. The Division records these disallowed costs in the period the audit is finalized.

Based on the Division's Inspection Program the Division has reviewed the information on obsolete and deficient bridges. The Division is concerned about safety and tries to prioritize bridges for repair and replacement based on engineering assessments. The Division's long range plans to address this issue will be impacted by actions that may be taken by both the federal and state government, including funding levels provided for this purpose.

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2013, there were approximately 426 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion that any liability resulting from these claims would have no adverse effect on the financial position of the Division.

NOTE 12: RETIREMENT PLAN

PLAN DESCRIPTION - The Division contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling (304) 558-3570.

FUNDING POLICY - 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 18.5% of annual covered payroll, including the Division's contribution of 14.0% which is established by PERS. The Division's contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were \$25,698, \$26,024, and \$22,213, respectively, equal to the required contributions for each year.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013  
(amounts expressed in thousands)

NOTE 13: OTHER-POST EMPLOYMENT BENEFITS

The Division participates in the West Virginia Other Postemployment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF), a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan, established in accordance with GASB Statement No. 45, 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 West Virginia Public Employees Insurance Agency, 601 57<sup>th</sup> Street, Charleston, WV 25304 or by calling 1-888-680-7342.

The Code requires the RHBTF to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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. State of West Virginia plan employers are billed per active health policy per month.

The OPEB Plan costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. The Division's ARC was \$11,324, \$46,792 and \$53,359 and the Division has paid premiums of \$9,993, \$9,441 and \$ 9,116 which represent 88.2%, 20.2% and 17.1% of the ARC, respectively, for the years ending June 30, 2013, 2012, and 2011. At June 30, 2013, the liability related to OPEB costs was \$132,775.

NOTE 14: RISK MANAGEMENT

The Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA), to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance. The Division retains the risk of loss on certain tort and contractor claims in excess of the amount insured or covered by BRIM's insurance carrier. Other than the amounts disclosed in Note 9, amounts of settlements have not exceeded insurance coverage in the past three years. The Division has evaluated this potential risk of loss as discussed in Note 9.

Through its participation in the PEIA, the Division has obtained health coverage for its employees. In exchange for payment of premiums to PEIA, the Division has transferred its risks related to health coverage. PEIA issues publicly available financial reports that include financial statements and required supplementary information, these reports may be obtained by writing to PEIA.

American Zurich Insurance Company provides workers compensation coverage to all West Virginia state agencies. Payments for coverage are made directly to the West Virginia State Insurance Commission who in turn purchases the workers' compensation coverage on behalf of all West Virginia state agencies. Nearly every employer in the state who has a payroll must have coverage.

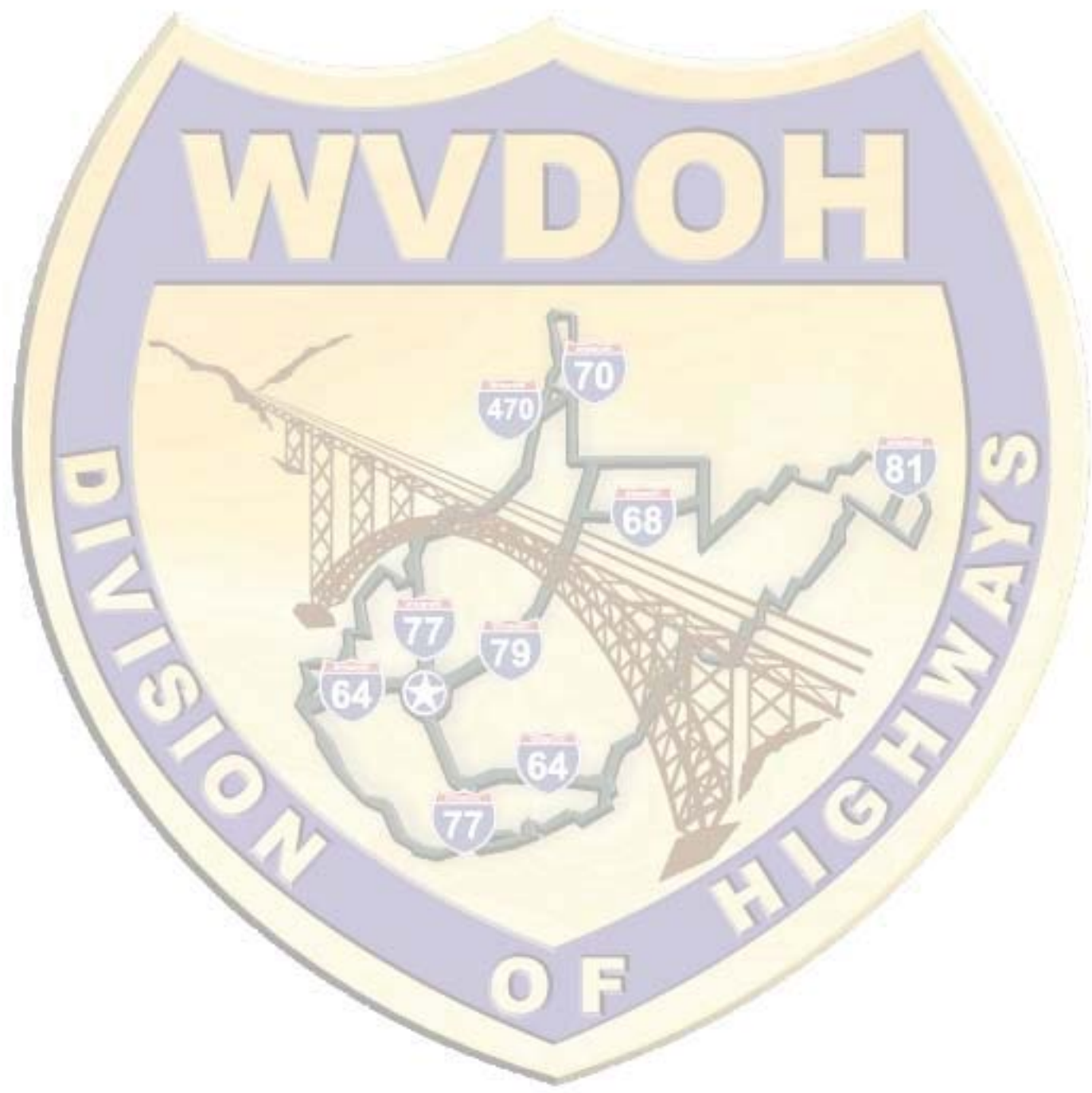
In exchange for premiums, the Division transfers its risk of loss related to employee injuries to American Zurich Insurance Company.



# Statistical Section

West Virginia Department of Transportation  
Division of Highways





## Statistical Section Narrative and Table of Contents

Financial Trends – These schedules contain trend information to help the reader understand how the Division’s financial performance and well-being have changed over time.

Net Position by Component	54
Changes in Net Position	56
Changes in Fund Balance of Governmental Fund	58
Fund Balance, Governmental Fund	60

Revenue Capacity Information – These schedules contain trend information to help the reader understand the Division’s capacity to raise revenues and the sources of those revenues.

Tax and License Fee Revenue by Source	62
Fuel and Privilege Tax Rates	63

Debt Capacity Information – These schedules contain information to help the reader to understand the Division’s outstanding debt, the capacity to repay the debt, and the ability to issue new debt in the future.

Ratios of Outstanding Debt by Type	64
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Demographic and Economic Information - These schedules offer indicators to help the reader understand the environment within which the Division’s financial activities take place.

Demographic Statistics of West Virginia	65
Principal Employers	66

Operating Information – These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the Division.

Employees by Program	68
Highway Construction and Improvement Total Projects Authorized	70
Highway Construction and Improvement Total Projects Authorized by Type	71
Roadway Projects – System Expansion Only	72
Roadway Resurfacing Projects	73
Total Highway Mileage by Category	74

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS**

**Net Position by Component  
Last Ten Fiscal Years**  
(amounts expressed in thousands)

	<b>Fiscal Year</b>			
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Governmental Activities				
Invested in capital assets, net of related debt	\$ 7,871,718	\$ 7,712,955	\$ 7,654,175	\$ 7,358,147
Restricted	11,077	17,350	14,584	17,035
Unrestricted	3,189	(25,347)	84,841	152,578
Total governmental activities net position	<b><u>\$ 7,885,984</u></b>	<b><u>\$ 7,704,958</u></b>	<b><u>\$ 7,753,600</u></b>	<b><u>\$ 7,527,760</u></b>

<b>Fiscal Year</b>											
	<b><u>2009</u></b>		<b><u>2008</u></b>		<b><u>2007</u></b>		<b><u>2006</u></b>		<b><u>2005</u></b>		<b><u>2004</u></b>
\$	7,144,763	\$	6,886,996	\$	6,592,210	\$	6,475,338	\$	6,193,029	\$	5,980,261
	18,119		17,892		13,975		8,512		10,843		-
	189,225		287,611		296,681		138,096		123,684		111,234
\$	7,352,107	\$	7,192,499	\$	6,902,866	\$	6,621,946	\$	6,327,556	\$	6,091,495

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS**

**Changes in Net Position  
Last Ten Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>				
Governmental activities:				
General Revenues				
Motor fuel excise tax	\$ 417,571	\$ 408,571	\$ 406,347	\$ 393,557
Automobile privilege tax	188,197	186,300	168,602	147,466
Investment and interest income	87	209	517	(457)
Payments from primary government	11,340	28,078	14,171	41,318
Miscellaneous revenues	36,351	34,695	31,945	25,012
Gain on sale of assets	985	2,149	1,673	-
Total General Revenues	<u>654,531</u>	<u>660,002</u>	<u>623,255</u>	<u>606,896</u>
Program Revenues				
Capital grants and contributions:				
Federal aid	462,329	497,814	534,602	532,020
Industrial access roads	3,000	3,000	3,000	3,000
Charges for services:				
Motor vehicle registration fees	90,062	89,741	91,475	87,600
Special fees and permits	7,676	8,380	7,083	5,793
Total Program Revenues	<u>563,067</u>	<u>598,935</u>	<u>636,160</u>	<u>628,413</u>
Total governmental revenues	<u>1,217,598</u>	<u>1,258,937</u>	<u>1,259,415</u>	<u>1,235,309</u>
<b>Expenses</b>				
Governmental activities:				
Road maintenance				
Expressway, trunkline & feeder & SLS	337,436	380,283	334,484	319,219
Contract paving & secondary roads	57,386	66,721	65,809	62,542
Small bridge repair & replacement	20,628	22,794	12,199	10,416
Litter control program	1,880	1,682	1,699	1,688
Depreciation	21,037	19,564	19,714	17,951
Other road operations				
Interstate highways	26,404	105,899	12,497	86,148
Appalachian highways	714	51,584	4,462	5,482
Other federal aid programs	159,235	212,896	142,964	129,913
Non federal aid improvements	14,021	9,561	2,760	5,500
Industrial Access Roads	2,651	1,583	355	3,121
Depreciation	300,195	290,728	285,612	292,602
General and administration				
Support and administrative operations	34,179	81,441	95,358	55,956
Claims	2,147	6,540	(2,940)	11,172
Costs associated with DMV	36,702	33,838	33,222	31,990
Costs associated with OAH	1,793	1,578	1,064	-
Interest on long-term debt	15,728	17,136	20,041	22,514
Unallocated depreciation	4,436	3,751	4,275	3,442
Total governmental expenses	<u>1,036,572</u>	<u>1,307,579</u>	<u>1,033,575</u>	<u>1,059,656</u>
Change in net assets	181,026	(48,642)	225,840	175,653
Effect of adoption of accounting principle	-	-	-	-
Net position, beginning	7,704,958	7,753,600	7,527,760	7,352,107
Net position, ending	<u>\$ 7,885,984</u>	<u>\$ 7,704,958</u>	<u>\$ 7,753,600</u>	<u>\$ 7,527,760</u>

<b>Fiscal Year</b>						
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
\$	391,903	\$ 395,641	\$ 364,550	\$ 330,538	\$ 320,891	\$ 303,934
	141,930	169,095	171,429	170,484	178,763	173,225
	1,919	9,691	9,652	4,701	1,906	1,542
	27,924	18,843	-	-	-	-
	28,647	36,479	37,459	53,255	25,589	15,165
	-	-	-	-	-	-
	<u>592,323</u>	<u>629,749</u>	<u>583,090</u>	<u>558,978</u>	<u>527,149</u>	<u>493,866</u>
	460,780	398,223	392,533	429,583	440,579	424,647
	3,010	2,806	3,126	3,016	2,351	3,465
	87,255	86,166	86,840	87,534	86,466	81,577
	5,958	5,954	5,263	4,290	4,554	4,461
	<u>557,003</u>	<u>493,149</u>	<u>487,762</u>	<u>524,423</u>	<u>533,950</u>	<u>514,150</u>
	<u>1,149,326</u>	<u>1,122,898</u>	<u>1,070,852</u>	<u>1,083,401</u>	<u>1,061,099</u>	<u>1,008,016</u>
	306,686	282,337	262,684	236,326	247,711	240,584
	108,779	92,331	42,785	48,345	46,090	36,451
	29,880	17,402	14,002	14,135	12,559	12,022
	1,692	1,684	1,663	1,744	1,688	1,637
	17,046	16,892	17,416	15,925	14,351	11,631
	39,292	11,735	11,514	4,479	16,662	6,256
	7,567	3,276	3,994	4,434	462	2,548
	87,618	61,495	82,182	92,941	116,383	107,142
	465	2,692	9,407	10,257	6,356	12,096
	2,776	2,891	1,407	5,475	1,822	1,967
	287,969	269,805	257,292	249,288	241,146	234,636
	47,692	50,720	27,108	43,609	66,966	21,302
	(4,196)	7,308	(3,000)	3,394	(2,504)	2,716
	30,358	28,884	35,250	34,346	34,544	35,145
	-	-	-	-	-	-
	22,730	23,692	22,977	21,283	18,112	26,525
	3,364	3,262	3,251	3,030	2,690	4,046
	<u>989,718</u>	<u>876,406</u>	<u>789,932</u>	<u>789,011</u>	<u>825,038</u>	<u>756,704</u>
	159,608	246,492	280,920	294,390	236,061	251,312
	-	43,141	-	-	-	-
	7,192,499	6,902,866	6,621,946	6,327,556	6,091,495	5,840,183
\$	<u><u>7,352,107</u></u>	<u><u>7,192,499</u></u>	<u><u>6,902,866</u></u>	<u><u>6,621,946</u></u>	<u><u>6,327,556</u></u>	<u><u>6,091,495</u></u>

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS**

**CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)  
(amounts expressed in thousands)

	Fiscal Year			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues				
Taxes				
Gasoline and motor carrier	\$ 417,571	\$ 408,571	\$ 406,347	\$ 393,557
Automobile privilege	188,197	186,300	168,602	147,466
Industrial access roads	3,000	3,000	3,000	3,000
License, fees and permits				
Motor vehicle registrations and licenses	90,062	89,741	91,475	87,600
Special fees and permits	7,676	8,380	7,083	5,793
Federal aid				
Interstate highways	90,213	109,422	112,134	112,435
Appalachian highways	49,451	82,989	63,239	81,840
Other federal aid programs	322,665	305,403	359,229	337,746
Investment and interest income, net of arbitrage rebate	87	209	517	(457)
Intergovernmental	11,340	28,078	14,171	41,318
Miscellaneous revenues	36,351	34,695	31,945	25,012
Total Revenues	<u>1,216,613</u>	<u>1,256,788</u>	<u>1,257,742</u>	<u>1,235,310</u>
Expenditures				
Current				
Road maintenance				
Expressway, trunkline and feeder, sls	337,538	380,301	334,608	318,389
Contract paving and secondary roads	57,386	66,721	65,809	62,542
Small bridge repair and replacement	29,148	39,731	23,595	27,638
Litter control program	1,880	1,682	1,699	1,688
Support and administrative operations	76,203	112,652	129,104	96,251
Division of Motor Vehicles operations	36,702	33,838	33,222	31,990
Office of Administrative Hearings operations	1,793	1,578	1,064	-
Claims	2,092	2,327	1,563	497
Capital outlay and other road operations				
Road construction and other road operations				
Interstate highways	108,503	129,221	128,278	125,499
Appalachian highways	68,957	108,798	84,470	102,626
Other federal aid programs	396,979	387,429	444,804	426,980
Nonfederal aid construction and road op.	21,500	19,908	27,717	26,714
Industrial access roads	2,651	1,583	355	3,121
Debt service				
Debt Service Fees	4	3	442	4
Principal	48,600	57,290	52,980	52,435
Interest	17,349	20,078	22,829	25,134
Total Expenditures	<u>1,207,285</u>	<u>1,363,140</u>	<u>1,352,539</u>	<u>1,301,508</u>
Excess (deficiency) of revenues over expenditures	9,328	(106,352)	(94,797)	(66,198)
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Refunding bonds issued	-	-	35,135	-
Premium on refunding bonds	-	-	2,913	-
Payment to refunded bond escrow agent	-	-	(37,730)	-
Proceeds from sale of assets	1,185	2,446	2,506	-
Total other financing sources (uses)	<u>1,185</u>	<u>2,446</u>	<u>2,824</u>	<u>-</u>
Prior period adjustment	-	-	-	(14,100)
Net position in fund balance	<u>\$ 10,513</u>	<u>\$ (103,906)</u>	<u>\$ (91,973)</u>	<u>\$ (80,298)</u>
Debt Service as a percentage of noncapital expenditures, excluding debt service	6%	7%	10%	10%



Fiscal Year						
<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$ 391,903	\$ 395,641	\$ 364,550	\$ 330,538	\$ 320,891	\$ 303,934	
141,930	169,095	171,429	170,484	178,763	173,225	
3,010	2,806	3,126	3,016	2,351	3,465	
87,255	86,166	86,840	87,534	86,466	81,577	
5,958	5,954	5,263	4,290	4,554	4,461	
121,087	80,203	56,801	53,359	64,114	51,239	
73,894	80,111	93,552	104,228	101,247	126,286	
265,799	237,909	242,180	271,996	275,218	247,122	
1,919	9,692	9,652	4,701	1,906	1,542	
27,924	-	-	-	-	-	
28,649	36,479	37,459	53,255	25,589	15,165	
1,149,328	1,104,056	1,070,852	1,083,401	1,061,099	1,008,016	
312,984	283,726	258,720	238,425	247,456	246,648	
108,779	92,331	42,785	48,345	46,090	36,451	
47,813	22,480	17,100	22,099	18,699	19,492	
1,692	1,684	1,663	1,744	1,688	1,637	
67,340	61,962	55,911	75,050	56,242	51,038	
30,358	28,884	34,754	34,346	34,544	35,145	
-	-	-	-	-	-	
724	629	144	397	416	561	
144,799	95,599	70,926	69,406	75,030	59,992	
104,017	110,006	132,747	156,141	125,231	154,471	
361,965	358,353	348,650	354,562	350,464	318,032	
33,448	14,791	20,365	20,825	31,725	41,810	
2,776	2,891	1,407	5,475	1,822	1,967	
5	-	-	-	-	-	
40,635	38,940	18,150	19,920	28,060	23,070	
24,110	25,803	23,442	23,098	18,941	26,952	
1,281,445	1,138,079	1,026,764	1,069,833	1,036,408	1,017,266	
(132,117)	(34,023)	44,088	13,568	24,691	(9,250)	
80,964	-	112,097	-	-	-	
-	12,931	-	-	15	-	
-	-	-	-	(15)	-	
-	-	-	-	321,405	-	
-	-	-	-	-	-	
-	-	-	-	(321,405)	-	
-	-	-	-	-	-	
80,964	12,931	112,097	-	-	-	
-	-	-	-	-	-	
\$ (51,153)	\$ (21,092)	\$ 156,185	\$ 13,568	\$ 24,691	\$ (9,250)	

9% 11% 8% 8% 8% 9%

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS**

**Fund Balance, Governmental Fund  
Last Ten Fiscal Years**  
(amounts expressed in thousands)

	<b>Fiscal Year</b>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Fund			
Nonspendable			
Inventories	\$ 42,950	\$ 45,765	\$ 38,779
Restricted			
Construction and Maintenance of coal resource roads	2,189	4,739	3,266
Construction and Maintenance of industrial access roads	6,283	10,240	8,823
Waste tire clean-up	2,605	2,371	2,495
Unassigned	(3,923)	(23,524)	90,134
Reserved for inventories	-	-	-
Unreserved	-	-	-
Total General Fund	<u>\$ 50,104</u>	<u>\$ 39,591</u>	<u>\$ 143,497</u>
All Other Governmental Funds			
Restricted, capital projects fund	\$ -	\$ -	\$ -
Reserved, capital projects fund	-	-	-
Total all funds	<u>\$ 50,104</u>	<u>\$ 39,591</u>	<u>\$ 143,497</u>

Fiscal Year						
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 37,157	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
180,285	-	-	-	-	-	-
-	39,881	33,040	33,259	34,592	31,459	29,462
-	218,945	320,030	272,736	197,236	186,801	164,092
<u>\$ 217,442</u>	<u>\$ 258,826</u>	<u>\$ 353,070</u>	<u>\$ 305,995</u>	<u>\$ 231,828</u>	<u>\$ 218,260</u>	<u>\$ 193,554</u>
\$ 18,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	56,942	13,851	82,018	-	-	15
<u>\$ 235,470</u>	<u>\$ 315,768</u>	<u>\$ 366,921</u>	<u>\$ 388,013</u>	<u>\$ 231,828</u>	<u>\$ 218,260</u>	<u>\$ 193,569</u>

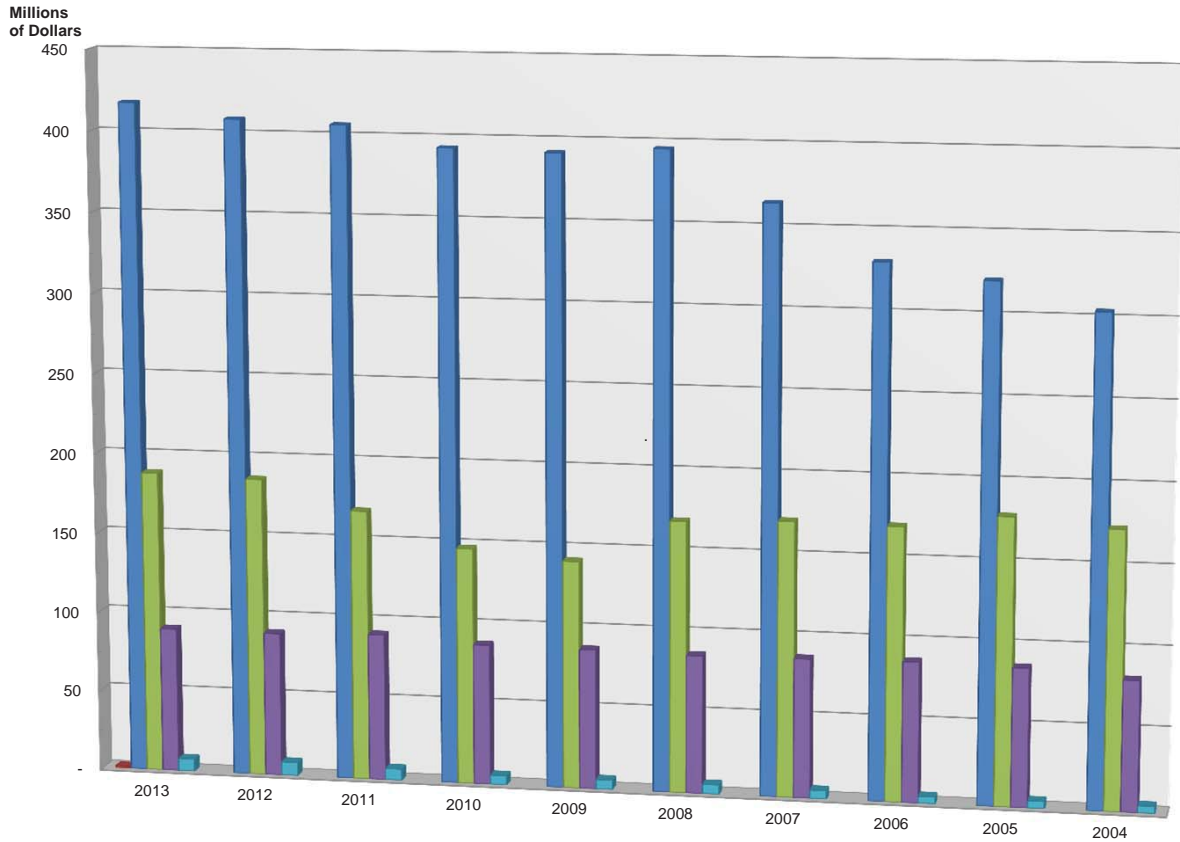


**DIVISION OF HIGHWAYS**  
**TAX AND LICENSE FEE REVENUE BY SOURCE(1)**  
 Last Ten Fiscal Years  
 (Amount expressed in thousands)

Fiscal Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Gasoline/Motor Carrier</b>	\$417,571	\$408,571	\$406,347	\$393,557	\$391,903	\$395,641	\$364,550	\$330,538	\$320,891	\$303,934
<b>Automobile Privilege</b>	188,197	186,300	168,602	147,466	141,930	169,095	171,429	170,484	178,763	173,225
<b>Registration/License Fees</b>	90,062	89,741	91,475	87,600	87,255	86,166	86,840	87,534	86,466	81,577
<b>Special Fees &amp; Permits</b>	7,676	8,380	7,083	5,793	5,958	5,954	5,263	4,290	4,554	4,461
<b>Total</b>	\$703,506	\$692,992	\$673,507	\$634,416	\$627,046	\$656,856	\$628,082	\$592,846	\$590,674	\$563,197

(1) As collected by State Road (General) Fund.

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the Divisions revenue.

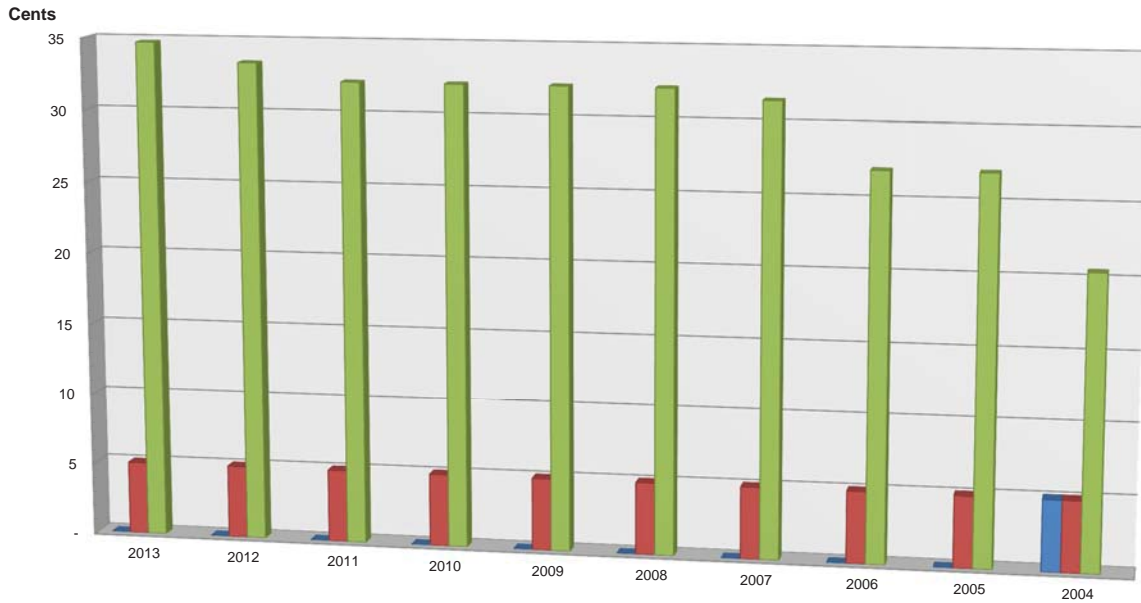




**DIVISION OF HIGHWAYS  
FUEL AND PRIVILEGE TAX RATES  
Last Ten Fiscal Years**

Fiscal Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Excise Motor Fuel(1) (cents per gallon)	-	-	-	-	-	-	-	-	-	5
Automobile Privilege(2) (cents per dollar)	5	5	5	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1) (cents per gallon)	34.7	33.4	32.2	32.2	32.2	32.2	31.5	27.0	27.0	20.5

- (1) On January 1, 2004, the gasoline and special fuels excise tax was repealed, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate of 14.2 cents per invoiced gallon as of January 1, 2013.
- (2) A tax equal to five percent of the value of said motor vehicle at the time of certification.



**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Primary Government - Debt				
	General Obligation Bonds	Revenue Notes	Total Primary Government	Percentage of Personal Income*	Per Capita*
2013	\$ 245,365	\$ 77,000	\$ 322,365	0.50%	173.74
2012	270,595	100,370	370,965	0.60%	199.94
2011	305,460	122,795	428,255	0.72%	231.12
2010	339,515	144,315	483,830	0.84%	265.87
2009	371,105	165,160	536,265	0.93%	295.48
2008	401,190	98,875	500,065	0.92%	276.10
2007	429,845	109,160	539,005	1.04%	298.25
2006	447,995	-	447,995	0.93%	248.35
2005	467,915	-	467,915	1.01%	259.48
2004	494,430	-	494,430	1.13%	274.34

Fiscal Year	Government Activities Tax and Fee Income				
	Gasoline and Motor Carrier	Automobile Privilege	Motor Vehicle Registrations and Licenses	Special Fees and Permits	Total
2013	\$ 417,571	\$ 188,197	\$ 90,062	\$ 7,676	\$ 703,506
2012	408,571	186,300	89,741	8,380	692,992
2011	406,347	168,602	91,475	7,083	673,507
2010	393,557	147,466	87,600	5,793	634,416
2009	391,903	141,930	87,255	5,958	627,046
2008	395,641	169,095	86,166	5,954	656,856
2007	364,550	171,429	86,840	5,263	628,082
2006	330,538	170,484	87,534	4,290	592,846
2005	320,891	178,763	86,466	4,554	590,674
2004	303,934	173,225	81,577	4,461	563,197

Fiscal Year	General Obligation Bond Debt Ratio			
	General Obligation Bonds	Percentage of Tax and Fee Income	Percentage of Personal Income*	Per Capita*
2013	\$ 245,365	34.88%	0.38%	\$ 132.24
2012	270,595	39.05%	0.44%	145.84
2011	305,460	45.35%	0.51%	164.85
2010	339,515	53.52%	0.59%	186.57
2009	371,105	59.18%	0.64%	204.48
2008	401,190	61.08%	0.74%	221.51
2007	429,845	68.44%	0.83%	237.85
2006	447,995	75.57%	0.93%	248.35
2005	467,915	79.22%	1.01%	259.48
2004	494,430	87.79%	1.13%	274.34

\* These ratios are calculated using personal income and population for the prior calendar year. See page 65 for personal income and population data.

This schedule has been revised.

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS**

**Demographic Statistics of West Virginia  
Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Total Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>	<b>Median Age</b>
2012	1,855,413	63,968,000	34,477	7.3%	41.3
2011	1,855,364	62,178,000	33,513	8.0%	41.1
2010	1,852,994	59,417,000	32,042	9.1%	41.3
2009	1,819,777	57,535,000	31,137	7.9%	40.5
2008	1,814,873	57,576,000	31,286	4.3%	40.6
2007	1,811,198	54,100,000	29,497	4.3%	40.4
2006	1,807,237	51,862,000	28,372	4.6%	40.7
2005	1,803,920	48,139,000	26,443	4.9%	40.7
2004	1,803,302	46,497,000	25,784	5.3%	40.2
2003	1,802,238	43,841,000	24,326	6.0%	39.9

Sources: Workforce West Virginia Research, Information, and Analysis Office and the U.S. Census Bureau.

This schedule has been revised.

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS**

**Principal Employers  
Current Year and Ten Years Ago**

	Largest Employer Rank			
	2013	2012	2011	2010
Wal-Mart Associates, Inc.	1	1	1	1
WV United Health System	2	2	2	2
Charleston Area Medical Center, Inc.	3	3	3	3
Kroger	4	4	4	4
Consolidation Coal Company	5	5	5	6
Mylan Pharmaceuticals, Inc	6	7	6	10
Lowe's Home Centers, Inc.	7	6	7	7
St. Mary's Medical Center, Inc.	8	9	8	8
Mentor Management, Inc (Mentor Network, The)	9	8	10	-
Res-Care, Inc.	10	-	-	9
American Electric Power	-	10	9	5
Pilgrim's Pride Corporation of West Virginia	-	-	-	-
Verizon	-	-	-	-
E I DuPont De Nemours & Company	-	-	-	-
ISG Weirton Inc.	-	-	-	-
Allegheny Energy Service Corporation	-	-	-	-
Eldercare Resources Corpertaion	-	-	-	-
CSX/CSX Hotels Inc. (The Greenbrier and railroad)	-	-	-	-

Source: Workforce West Virginia Research, Information and Analysis

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



Largest Employer Rank

2009	2008	2007	2006	2005	2004
1	1	1	1	1	1
2	2	2	2	3	3
3	3	3	3	2	2
4	4	4	4	4	4
9	10	-	8	8	-
-	-	-	-	-	-
10	8	7	7	-	-
7	9	10	10	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5	6	5	6	6	7
-	-	9	-	-	-
-	-	-	9	9	9
-	-	-	-	7	8
-	-	-	-	10	6
-	-	-	-	-	10
6	7	6	-	-	-
8	5	8	5	5	5

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

Employees by Program  
Last Ten Fiscal Years

<u>Program</u>	<u>Employees as of June 30</u>			
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Maintenance	3,401	3,466	3,547	3,534
Construction	973	853	950	927
General and administration	486	520	309	298
<b>Total</b>	<b>4,860</b>	<b>4,839</b>	<b>4,806</b>	<b>4,759</b>

Source: Division of Highways Budget Office.

<b>Employees as of June 30</b>					
<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>
3,539	3,372	3,340	3,327	3,472	3,504
898	888	907	961	981	1,007
306	296	313	332	355	358
<b>4,743</b>	<b>4,556</b>	<b>4,560</b>	<b>4,620</b>	<b>4,808</b>	<b>4,869</b>

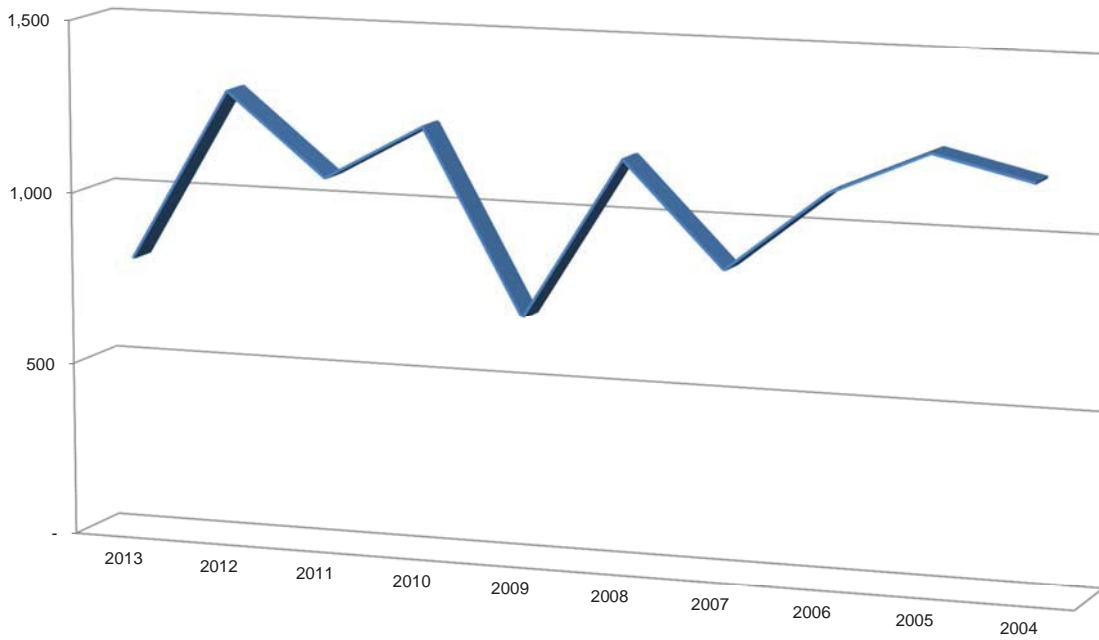


**DIVISION OF HIGHWAYS  
HIGHWAY CONSTRUCTION AND IMPROVEMENT  
TOTAL PROJECTS AUTHORIZED  
Last Ten Fiscal Years**

Fiscal Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	Total Projects
Projects	806	1,305	1,070	1,231	702	1,169	874	1,105	1,232	1,165	10,659

Source: Division of Highways Program Planning & Administration Division

Number of Projects:





**DIVISION OF HIGHWAYS  
HIGHWAY CONSTRUCTION AND IMPROVEMENT  
TOTAL PROJECTS AUTHORIZED BY TYPE  
Last Ten Fiscal Years  
Federal Aid  
( Number of Projects)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Interstate Construction	7	5	7	6	5	11	10	9	4	5
Interstate Renovation	24	24	19	20	16	18	22	15	25	29
Interstate Expansion	0	0	1	0	0	0	0	0	0	0
Non-Interstate Other	71	99	75	44	2	3	4	62	68	65
ARRA	0	1	8	70	73	0	0	0	0	0
Appalachian Development	17	14	30	16	19	19	19	25	12	13
Other Bridge	40	43	50	51	27	24	31	33	40	31
Miscellaneous	143	131	201	205	194	125	137	123	200	208
<b>Total</b>	<b>302</b>	<b>317</b>	<b>391</b>	<b>412</b>	<b>336</b>	<b>200</b>	<b>223</b>	<b>267</b>	<b>349</b>	<b>351</b>

**Non-Federal Aid  
( Number of Projects)**

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Maintenance	220	378	276	415	50	444	321	418	445	424
Bridge Replacement and Renovation	23	31	28	26	37	48	32	41	54	29
Miscellaneous Bridge Work	45	45	70	63	20	90	30	40	35	20
Industrial Access Roads	4	10	4	8	4	4	6	7	10	5
Roadway Renovation and Improvement	212	524	301	307	255	383	262	332	339	336
<b>Total</b>	<b>504</b>	<b>988</b>	<b>679</b>	<b>819</b>	<b>366</b>	<b>969</b>	<b>651</b>	<b>838</b>	<b>883</b>	<b>814</b>
<b>Grand Total</b>	<b>806</b>	<b>1305</b>	<b>1070</b>	<b>1231</b>	<b>702</b>	<b>1169</b>	<b>874</b>	<b>1105</b>	<b>1232</b>	<b>1165</b>

**TOTAL AUTHORIZED PROJECTS = 10,659**

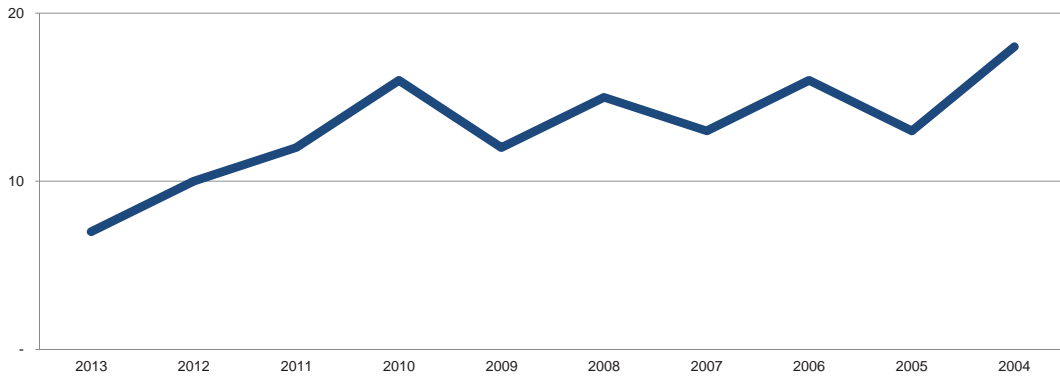


**DIVISION OF HIGHWAYS**  
**ROADWAY PROJECTS - SYSTEM EXPANSION ONLY**  
 Last Ten Fiscal Years

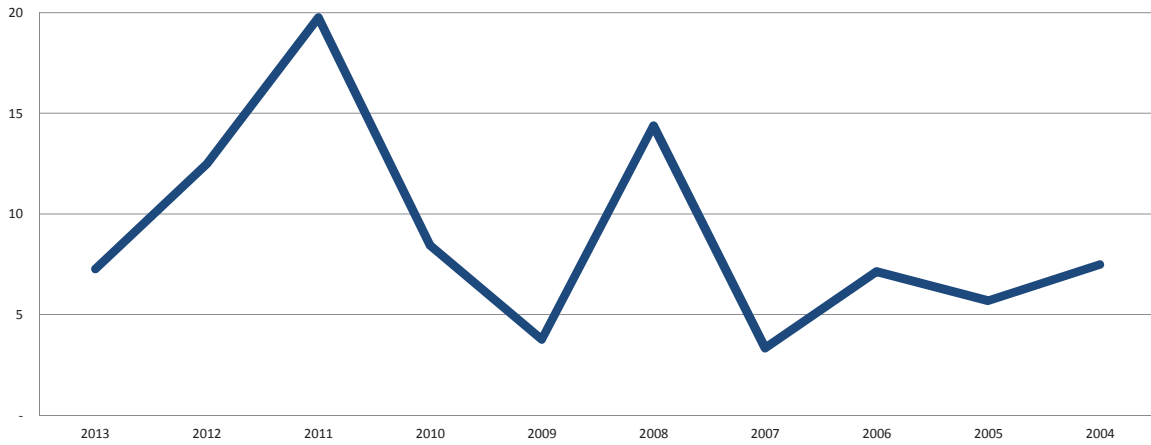
Fiscal Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Number of Projects	7	10	12	16	12	15	13	16	13	18
Number of Miles	7.26	12.49	19.75	8.44	3.77	14.39	3.34	7.13	5.69	7.49

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



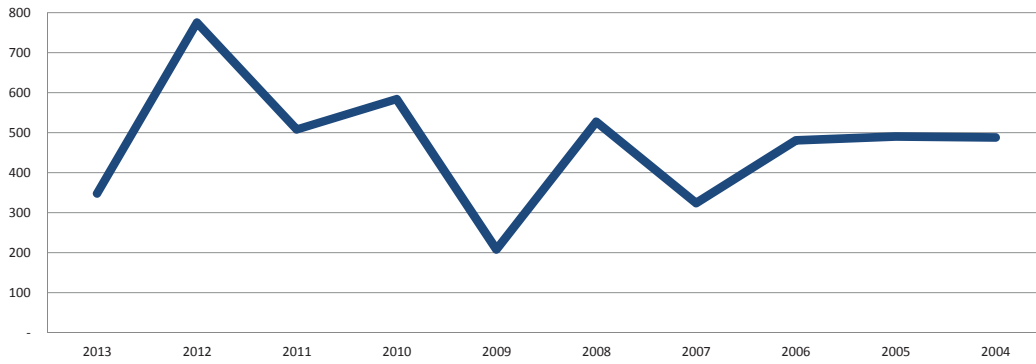


**DIVISION OF HIGHWAYS**  
**ROADWAY RESURFACING PROJECTS**  
 Last Ten Fiscal Years

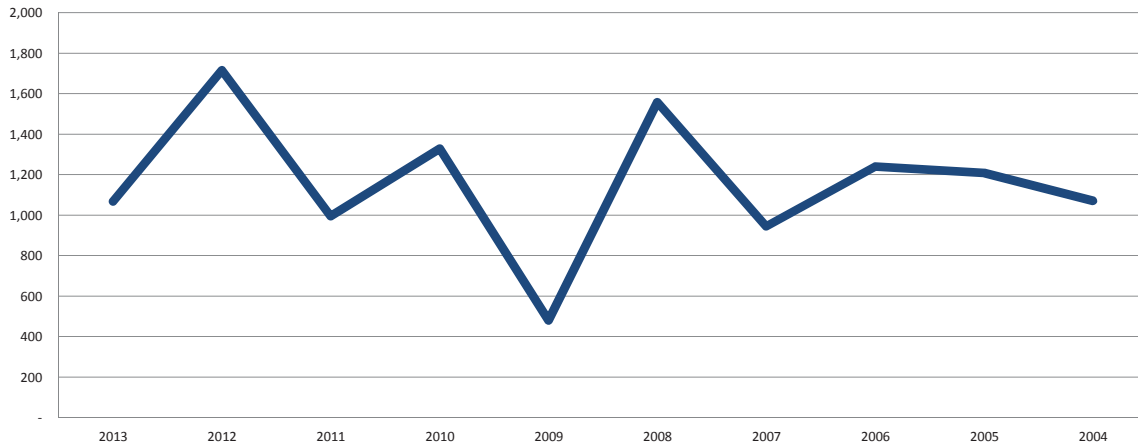
Fiscal Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Number of Projects</b>	348	775	508	584	208	527	324	481	490	488
<b>Number of Miles</b>	1,067	1,716	995	1,328	479	1,557	944	1,239	1,208	1,070

Source: Division of Highways Program Planning & Administration Division

**Number of Projects:**



**Number of Miles:**



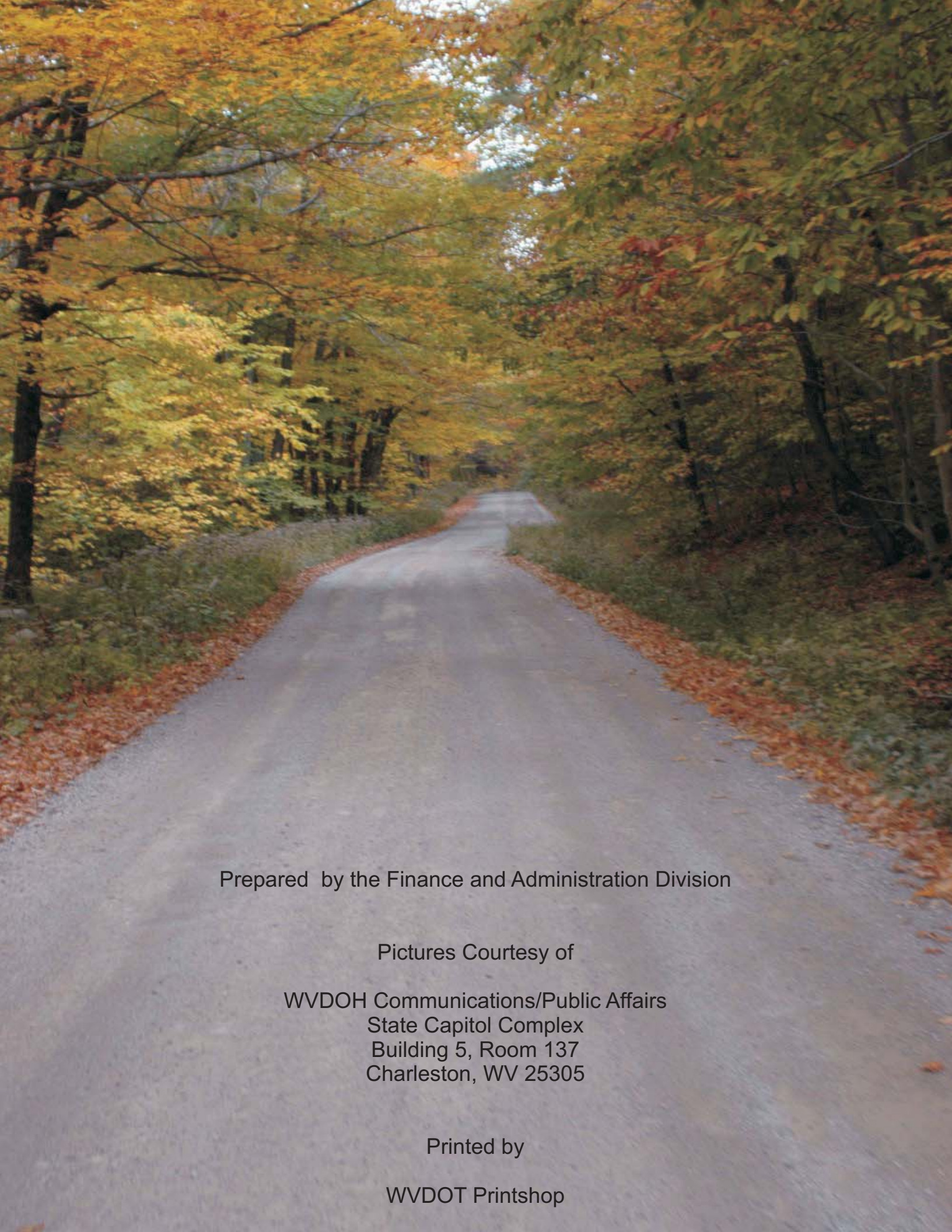
**DIVISION OF HIGHWAYS  
TOTAL HIGHWAY MILEAGE BY CATEGORY**

<u>Total Road System</u>	
Interstate Highway	468
U.S. Routes	1,818
W.V. Routes	3,673
County Routes	28,865
Other	<u>1,077</u>
 Total Road System Miles	 <u><u>35,901</u></u>

This classification system, established solely as an aid to the motoring public, consists of all routes identified by a route number sign.

<u>Federal Aid Routes</u>		
	<u>Rural Miles</u>	<u>Urban Miles</u>
<u>Interstate Highways (Part of National Highway System)</u>	369 *	186 **
<p>Interstate Highways are multi-lane, fully access-controlled routes that serve the national defense, and connect the nation's principal metropolitan areas, cities, and/or industrial centers.</p> <p>* Includes 4 miles of one way connecting ramps ** Includes 1 mile of one way connecting ramps</p>		
<u>Other National Highway System</u>	1,068	349
<p>Other major routes, including most principal arterials that are the most important to interstate travel and national defense, roads that connect with other modes of transportation, and roads essential for international commerce.</p>		
<u>Other Federal-Aid Highways</u>	7,008	1,477
<p>All other roads on which federal Highway funds may be expended.</p>		
Sub-total miles	<u>8,445</u>	<u>2,012</u>
 Total Federal Aid Routes Miles	 <u><u>10,457</u></u>	





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