



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, 2015**

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



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**

Prepared by:
Finance and Administration Division

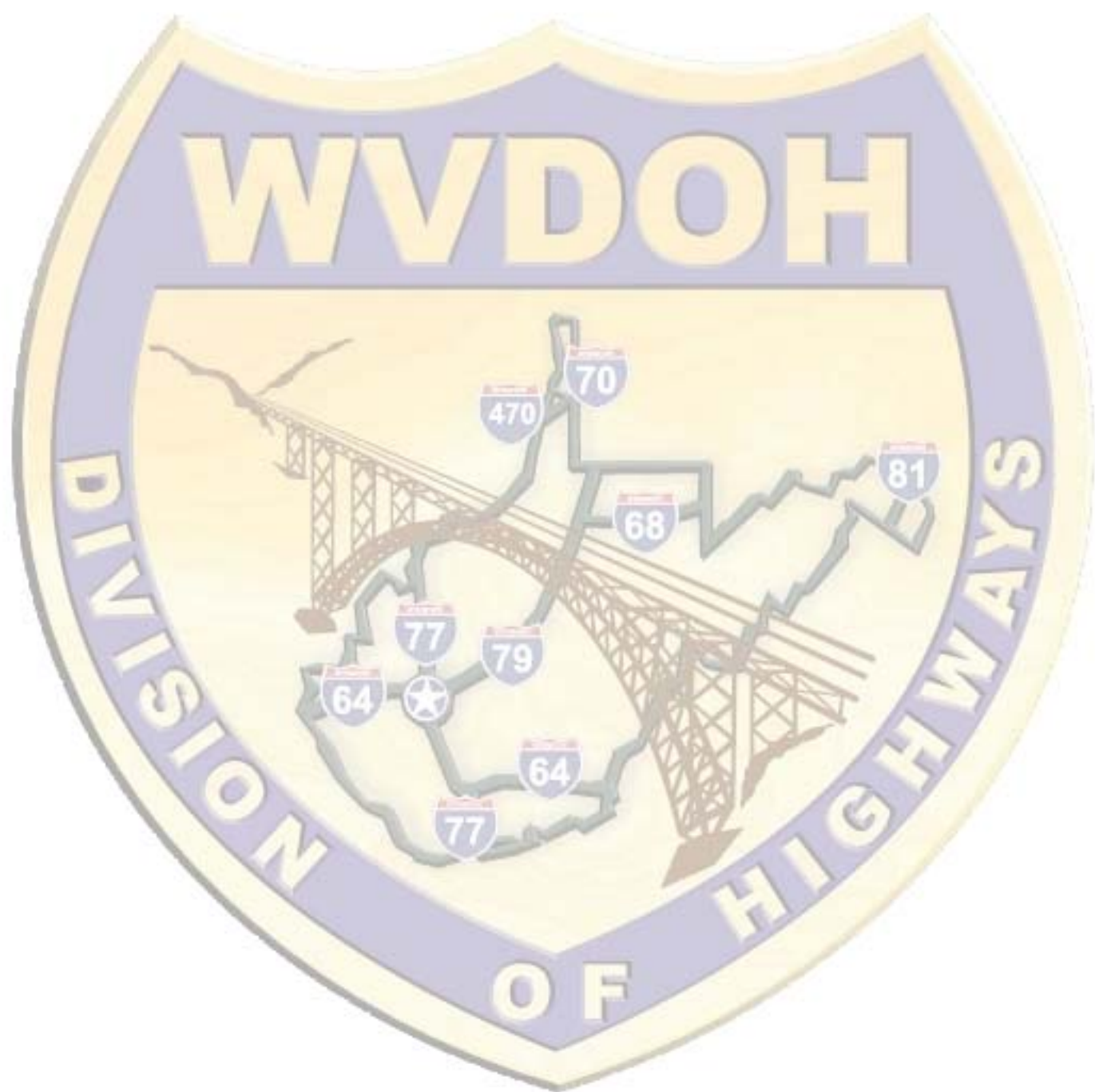


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Introductory Section

**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, 2015

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, 2015. 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 Gibbons and Kawash was engaged to perform the audit for the year ended June 30, 2015. 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, 2015 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.

E.E.O./AFFIRMATIVE ACTION EMPLOYER

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 2014-2019 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 2016*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, "West Virginia's economy has struggled over the past year, primarily driven by the state's energy sector, where continued losses in coal jobs have been coupled with what we believe is a temporary slowdown in natural gas. In this report we present a detailed discussion of the current state of the West Virginia economy along with our forecast for the likely path of economic activity over the next five years. Overall, this report provides a broad and detailed foundation to help you understand the long-run economic challenges and opportunities facing West Virginia.

After consistent and healthy job growth between 2010 and mid-2012, the state has seen employment decline for much of the last three years, with a cumulative loss of nearly 8,000 jobs. On a positive note, payrolls have increased on a year-over-year basis in the past two quarters, pointing to some stabilization. A significant portion of the state's job losses can be traced to the downturn in the coal industry, as well as weak levels of construction activity. Over this period, job gains have been recorded in the state's oil and gas industry, as well as a handful of service-providing industries, but these gains fail to offset the losses in coal. After falling steadily over the course of 2014, the state's unemployment rate has spiked in the past two quarters. West Virginia's jobless rate is at its highest level in more than two years. Per capita personal income in West Virginia grew at a stronger pace in 2014, rising 3.1 percent to approximately \$36,600. The state has recorded a measurably faster average annual rate of per capita income growth compared to the nation since 2008. Despite this growth, however, per capita personal income in West Virginia stands at only 79 percent of the national average. West Virginia's real GDP expanded 2.4

percent during 2014. Changes in total state economic output have fluctuated significantly in recent years, due primarily to diverging performances in the state's linchpin energy industries. Export activity from West Virginia has been quite volatile over the past decade. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run.

Employment in West Virginia is estimated to increase 0.5 percent per year on average through 2020, compared to an expectation of 1.2 percent for the nation as a whole. Our baseline forecast calls for job losses in coal to subside within the next two years; however, the outlook is subject to considerable downside risk depending on the environmental regulatory climate and conditions in the global coal market. Construction is expected to add jobs at the fastest rate going forward, but the service-providing segment will tend to pace the state's overall performance during the next five years, led by professional and business services and healthcare. The state's unemployment rate is expected to remain at or above 7 percent through early-2016, but will fall over much of the outlook period, declining to the upper-5-percent range by 2019. Per capita personal income is expected to grow at an annual average rate of 1.8 percent over the next five years, below the national rate of 2.3 percent. Growth will be driven largely by non-wage income, such as Social Security benefits.

West Virginia's population has declined over the past two years, and we project the state to lose around 23,000 residents over the next 20 years. The state's population is significantly older than the nation as a whole, and will continue to age in coming years. Threats to our generally positive outlook for the US economy should be considered. These include the following: weaker economic outcomes in the economies of major US trading partners – particularly China and Europe - could threaten exports and global economic stability; the question of long-run sustainability of the US federal budget; 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, 2015. 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	\$432,642	38%	\$(610)	0%
Automobile privilege taxes	204,993	18%	9,256	5%
Motor vehicle registration and licenses	96,294	8%	(689)	(1)%
Special fees and permits	6,681	1%	348	5%
Federal aid	350,133	31%	(101,577)	(22)%
Investments and interest income	156	0%	58	59%
Intergovernmental	9,480	1%	(2471)	(21)%
Miscellaneous	38,738	3%	4,109	12%
Total revenues	<u>\$1,139,117</u>	<u>100%</u>	<u>\$(91,576)</u>	<u>(7)%</u>
Road construction and other road operations	\$531,717	46%	\$(34,444)	(6)%
Road maintenance	440,032	38%	31,067	8%
Support and administrative operations	113,787	10%	(4,903)	(4)%
Debt Service	64,852	6%	575	1%
Total Expenditures	<u>\$1,150,388</u>	<u>100%</u>	<u>\$(7,705)</u>	<u>(1)%</u>

Overall, State tax and fee revenues in Fiscal Year 2015 increased by 1% over Fiscal Year 2014. State Road Fund revenues and fees are forecasted to remain stagnant through Fiscal Year 2019. Federal Aid revenues dropped primarily due to lower funding being available at the Federal level. Investments increased but interest revenue fluctuated only marginally due to the 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 increased due to 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, 2015 the outstanding principal balance of long-term general obligation bonds was \$168,845,000. These bonds were issued between 1998 and 2015 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 \$38.6 million annually for fiscal years 2015-2016 and drop to \$23.2 million for fiscal years 2017-2019.

At June 30, 2015 the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was \$26,875,000. 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. Plans for the completion of Rt. 35 continue along with work on WV 10, Corridor H and Coalfields Expressway. 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. During the fiscal year several major structures around the State were completed, including: the Lilly Bridge Bridge and the Thomas Burford Pugh Bridge. Other accomplishments during the fiscal year ended June 30, 2015 include the resurfacing of approximately 1,538 miles of roadway at a cost of \$245 million.

The Division also continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately \$16 million in new replacement units during the fiscal year. 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 a Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the 23rd consecutive year that the Division has achieved this prestigious award (1992-2014). In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Division believes its FY2015

comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

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". The signature is fluid and cursive, with the first name "Keith" being the most prominent.

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

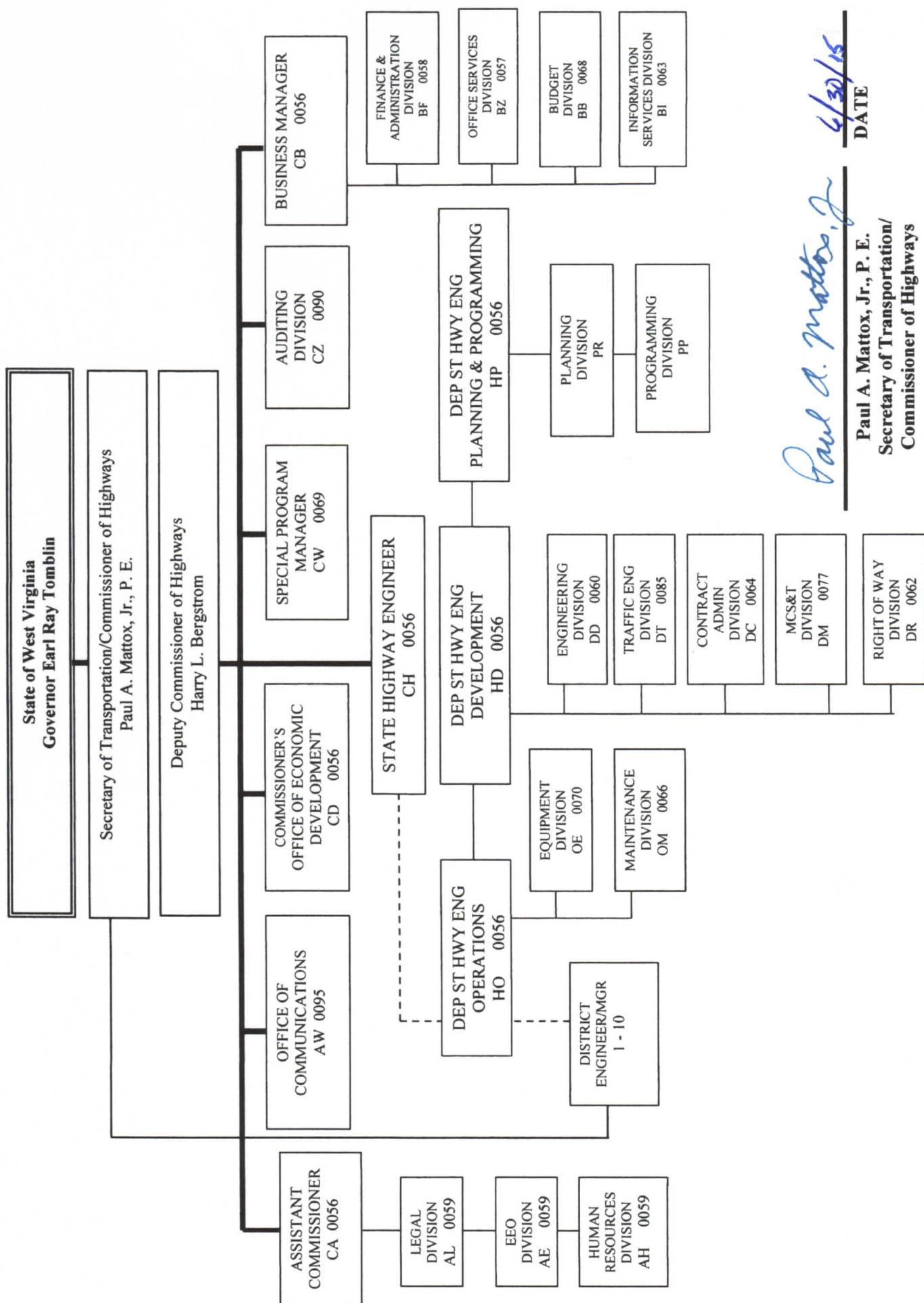
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014



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

DATE

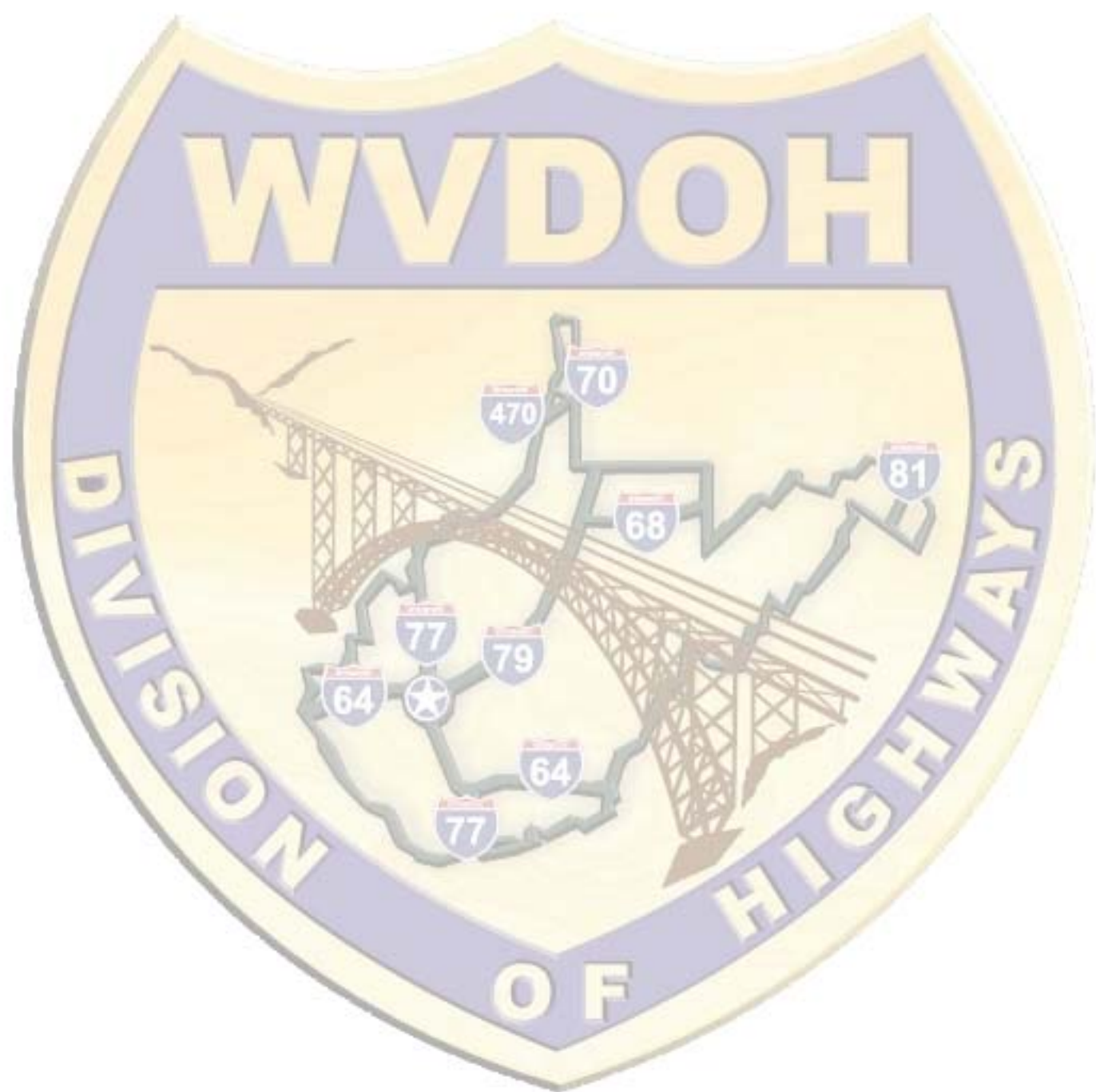
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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
LIST OF PRINCIPAL OFFICIALS
June 30, 2015

Paul A. Mattox, Jr.	Secretary of Transportation
Paul A. Mattox, Jr.	Commissioner of Highways
John McBrayer	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
Ronald Smith	Deputy State Highway Engineer-Operations
Rob Pennington	Deputy State Highway Engineer-Planning and Programming (Acting)
Marvin Murphy	Executive Assistant to the Agency Head
David Cramer	Commissioner's Office of Economic Development
Rob Pennington	Highway Engineer Chief
Jimmy Wriston	Special Program Manager
Lorrie Hodges	Legislative Services
Chuck Runyon	Executive Assistant to the Commissioner
Randy Wade	Director, Auditing Division
Carla Rotsch	Director, Budget Division
Brent Walker	Director, Communications
Jason Boyd	Director, Contract Administration Division
R.J. Scites	Director, Engineering Division
Drema Smith	Director, Equal Employment Opportunity Division
Travis Ray	Director, Equipment Division (Acting)
Keith Chapman	Director, Finance and Administration Division (Acting)
Kathleen Dempsey	Director, Human Resources Division
Kim Asseff	Director, Information Services Division
Michael J. Folio	Director, Legal Division
Kyle Stollings	Director, Maintenance Division
Ronald L. Stanevich	Director, Materials Control Soil & Testing Division
Ameche Watson	Director, Office Services Division
Richard Warner	Director, Planning Division
Ryland Musick	Director, Programming Division
Eric B. Hudnall	Director, Right of Way Division
Cindy Cramer	Director, Traffic Engineering Division
Susan Watkins	Correspondence & Central Files
Laura Conley-Rinehart	Staff Engineer
Gary Clayton	Regional Operations Engineer

DISTRICT ENGINEERS/MANAGERS

District 1	Aaron C. Gillispie	Charleston
District 2	Raymond Eplin	Huntington
District 3	James Roten	Parkersburg
District 4	Ray Urse	Clarksburg
District 5	Lee Thorne	Burlington
District 6	Ghassan H. Suwaid (Acting)	Moundsville
District 7	Ron Hooton	Weston
District 8	James Rossi (Acting)	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 West Virginia
Department of Transportation, Division of Highways
Charleston, West Virginia

We have audited the accompanying financial statements of the governmental activities and each major fund of the 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's Department of Transportation, as of and for the year ended June 30, 2015, 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 opinions 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 opinion.

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, 2015, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Other Matters

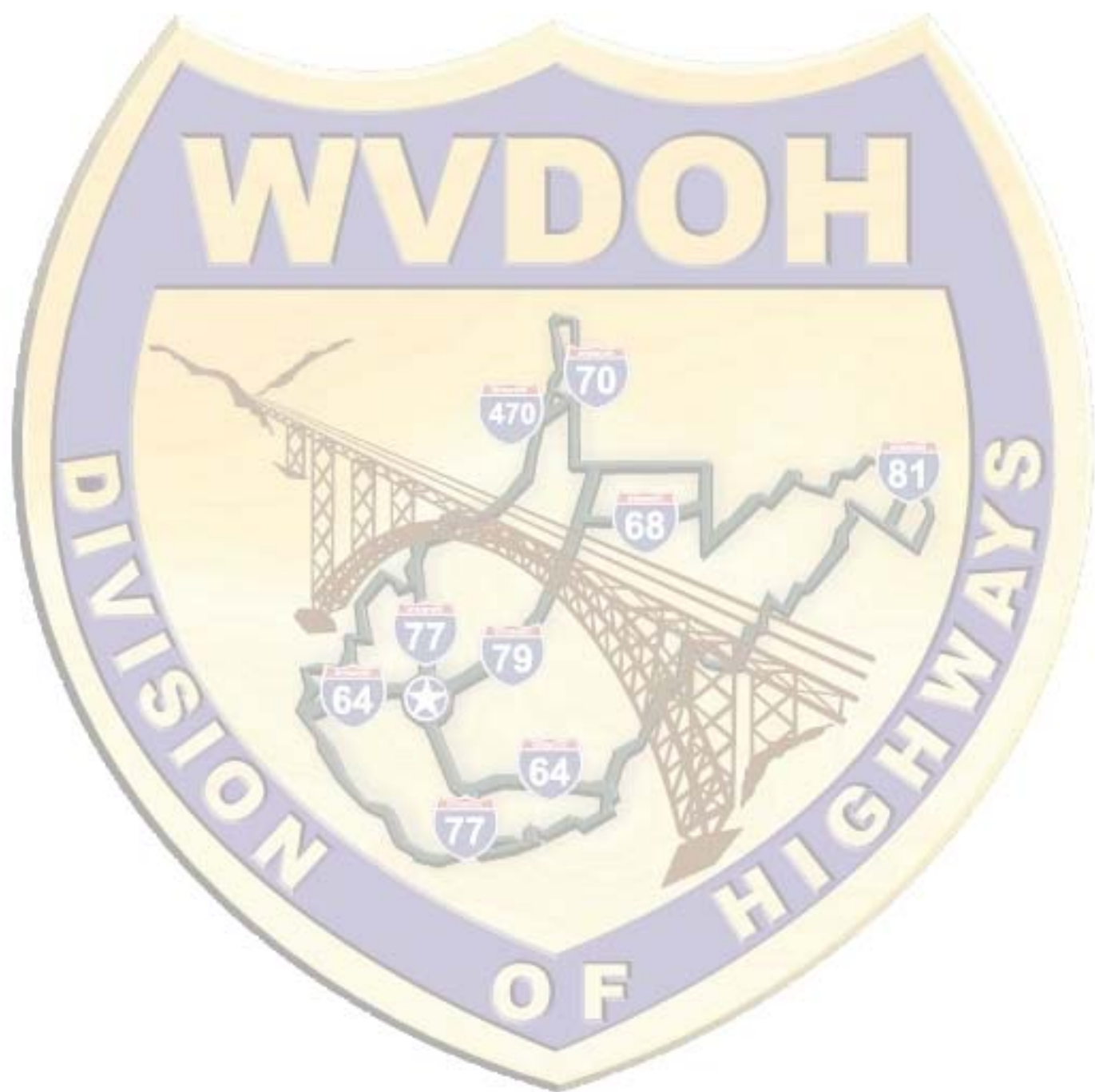
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 24, and the schedule of the proportionate share of the net pension liability, and the schedule of contributions to the PERS on pages 56 through 58, 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 and statistical sections as listed in the table of contents 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 24, 2015



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, 2015. 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 \$7.83 billion at the close of fiscal year 2015.

Changes in Net Position - During the year the Division's net position decreased by \$1 million or 0.01%. This percentage is a decrease from the prior year, when net position increased \$56 million or 0.71%.

Revenues and Expenses - Total revenues decreased by \$90 million or 7.33%. Total expenses decreased \$33 million or 2.85%. There were no significant changes in the programs carried out by the Division during the year.

Governmental Fund - Fund Balances - As of the close of fiscal year 2015, the Division's governmental fund reported combined total fund equity of \$104 million, a decrease of \$9 million in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, decreased by \$43 million during the current fiscal year. There was bond refinancing in April 2015. The Division's total outstanding special obligation notes, net of note premium, decreased by \$27 million decreasing total long term debt by 23.82% during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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.

Required Supplementary Information

Required supplementary information includes the presentation of this management's discussion and analysis and certain information concerning the Division's progress in funding its proportionate share of providing pension benefits to its employees through its participation in the Public Employees Retirement System.

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, 2015 and 2014 (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.

The Division implemented GASB Statement 68 this year. With the new reporting change, the Division reports its allocated proportionate share of the PERS net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. A restatement to record the effects of the new accounting standard decreased beginning net position by \$107,221.

The Division issued \$133,710 in General Obligation Refunding Bonds, Series 2015A, this year resulting in proceeds of \$159,908. This series refunds the Series 2005A General Obligation Refunding Bonds with cumulative outstanding principal of \$159,300 and will result in net present value savings of \$25,918 over the life of the bonds.

Statement of Net Position
June 30

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Assets and deferred outflows of resources			
Total current assets	\$ 345,989	\$ 300,324	15.21%
Capital assets	8,150,540	8,161,727	-0.14%
Other non-current assets	18	406	-95.57%
Deferred outflows of resources	<u>27,693</u>	<u>-</u>	100.00%
Total assets and deferred outflows of resources	<u>\$ 8,524,240</u>	<u>\$ 8,462,457</u>	0.73%
Liabilities and deferred inflows of resources			
Total current liabilities	\$ 290,389	\$ 257,551	12.75%
Long term liabilities	325,617	262,984	23.82%
Deferred inflows of resources	<u>74,314</u>	<u>-</u>	100.00%
Total liabilities and deferred inflows of resources	<u>690,320</u>	<u>520,535</u>	32.62%
Net position			
Net investment in capital assets	7,911,050	7,868,183	0.54%
Restricted	12,968	14,224	-8.83%
Unrestricted	<u>(90,098)</u>	<u>59,515</u>	-251.39%
Total net position	<u>7,833,920</u>	<u>7,941,922</u>	-1.36%
Total liabilities, deferred inflows of resources and net position	<u>\$ 8,524,240</u>	<u>\$ 8,462,457</u>	0.73%

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

Condensed Statement of Activities

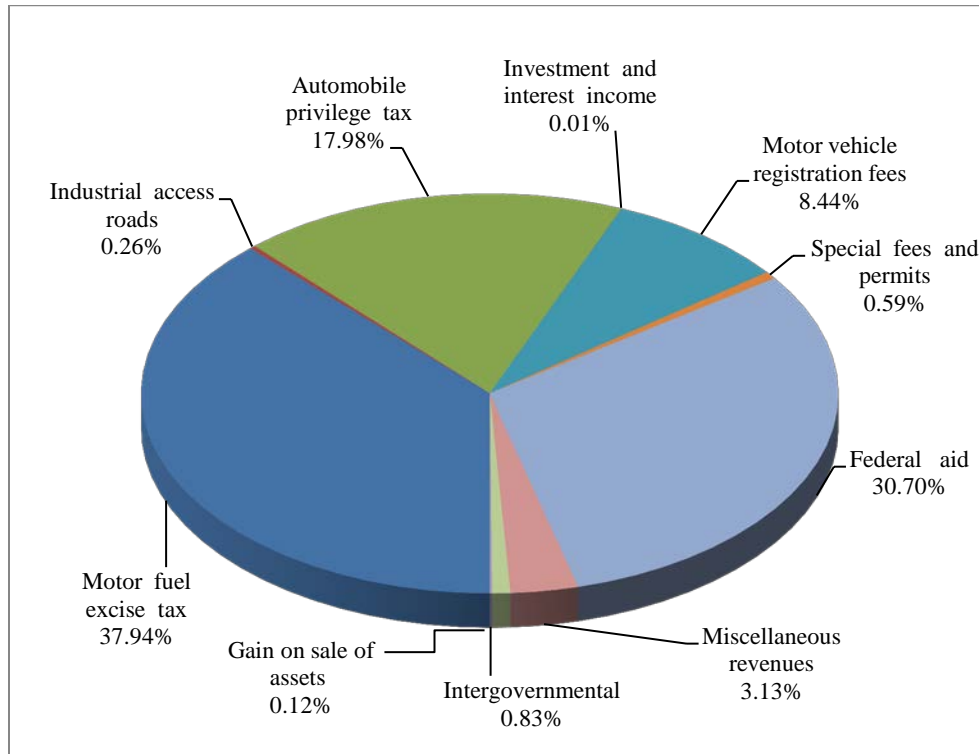
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net position changed during the fiscal year (amounts in thousands):

	Year Ended June 30		
	2015	2014	% Change
Revenues			
Taxes	\$ 637,636	\$ 628,989	1.37%
Investment and interest income	156	98	59.18%
Intergovernmental	9,480	11,951	-20.68%
Miscellaneous revenues	35,738	31,629	12.99%
Gain (loss) on sale of assets	1,302	(78)	1769.23%
Total general revenues	<u>684,312</u>	<u>672,589</u>	1.74%
Capital grants and contributions	353,133	454,710	-22.34%
Charges for service	102,975	103,316	-0.33%
Total program revenues	<u>456,108</u>	<u>558,026</u>	-18.26%
Total revenues	<u>1,140,420</u>	<u>1,230,615</u>	-7.33%
Expenses			
Road maintenance	431,046	423,270	1.84%
Other road operations	555,643	631,153	-11.96%
General and administration	139,867	91,464	52.92%
Interest on long-term debt	9,446	11,780	-19.81%
Unallocated depreciation	5,199	5,405	-3.81%
Transfer Out	-	11,605	-100.00%
Total expenses	<u>1,141,201</u>	<u>1,174,677</u>	-2.85%
Change in net position	(781)	55,938	-101.40%
Net position, beginning	7,941,922	7,885,984	0.71%
Cumulative effect of adoption of accounting principle (Note 2)	(107,221)	-	-100.00%
Net position, beginning, as restated	<u>7,834,701</u>	<u>7,885,984</u>	-0.65%
Net position, ending	<u>\$ 7,833,920</u>	<u>\$ 7,941,922</u>	-1.36%

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 decreased by \$1 million or 0.01%.

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 \$90 million. Total tax revenues increased by approximately \$8 million. Federal aid revenue decreased by approximately \$102 million or 22.49%. The following summarizes revenues for the years ended June 30, 2015 and June 30, 2014 (amounts in thousands):

	2015	2014	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise tax	\$ 432,642	\$ 433,252	\$ (610)	-0.14%
Industrial access roads	3,000	3,000	-	0.00%
Automobile privilege tax	204,994	195,737	9,257	4.73%
Motor vehicle registration fees	96,294	96,983	(689)	-0.71%
Special fees and permits	6,681	6,333	348	5.50%
Federal aid	350,133	451,710	(101,577)	-22.49%
Investment and interest income	156	98	58	59.18%
Intergovernmental	9,480	11,951	(2,471)	-20.68%
Miscellaneous revenues	35,738	31,629	4,109	12.99%
Gain on sale of assets	1,302	(78)	1,380	1769.23%
	<u>\$ 1,140,420</u>	<u>\$ 1,230,615</u>	<u>\$ (90,195)</u>	-7.33%

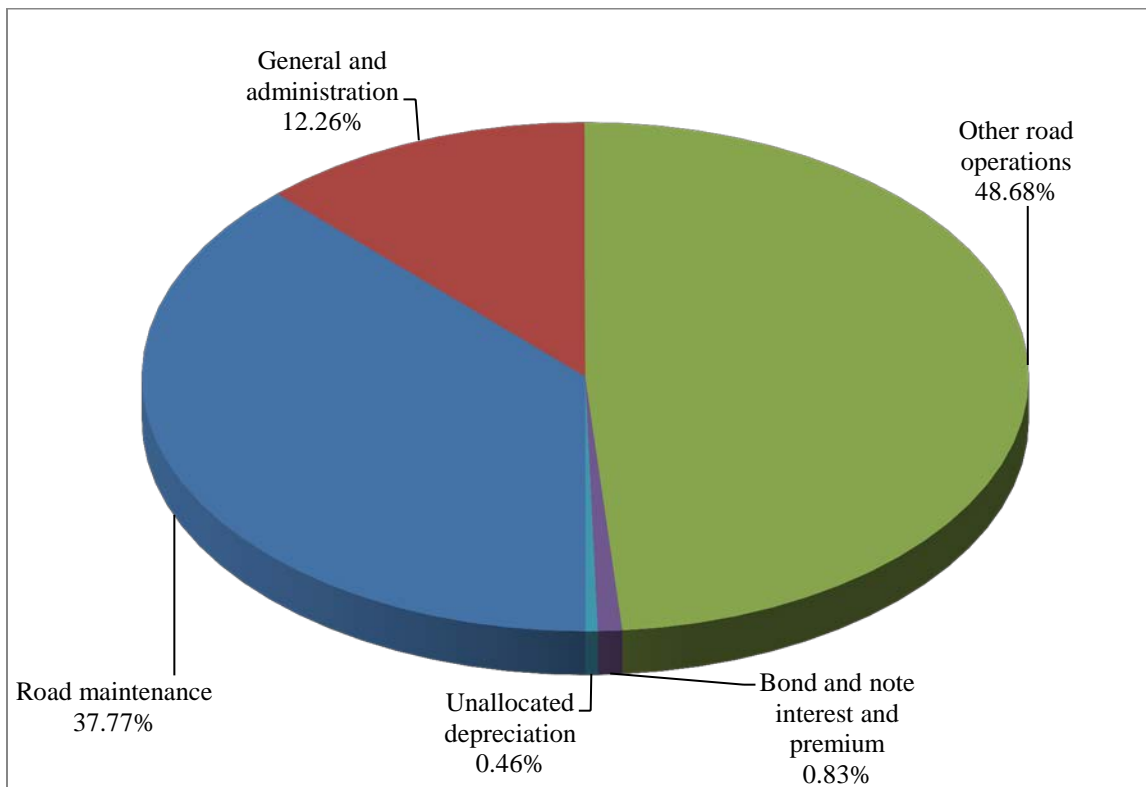
WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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.

Fiscal year 2015 tax collections reported on a cash basis grew by \$8.6 million (1.17%) over fiscal year 2014 tax collections. Motor fuel tax collections were \$9.4 million (2.20%) above estimates and \$6.2 million (1.42%) lower than fiscal year 2014 collections. Privilege tax collections were \$29.3 million (16.61%) above estimates and \$11.6 million (5.95%) above fiscal year 2014 collections. Registration fee collections were \$8.9 million (9.74%) above estimates and \$3.3 million (3.36%) above fiscal year 2014 collections. In fiscal year 2016, motor fuel tax, privilege tax collections and registration fee collections are all projected to be slightly lower than fiscal year 2015 actual collections. 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 and the Division requests reimbursement on specific projects that have qualified for federal participation. Federal funds received during 2015 were authorized under the Highway Transit Bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU); 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 \$33 million or 2.85%. The following summarizes expenditures for the years ended June 30, 2015 and June 30, 2014 (amounts in thousands):

	2015	2014	Increase (Decrease)	% Increase (Decrease)
Road maintenance	\$ 431,046	\$ 423,270	\$ 7,776	1.84%
Other road operations	555,643	631,153	(75,510)	-11.96%
General and administration	139,867	91,464	48,403	52.92%
Interest on long-term debt	9,446	11,780	(2,334)	-19.81%
Unallocated depreciation	5,199	5,405	(206)	-3.81%
Transfers out	-	11,605	(11,605)	-100.00%
	<u>\$ 1,141,201</u>	<u>\$ 1,174,677</u>	<u>\$ (33,476)</u>	-2.85%

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 fiscal year 2015, 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, 2015, the Division reported fund balances of approximately \$104 million. Of this total amount \$44 million constitutes unassigned fund balance while \$13 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 2015 fiscal year, unassigned fund balance of the General Fund was \$44 million and nonspendable fund balance was \$47 million while the restricted fund balance was \$13 million. The total General Fund balance decreased \$9 million during the fiscal year primarily due to decreased federal aid revenue.

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 fiscal year 2020, 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 fiscal year 2020. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	2015	2014	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise	\$ 432,642	\$ 433,252	\$ (610)	-0.14%
Motor vehicle registration	96,294	96,983	(689)	-0.71%
Privilege tax	204,994	195,737	9,257	4.73%
	<u>\$ 733,930</u>	<u>\$ 725,972</u>	<u>\$ 7,958</u>	1.10%

Motor fuel excise tax is imposed on the consumption of 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, 2015, when the rate fell from 15.2 cents to 14.1 cents per invoiced gallon.

The Division's federal revenue, on a cash (budgetary) basis for fiscal year 2015 was \$363 million, used primarily for design, right-of-way and construction of Corridor H, WV 10, Coalfields Expressway and system preservation projects on 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 and the Division requests reimbursement. 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):

	2015	2014	Increase (Decrease)	% Increase (Decrease)
Federal reimbursement-Budgeted funds	\$ 319,012	\$ 419,546	\$ (100,534)	-23.96%
Federal reimbursement-Surface Transportation	27,506	27,521	(15)	-0.05%
Federal reimbursement-Emergency funds	3,615	4,643	(1,028)	-22.14%
	<u>\$ 350,133</u>	<u>\$ 451,710</u>	<u>\$ (101,577)</u>	-22.49%

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 fiscal year 2016. 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 equity position. The approved fiscal year 2016 budget is \$1.14 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 Continuing Resolution of the 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, was October 1, 2013 extending to September 30, 2014. Federal expenditure authority and programs were authorized under the Highway and Transportation Funding Act of 2014 (Public Law 113-159), as amended by the Highway and Transportation Funding Act of 2015 (Public Law 114-21), and the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (Public Law 114-41), which provides for an extension of contract authority for the Federal-aid highway program through November 20, 2015. The Division is currently operating under a Continuing Resolution for funding that expires on December 11, 2015. Additional action from Congress will be necessary to extend the contract authority beyond November 20, 2015, to allow the Division access to the federal funding currently approved through December 11, 2015. West Virginia's federal fiscal year 2015 apportionment was \$421.8 million and the total contract authority was \$415.3 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015 the Division had invested \$8.2 billion, net of accumulated depreciation, in a range of capital assets (see note 8 for additional details). Depreciation charges for the fiscal year totaled \$330 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 \$306 million in depreciation of the infrastructure. The Division expended \$323 million dollars during the year ended June 30, 2015 for additions to capital assets. Of this amount, \$292 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 \$113 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 Tucker County, WV 10 in Logan County, I-64 in Cabell County, the Coalfields Expressway in Wyoming and Raleigh Counties 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, 2015, the Division had \$169 million in outstanding bonds. The amount outstanding decreased by \$52 million (23%) due to net principal payments and bond refinancing.

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, 2015, the Division had \$27 million in outstanding revenue notes. The amount decreased by \$26 million (48.83%) 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 10A - Bonds maturing on or before June 1, 2023.	Insured by FSA	Fitch:	AA+	\$	35,135
		Moody's:	Aa1		
		S&P:	AA		
Safe Roads 15A - Bonds maturing on or before June 1, 2025.	Insured by FSA	Fitch:	AA+		133,710
		Moody's:	Aa1		
		S&P:	AA		
Surface Transportation Improvements Special Obligation Notes (GARVEE 2006A) - Notes maturing on or before September 1, 2015	Not Insured - notes maturing Sept. 1, 2008; Insured by FSA - notes maturing after Sept. 1, 2008	Moody's:	A2		10,070
		S&P:	AA		
Surface Transportation Improvements Special Obligation Notes (GARVEE 2007A) - Notes Maturing on or before September 1, 2015	Not Insured - notes maturing Sept. 1, 2008; Insured by FSA - notes maturing after Sept. 1, 2008	Moody's:	A2		4,345
		S&P:	AA		
Surface Transportation Improvements Special Obligation Notes (GARVEE 2009A) - Notes Maturing on or before September 1, 2015	Insured by FSA	Moody's:	A2		12,460
		S&P:	AA		
				\$	195,720

More detailed information regarding capital asset and long-term debt activity is included in the notes 8 and 10, 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, 2015
(amounts expressed in thousands)

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 162,190
Accounts receivable, net	46,346
Taxes receivable	68,181
Due from other State of West Virginia agencies	14,594
Inventories	46,984
Investment	7,694
Total current assets	<u>345,989</u>
Non-current assets	
Capital assets not being depreciated	
Land - non-infrastructure	23,839
Land - infrastructure	1,097,423
Construction in progress	785,262
Capital assets net of accumulated depreciation	
Land improvements	8,979
Buildings	97,877
Furniture and fixtures	739
Rolling stock	54,750
Scientific equipment	140
Shop equipment	138
Roads	3,638,959
Bridges	2,442,434
Total capital assets	<u>8,150,540</u>
Other non-current assets	18
Total non-current assets	<u>8,150,558</u>
Total assets	<u>8,496,547</u>
Deferred outflows of resources	
Deferred outflows of resources - pensions	27,693
Total deferred outflows of resources	<u>27,693</u>
Total assets and deferred outflows of resources	<u><u>\$ 8,524,240</u></u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	\$ 75,001
Retainages payable	1,551
Accrued payroll and related liabilities	13,896
Other Post Employment Benefits Liability	141,207
Due to other State of West Virginia agencies	10,276
Accrued interest payable	1,192
Unearned revenue	230
Current maturities of long term obligations	47,036
Total current liabilities	<u>290,389</u>
Non-current liabilities	
Claims and judgments	77,500
Compensated absences	3,590
Net pension liability	53,405
Bonds and notes	191,122
Total non-current liabilities	<u>325,617</u>
Total liabilities	<u>616,006</u>
Deferred inflows of resources	
Deferred inflows of resources - pension	59,127
Deferred inflows of resources - gain on refunding	15,187
Total deferred inflows of resources	<u>74,314</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 690,320</u></u>
NET POSITION	
Net investment in capital assets	\$ 7,911,050
Restricted	
Coal Resource	4,584
Waste Tire	4,345
Industrial Access	4,039
Unrestricted	<u>(90,098)</u>
Total net position	<u><u>\$ 7,833,920</u></u>

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, 2015
(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	\$ 330,656	\$ -	\$ -	\$ (330,656)
Contract paving & secondary roads	64,339	-	-	(64,339)
Small bridge repair & replacement	16,385	-	-	(16,385)
Litter control program	555	-	-	(555)
Depreciation	19,111	-	-	(19,111)
Other road operations				
Interstate highways	61,373	-	61,162	(211)
Appalachian highways	12,607	-	44,625	32,018
Other federal aid programs	167,057	-	244,346	77,289
Non federal aid improvements	5,857	-	-	(5,857)
Industrial access roads	2,719	-	3,000	281
Depreciation	306,030	-	-	(306,030)
General and administration				
Support and administrative operations	45,485	6,681	-	(38,804)
Claims	56,901	-	-	(56,901)
Costs associated with DMV	35,943	96,294	-	60,351
Costs associated with OAH	1,538	-	-	(1,538)
Interest on long-term debt	9,446	-	-	(9,446)
Unallocated depreciation	5,199	-	-	(5,199)
	<u>\$ 1,141,201</u>	<u>\$ 102,975</u>	<u>\$ 353,133</u>	<u>(685,093)</u>
General revenues				
Taxes:				
Gasoline and motor carrier				432,642
Automobile privilege				204,994
Investment and interest income				156
Intergovernmental (unrestricted)				9,480
Miscellaneous revenues				35,738
Gain on sale of assets				1,302
Total general revenues				<u>684,312</u>
Change in net position				(781)
Net position, beginning				7,941,922
Cumulative effect of adoption of accounting principle				<u>(107,221)</u>
Net position, beginning, as restated				<u>7,834,701</u>
Net position, ending				<u>\$ 7,833,920</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, 2015
(amounts expressed in thousands)

	State Road (General)
<hr/>	
ASSETS	
Assets	
Cash and cash equivalents	\$ 162,190
Receivables	46,346
Taxes receivable	68,181
Due from other State of West Virginia agencies	14,594
Inventories	46,984
Investment	7,694
	<hr/>
Total assets	\$ 345,989
	<hr/>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 75,001
Retainages payable	1,551
Accrued payroll and related liabilities	13,896
Unearned Revenue	230
Other post employment benefits	141,207
Due to other State of West Virginia agencies	10,276
Total liabilities	<hr/> 242,161 <hr/>
Fund balances	
Non-spendable	
Inventories	46,984
Restricted	
Construction and maintenance of industrial access roads	4,039
Construction and maintenance of coal resource roads	4,584
Waste tire clean up and disposal	4,345
Unassigned	43,876
Total fund balances	<hr/> 103,828 <hr/>
Total liabilities and fund balances	<hr/> \$ 345,989 <hr/>

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, 2015
(amounts expressed in thousands)

Total fund balance - governmental fund	\$	103,828
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Amounts reported for governmental activities in the statement of net position 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	\$	23,839
Land - infrastructure		1,097,423
Construction in progress		785,262
Capital assets net of accumulated depreciation		
Land improvements		8,979
Buildings		97,877
Furniture and fixtures		739
Rolling stock		54,750
Scientific equipment		140
Shop equipment		138
Roads		3,638,959
Bridges		2,442,434
		8,150,540

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.		18
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Deferrals of resources related to pensions that represent a consumption of net position that applies to a future period, and therefore, is reported as a deferred outflow of resources in the statement of net position.		27,693
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Net pension liability	(53,405)	
Accrued interest payable	(1,192)	
Claims and judgments	(78,106)	
Compensated absences	(16,841)	
General obligation bonds and revenue notes	(224,301)	(373,845)
		(74,314)

Deferrals of resources related to pensions and gain on refunding that represents an acquisition of net position that applies to a future period, and therefore, are reported as deferred inflows of resources in the statement of net position.		(74,314)
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Net position of governmental activities	\$	7,833,920
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The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

	State Road (General)
Revenues	
Taxes	
Gasoline and motor carrier	\$ 432,642
Automobile privilege	204,993
Industrial access roads	3,000
License, fees and permits	
Motor vehicle registrations and licenses	96,294
Special fees and permits	6,681
Federal aid	
Interstate highways	61,162
Appalachian highways	44,625
Other federal aid programs	244,346
Investment and interest income, net of arbitrage rebate	156
Intergovernmental	9,480
Miscellaneous revenues	35,738
Total revenues	<u>1,139,117</u>
Expenditures	
Current	
Road maintenance	
Expressway, trunkline and feeder, state and local services	345,897
Contract paving and secondary roads	64,425
Small bridge repair and replacement	29,154
Litter control program	556
Support and administrative operations	73,957
Division of Motor Vehicles operations	37,550
Office of Administration Hearings operations	1,673
Claims	607
Capital outlay and other road operations	
Road construction and other road operations	
Interstate highways	85,274
Appalachian highways	62,526
Other federal aid programs	365,263
Nonfederal aid construction and road operations	15,935
Industrial access roads	2,719
Debt service	
Bond issuance costs	613
Principal	51,740
Interest	12,499
Total expenditures	<u>1,150,388</u>
Deficiency of revenues over expenditures	(11,271)
Other financing sources (uses)	
Refunding bonds issued	133,710
Premium on refunding bonds	26,198
Payment to refunded bond escrow agent	(159,300)
Proceeds of sale of assets	1,658
Total other sources (uses)	<u>2,266</u>
Net change in fund balances	(9,005)
Fund balances, beginning of year	<u>112,833</u>
Fund balances, end of year	<u>\$ 103,828</u>

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, 2015
(amounts expressed in thousands)

Net change in fund balance - governmental fund	\$	(9,005)
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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 the depreciation (\$330,339) exceeded the capital outlays of \$319,511 in the current period.		(10,828)
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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.		(359)
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Net 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.		51,132
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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 of the increase in claims of (\$56,294), increase in compensated absences of (\$863), and bond insurance costs of (\$388).		(57,545)
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Some expenses do not require the use of current financial resources and, therefore, are not reported in governmental funds. This is the amount of amortization of bond premium of \$2,924, a decrease of interest payable of \$517, and pension expense of \$22,383.		25,824
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Change in net position of governmental activities	\$	(781)
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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, 2015
(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues					
Taxes					
Gasoline and motor carrier	\$ 425,500	\$ -	\$ 425,500	\$ 434,853	\$ 9,353
Automobile privilege	176,680	-	176,680	206,026	29,346
Motor vehicle registrations and licenses	91,674	-	91,674	100,601	8,927
Revenue Transfer to Industrial Access Roads	(3,000)	-	(3,000)	-	3,000
Federal aid	423,000	-	423,000	349,661	(73,339)
Miscellaneous revenues	37,064	-	37,064	22,909	(14,155)
	<u>1,150,918</u>	<u>-</u>	<u>1,150,918</u>	<u>1,114,050</u>	<u>(36,868)</u>
Expenditures					
Road construction and other road operations					
Interstate highways	120,000	-	120,000	76,135	43,865
Appalachian highways	80,000	-	80,000	64,086	15,914
Other federal aid programs	325,000	46,000	371,000	325,170	45,830
Nonfederal aid construction	17,000	-	17,000	13,304	3,696
Federal economic stimulus	1,000	-	1,000	-	1,000
Road maintenance					
Maintenance	354,846	(5,000)	349,846	343,056	6,790
Contract paving and secondary roads	84,388	-	84,388	60,798	23,590
Small bridge repair and replacement	37,000	-	37,000	28,834	8,166
Litter control program	1,734	-	1,734	560	1,174
Support and administrative operations					
General operations	51,481	5,000	56,481	52,073	4,408
Equipment revolving	15,000	-	15,000	(1,860)	16,860
Inventory revolving	4,000	-	4,000	3,520	480
Debt service	37,000	-	37,000	36,752	248
Division of Motor Vehicles operations	41,379	-	41,379	39,179	2,200
Office of Administrative Hearings operations	1,952	-	1,952	1,669	283
Claims - DOH and DMV	1,000	-	1,000	609	391
	<u>1,172,780</u>	<u>46,000</u>	<u>1,218,780</u>	<u>1,043,885</u>	<u>174,895</u>
Excess (deficiency) of revenues over expenditures	(21,862)	(46,000)	(67,862)	70,165	138,027
Fund balance, beginning of year	81,259	-	81,259	81,259	-
Fund balance, end of year	<u>\$ 59,397</u>	<u>\$ (46,000)</u>	<u>\$ 13,397</u>	<u>\$ 151,424</u>	<u>\$ 138,027</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, 2015
(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, 2015 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 but are not limited to the 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. 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.

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 \$12,968 restricted assets, of which all is restricted by enabling legislation.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, 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 a 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.
- Pension expense is recorded when contributions are due in the governmental fund financial statements and is recorded when earned in the government-wide financial statements.

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.

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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 generally are a result of these routine payments and transfers. At June 30, 2015 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, 2015, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$ 70,165
Basis of accounting differences (budgetary to GAAP)	(83,135)
Unbudgeted funds	<u>1,699</u>
Deficiency of revenues over expenditures - GAAP basis	<u>\$ (11,271)</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.

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:

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 one hundred 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. 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.

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.

INVESTMENTS - Investments include amounts representing The County Commission of Monongalia Series 2014 B Excise Tax Revenue Bonds maturing June 2043 and bearing interest at 3.25% per annum and The County Commission of Monongalia Series 2014 A Property Tax Increment Revenue Bonds maturing June 2042 and bearing interest at 3.25% per annum issued as draw-down bonds with the principal amount of each respective obligation being represented by the portion of the principal amount of each respective series of Bonds which has been requisitioned by the Division and approved by the Issuer with the Trustee updating the register of advances maintained for each series of Bonds to reflect the principal amount of each Bond which has been purchased by the Division in conjunction with the development of an interstate interchange project. The total available principle amount of the Series 2014 B Excise Tax Revenue Bonds is \$21,830,000. The total available principal amount of the Series 2014 A Property Tax Increment Revenue Bonds is \$9,605,000. The bonds are carried at cost which approximates fair value.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The risks associated with these investments are affected by many factors, such as economic outlook, ability to collect projected tax revenue, and the ability to maintain property tax base. These investments are not readily marketable; therefore, no quoted prices are available. Because of uncertainties in the estimation process, estimated values may change in the near term, and those changes may be material.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment is exposed to interest rate risk, credit risk and concentration of credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Division will not be able to recover the value of the investment or collateral in the possession of an outside party. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment is not exposed to custodial credit risk and foreign currency risk.

Interest on the investment is recognized over the term of the bonds and is payable each June and December calculated using the stated interest rates on principal amounts received.

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. See Note 14.

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES – The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Division reports 27,693 as deferred outflows of resources on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Division reports 74,314 as deferred inflows of resources on the statement of net position.

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

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.

NET INVESTMENT 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 "net investment in capital assets." 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 - 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 in 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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015.

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, 2015.

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.

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 issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The Division has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirement of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Division has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will not affect the Division's financial statements as it does not administer a plan, but participates in a cost sharing plan.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Governmental Accounting Standards Board has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local government entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Division has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

NOTE 2: CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE

Effective July 1, 2014, the Division adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The Division determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of \$107,221 as of July 1, 2014, which is the net pension liability of \$135,349 less deferred outflows of resources related to pension plan contributions of \$28,128 as of that date. The Division further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of July 1, 2014 and these amounts are not reported.

NOTE 3: 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	\$ 39,456	\$ 39,456
Cash on deposit with State Treasurer in Debt Service Fund	37	37
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool	122,679	122,679
Cash on deposit with Huntington Bank (Restricted)	2	2
Cash in transit	16	16
	<u>\$ 162,190</u>	<u>\$ 162,190</u>

At June 30, 2015, the carrying amounts of deposits with financial institutions were \$2 thousand with corresponding bank balances. Deposits up to \$250 thousand are insured by the Federal Depository Insurance Corporation. Any balances over the insured amount are collateralized with securities held by the State of West Virginia’s agent in the State’s name.

The State Treasurer has statutory responsibility for the daily cash management activities of the State’s agencies, departments, boards and commissions, and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and provisions of bond indentures and trust agreements when applicable.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
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NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

The Division's cash balances invested by the BTI in the West Virginia Money Market Pool include investment income pro-rated to the Division at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Investments in the West Virginia Money Market Pool are available to the Division with overnight notice. Remaining cash balances are on deposit or in transit to/from the State Treasurer.

West Virginia Board of Treasury Investments (BTI) WV Money Market 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 WV Money Market Pool, 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 the 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. 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. The WV Money Market Pool is subject to credit risk.

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, 2015, the WV Money Market Pool investment had a total carrying value of \$1,890,464 of which the Division's ownership represents 6.49%.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The WV Money Market Pool is subject to interest rate risk.

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	\$ 12,523	1
U.S. Treasury notes	229,760	75
U.S. Treasury bills	92,059	123
Commercial paper	846,764	30
Certificates of deposit	203,005	51
U.S. agency discount notes	304,342	60
Corporate bonds and notes	30,000	75
U.S. agency bonds	81,994	58
Money market funds	90,017	1
	<u>\$ 1,890,464</u>	<u>47</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk. The WV Money Market Pool is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of the WV Money Market Pool'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. The WV Money Market Pool does not hold interests in foreign currency or interests valued in foreign currency.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consisted of the following:

Federal aid billed and not paid	\$ 29,089
Federal aid earned but not billed	<u>12,820</u>
Total federal aid receivable	41,909
Other receivables	<u>5,065</u>
Combined total receivables	46,974
Less: allowance for uncollectibles	<u>(628)</u>
Net accounts receivable	<u><u>\$ 46,346</u></u>

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.

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DIVISION OF HIGHWAYS
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NOTE 5: TAXES RECEIVABLE

Taxes receivable at June 30, 2015 consisted of the following:

Automobile privilege taxes	\$ 19,868
Motor fuel excise taxes	43,608
Registration fees	<u>4,705</u>
 Total taxes receivable	 <u><u>\$ 68,181</u></u>

NOTE 6: DUE FROM/TO OTHER STATE OF WEST VIRGINIA AGENCIES

Amounts due from other State of West Virginia agencies at June 30, 2015 consisted of the following:

The Department of Motor Vehicles	\$ 2,375
State Tax Department	9,517
Other agencies	<u>2,702</u>
 Total amounts due from other State of West Virginia agencies	 <u><u>\$ 14,594</u></u>

Amounts due to other State of West Virginia agencies at June 30, 2015 consisted of the following:

Public Employee's Insurance Agency	\$ 1,897
Public Employee's Retirement	1,750
Other agencies	<u>6,629</u>
 Total amounts due to other State of West Virginia agencies	 <u><u>\$ 10,276</u></u>

NOTE 7: INVENTORIES

Inventories at June 30, 2015 consisted of the following:

Material and supplies	\$ 33,061
Equipment repair parts	10,707
Gas and lubrication supplies	<u>3,216</u>
Total inventories	<u><u>\$ 46,984</u></u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land - non infrastructure	\$ 23,483	\$ 356	\$ -	\$ 23,839
Land - infrastructure	1,071,733	25,690	-	1,097,423
Construction-in-progress - buildings	15,655	9,949	2,829	22,775
Construction-in-progress - land improvements	41	1,527	744	824
Construction-in-progress - roads	501,867	180,748	41,558	641,057
Construction-in-progress - bridges	105,881	86,014	71,289	120,606
	<u>1,718,660</u>	<u>304,284</u>	<u>116,420</u>	<u>1,906,524</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings	155,820	2,426	3,013	155,233
Furniture and fixtures	4,773	83	111	4,745
Land improvements - non infrastructure	15,331	210	-	15,541
Rolling stock	258,424	15,990	8,648	265,766
Shop equipment	3,063	90	-	3,153
Scientific equipment	2,862	2	47	2,817
Infrastructure - roads	8,805,996	41,559	-	8,847,555
Infrastructure - bridges	3,091,874	71,289	-	3,163,163
	<u>12,338,143</u>	<u>131,649</u>	<u>11,819</u>	<u>12,457,973</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Buildings	56,056	4,193	2,893	57,356
Furniture and fixtures	3,858	255	107	4,006
Land improvements - non infrastructure	5,811	751	-	6,562
Rolling stock	200,423	19,006	8,413	211,016
Shop equipment	2,991	24	-	3,015
Scientific equipment	2,642	81	46	2,677
Infrastructure - roads	4,964,461	244,135	-	5,208,596
Infrastructure - bridges	658,834	61,895	-	720,729
	<u>5,895,076</u>	<u>330,340</u>	<u>11,459</u>	<u>6,213,957</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>6,443,067</u>	<u>(198,691)</u>	<u>360</u>	<u>6,244,016</u>
Governmental activities capital assets, net	<u>\$ 8,161,727</u>	<u>\$ 105,593</u>	<u>\$ 116,780</u>	<u>\$ 8,150,540</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 8: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$325,141 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$5,199 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	\$ 4,193
Furniture and fixtures	255
Land improvements	751
Total unallocated	<u>5,199</u>
Rolling stock	19,006
Shop equipment	24
Scientific equipment	81
Total road maintenance	<u>19,111</u>
Infrastructure - roads	244,135
Infrastructure - bridges	61,895
Total other road operations	<u>306,030</u>
Total depreciation expense	<u>\$ 330,340</u>

NOTE 9: 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, 2015, retainages payable included \$0 that was on deposit at BTI for construction contractors.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
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NOTE 10: LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2015, 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 revenue:							
Safe road bonds	2005	3.00% - 5.00%	06/01/2025	\$ 185,390	\$ -	\$ 185,390	\$ -
Safe road bonds	2010	4.00%	06/01/2023	35,135	-	-	35,135
Safe road bonds	2015	5.00%	06/01/2025	-	133,710	-	133,710
Total general obligation bonds				220,525	133,710	185,390	168,845
Bond premium				18,454	26,198	17,092	27,560
Total general obligation bonds payable net of premium				238,979	159,908	202,482	196,405
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Carvee 2006A)		3.75% - 5.00%	06/01/2016	19,665	-	9,595	10,070
Surface transportation improvements special notes (Carvee 2007A)		4.00% - 5.00%	06/01/2016	8,510	-	4,165	4,345
Surface transportation improvements special notes (Carvee 2009A)		3.75% - 5.00%	06/01/2016	24,350	-	11,890	12,460
Total revenue notes payable				52,525	-	25,650	26,875
Note premium				2,040	-	1,019	1,021
Total general obligation notes payable net of premium				54,565	-	26,669	27,896
Claims and judgments				21,812	56,906	612	78,106
Compensated absences				15,978	904	41	16,841
Net pension liability				-	81,533	28,128	53,405
Total long-term obligations				\$ 331,334	\$ 299,251	\$ 257,932	\$ 372,653

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10: 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 \$12,499 for the year ended June 30, 2015. 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:

	2016	2017	2018	2019	2020	2021- 2025	Total
General obligation bonds payable from tax revenue:							
Safe road bonds	\$ 11,162	\$ 23,193	\$ 23,192	\$ 23,192	\$ 23,194	\$ 115,976	\$ 219,909
Less: interest	<u>8,704</u>	<u>7,968</u>	<u>7,207</u>	<u>6,407</u>	<u>5,633</u>	<u>15,145</u>	<u>51,064</u>
Total principal	2,458	15,225	15,985	16,785	17,561	100,831	168,845
Bond premium	<u>2,825</u>	<u>2,825</u>	<u>2,825</u>	<u>2,825</u>	<u>2,825</u>	<u>13,435</u>	<u>27,560</u>
Total principal and bond premium	<u>\$ 5,283</u>	<u>\$ 18,050</u>	<u>\$ 18,810</u>	<u>\$ 19,610</u>	<u>\$ 20,386</u>	<u>\$ 114,266</u>	<u>\$ 196,405</u>
Revenue notes payable from federal aid revenue:							
Surface transportation special obligation notes	\$ 27,499	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,499
Less: interest	<u>624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>624</u>
Total principal	26,875	-	-	-	-	-	26,875
Note premium	<u>1,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,021</u>
Total principal and note premium	<u>\$ 27,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,896</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
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NOTE 10: 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.

The Division issued on behalf of the State of West Virginia, \$133,710 in General Obligation Refunding Bonds, Series 2015A on April 28, 2015, resulting in proceeds of \$159,908. This series refunds Series 2005A General Obligation State Road Bonds with cumulative outstanding principal of \$159,300, and will result in net present value savings of \$25,918 over the life of the bonds. The bonds that were refunded were called on June 1, 2015 and are no longer outstanding.

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

	Compensated Absences	Claims and Judgments	Net Pension Liability	General Obligation Bonds and Revenue Notes and Premium	Total
Current liabilities	\$ 13,251	\$ 606	\$ -	\$ 33,179	\$ 47,036
Long-term liabilities	3,590	77,500	53,405	191,122	325,617
	<u>\$ 16,841</u>	<u>\$ 78,106</u>	<u>\$ 53,405</u>	<u>\$ 224,301</u>	<u>\$ 372,653</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
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NOTE 10: LONG-TERM OBLIGATIONS (Continued)

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

	Year Ended <u>June 30, 2015</u>	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>
Estimated claims liability, July 1	\$ 21,812	\$ 18,248	\$ 18,194
Additions for claims incurred during the year	606	612	748
Changes in estimates for claims of prior periods	56,300	3,700	1,400
Payments on claims	<u>(612)</u>	<u>(748)</u>	<u>(2,094)</u>
Estimated claims liability, June 30	<u>\$ 78,106</u>	<u>\$ 21,812</u>	<u>\$ 18,248</u>

At June 30, 2015, approximately \$76,000 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 \$77,500 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 \$606. 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 11: 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, 2018 for rental payments of approximately \$1.9 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, 2015 the Division incurred payroll related expenditures of approximately \$26,573 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$27,693 in employer matching contributions to the State Public Employees Retirement System.

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NOTE 12: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$558,575 at June 30, 2015.

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, 2015, there were approximately 487 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 13: RETIREMENT PLAN

Plan Description

The Division contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits Provided

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
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NOTE 13: RETIREMENT PLAN (Continued)

Contributions

Although contributions are not actuarially determined, actuarial valuations are performed to assist the Legislature in establishing appropriate contribution rates. Current funding policy requires contributions, consisting of member contributions of 4.5% of covered payroll and employer contributions of 14.0%, 14.5%, and 14.0% for the years ended June 30, 2015, 2014, and 2013, respectively.

During the years ended June 30, 2015, 2014, and 2013, the Division's contributions to PERS required and made were approximately \$27,693, \$28,128, and \$27,797 respectively.

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

At June 30, 2015, the Division reported a liability of \$53,405 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2014. At June 30, 2014, the Division's proportion was 14.48%, which was a decrease of 0.37% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Division recognized pension expense of \$5,311. At June 30, 2015, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 56,544
Changes in proportion and differences between Division contributions and proportionate share of contributions	-	2,583
Division contributions made subsequent to the measurement date of June 30, 2014	<u>27,693</u>	<u>-</u>
Total	<u>\$ 27,693</u>	<u>\$ 59,127</u>

\$27,693 reported as deferred outflows of resources related to pensions resulting from Division contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2016	\$ (14,923)
2017	(14,923)
2018	(14,923)
2019	(14,358)

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NOTE 13: RETIREMENT PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2 percent
Salary increases	4.25 - 6.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

Mortality rates were based on the 1983 GAM for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	15.0%	2.9 - 4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	10.0%	5.0%
Total	<u>100%</u>	

Discount Rate

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

NOTE 13: RETIREMENT PLAN (Continued)

Sensitivity of the Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Division's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The Division's proportionate share of the net pension liability (asset)	\$ 151,005	\$ 53,405	\$ (29,693)

NOTE 14: 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 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 57th 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 that is actuarially determined. 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 \$17,698, \$11,318 and \$11,324 and the Division has paid premiums of \$10,948, \$9,659 and \$9,993 which represent 61.8%, 85.3% and 88.2% of the ARC, respectively, for the years ending June 30, 2015, 2014, and 2013. At June 30, 2015, the liability related to OPEB costs was \$141,207.

NOTE 15: 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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015
(amounts expressed in thousands)

NOTE 15: RISK MANAGEMENT (Continued)

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 10, 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 10.

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.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(amounts expressed in thousands)

Public Employees Retirement System

	<u>Year Ended June 30, 2015</u>
The Division's proportion (percentage) of the net pension liability	14.48%
The Division's proportionate share of the net pension liability	\$ 53,405
The Division's covered employee payroll	\$ 193,990
The Division's proportionate share of the net pension's liability as a percentage of its covered employee payroll	27.53%
Plan fiduciary net position as a percentage of the total pension liability	93.98%

Note: All amounts presented are as of the measurement date,
which is one year prior to the fiscal year end date.

See Independent Auditor's Report and note to required supplementary information.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
SCHEDULE OF CONTRIBUTIONS TO THE PERS
(amounts expressed in thousands)

	Years Ended June 30		
	2015	2014	2013
Division's statutorily required contribution	\$ 27,693	\$ 28,128	\$ 27,797
Division's contributions in relation to the statutorily required contribution	27,693	28,128	27,797
Contribution deficiency (excess)	-	-	-
Division's covered employee payroll	\$ 198,305	\$ 193,990	\$ 198,552
Division's contributions as a percentage of covered-employee payroll	14.0%	14.5%	14.0%

See Independent Auditor's Report and note to required supplementary information.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015

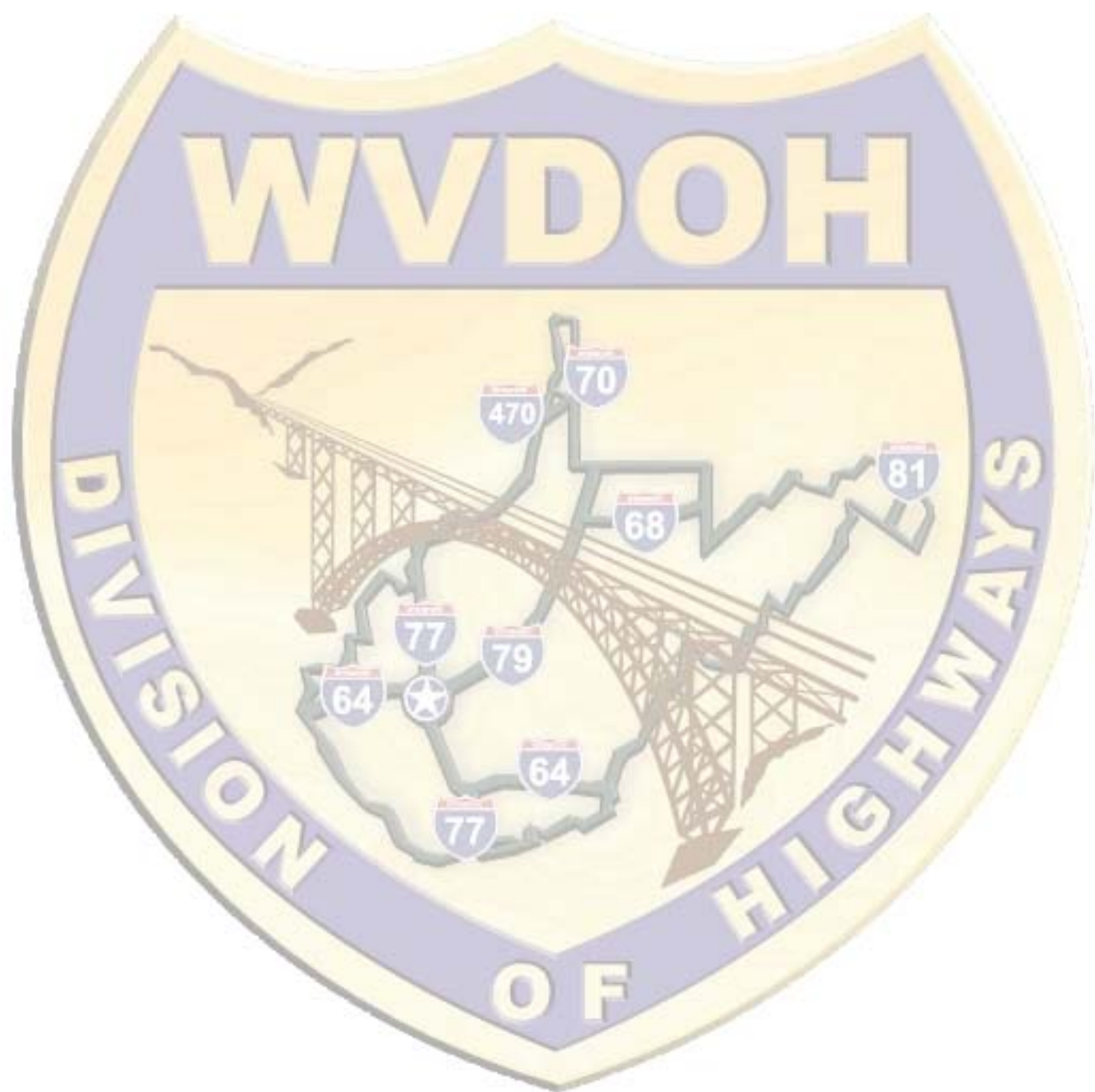
NOTE 1 - TREND INFORMATION PRESENTED

The accompanying schedules of the Division's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

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.

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Changes in Fund Balance of Governmental Fund	66
Fund Balance, Governmental Fund	68

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	70
Fuel and Privilege Tax Rates	71

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	72
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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	73
Principal Employers	74

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

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

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

	Fiscal Year			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities				
Net investment in capital assets	\$ 7,911,050	\$ 7,868,183	\$ 7,871,718	\$ 7,712,955
Restricted	12,968	14,224	11,077	17,350
Unrestricted	(90,098)	59,515	3,189	(25,347)
Total governmental activities net position	<u>\$ 7,833,920</u>	<u>\$ 7,941,922</u>	<u>\$ 7,885,984</u>	<u>\$ 7,704,958</u>

Fiscal Year					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 7,654,175	\$ 7,358,147	\$ 7,144,763	\$ 6,886,996	\$ 6,592,210	\$ 6,475,338
14,584	17,035	18,119	17,892	13,975	8,512
84,841	152,578	189,225	287,611	296,681	138,096
\$ 7,753,600	\$ 7,527,760	\$ 7,352,107	\$ 7,192,499	\$ 6,902,866	\$ 6,621,946

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

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

	Fiscal Year			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues				
Governmental activities:				
General Revenues				
Motor fuel excise tax	\$ 432,642	\$ 433,252	\$ 417,571	\$ 408,571
Automobile privilege tax	204,994	195,737	188,197	186,300
Investment and interest income	156	98	87	209
Payments from primary government	9,480	11,951	11,340	28,078
Miscellaneous revenues	35,738	31,629	36,351	34,695
(Loss) gain on sale of assets	1,302	(78)	985	2,149
Total General Revenues	<u>684,312</u>	<u>672,589</u>	<u>654,531</u>	<u>660,002</u>
Program Revenues				
Capital grants and contributions:				
Federal aid	350,133	451,710	462,329	497,814
Industrial access roads	3,000	3,000	3,000	3,000
Charges for services:				
Motor vehicle registration fees	96,294	96,983	90,062	89,741
Special fees and permits	6,681	6,333	7,676	8,380
Total Program Revenues	<u>456,108</u>	<u>558,026</u>	<u>563,067</u>	<u>598,935</u>
Total governmental revenues	<u>1,140,420</u>	<u>1,230,615</u>	<u>1,217,598</u>	<u>1,258,937</u>
Expenses				
Governmental activities:				
Road maintenance				
Expressway, trunkline & feeder & SLS	330,656	333,336	337,436	380,283
Contract paving & secondary roads	64,339	54,642	57,386	66,721
Small bridge repair & replacement	16,385	13,885	20,628	22,794
Litter control program	555	555	1,880	1,682
Depreciation	19,111	20,852	21,037	19,564
Other road operations				
Interstate highways	61,373	91,832	26,404	105,899
Appalachian highways	12,607	24,586	714	51,584
Other federal aid programs	167,057	193,458	159,235	212,896
Non federal aid improvements	5,857	15,119	14,021	9,561
Industrial Access Roads	2,719	2,055	2,651	1,583
Depreciation	306,030	304,103	300,195	290,728
General and administration				
Support and administrative operations	45,485	49,484	34,179	81,441
Claims	56,901	4,307	2,147	6,540
Costs associated with DMV	35,943	36,066	36,702	33,838
Costs associated with OAH	1,538	1,607	1,793	1,578
Interest on long-term debt	9,446	11,780	15,728	17,136
Unallocated depreciation	5,199	5,405	4,436	3,751
Transfer out		11,605	-	-
Total governmental expenses	<u>1,141,201</u>	<u>1,174,677</u>	<u>1,036,572</u>	<u>1,307,579</u>
Change in net position	(781)	55,938	181,026	(48,642)
Effect of adoption of accounting principle	(107,221)	-	-	-
Net position, beginning	<u>7,941,922</u>	<u>7,885,984</u>	<u>7,704,958</u>	<u>7,753,600</u>
Net position, ending	<u>\$ 7,833,920</u>	<u>\$ 7,941,922</u>	<u>\$ 7,885,984</u>	<u>\$ 7,704,958</u>

Fiscal Year					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 406,347	\$ 393,557	\$ 391,903	\$ 395,641	\$ 364,550	\$ 330,538
168,602	147,466	141,930	169,095	171,429	170,484
517	(457)	1,919	9,691	9,652	4,701
14,171	41,318	27,924	18,843	-	-
31,945	25,012	28,647	36,479	37,459	53,255
1,673	-	-	-	-	-
623,255	606,896	592,323	629,749	583,090	558,978
534,602	532,020	460,780	398,223	392,533	429,583
3,000	3,000	3,010	2,806	3,126	3,016
91,475	87,600	87,255	86,166	86,840	87,534
7,083	5,793	5,958	5,954	5,263	4,290
636,160	628,413	557,003	493,149	487,762	524,423
1,259,415	1,235,309	1,149,326	1,122,898	1,070,852	1,083,401
334,484	319,219	306,686	282,337	262,684	236,326
65,809	62,542	108,779	92,331	42,785	48,345
12,199	10,416	29,880	17,402	14,002	14,135
1,699	1,688	1,692	1,684	1,663	1,744
19,714	17,951	17,046	16,892	17,416	15,925
12,497	86,148	39,292	11,735	11,514	4,479
4,462	5,482	7,567	3,276	3,994	4,434
142,964	129,913	87,618	61,495	82,182	92,941
2,760	5,500	465	2,692	9,407	10,257
355	3,121	2,776	2,891	1,407	5,475
285,612	292,602	287,969	269,805	257,292	249,288
95,358	55,956	47,692	50,720	27,108	43,609
(2,940)	11,172	(4,196)	7,308	(3,000)	3,394
33,222	31,990	30,358	28,884	35,250	34,346
1,064	-	-	-	-	-
20,041	22,514	22,730	23,692	22,977	21,283
4,275	3,442	3,364	3,262	3,251	3,030
-	-	-	-	-	-
1,033,575	1,059,656	989,718	876,406	789,932	789,011
225,840	175,653	159,608	246,492	280,920	294,390
-	-	-	43,141	-	-
7,527,760	7,352,107	7,192,499	6,902,866	6,621,946	6,327,556
\$ 7,753,600	\$ 7,527,760	\$ 7,352,107	\$ 7,192,499	\$ 6,902,866	\$ 6,621,946

**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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues				
Taxes				
Gasoline and motor carrier	\$ 432,642	\$ 433,252	\$ 417,571	\$ 408,571
Automobile privilege	204,993	195,737	188,197	186,300
Industrial access roads	3,000	3,000	3,000	3,000
License, fees and permits				
Motor vehicle registrations and licenses	96,294	96,983	90,062	89,741
Special fees and permits	6,681	6,333	7,676	8,380
Federal aid				
Interstate highways	61,162	93,593	90,213	109,422
Appalachian highways	44,625	56,501	49,451	82,989
Other federal aid programs	244,346	301,616	322,665	305,403
Investment and interest income, net of arbitrage rebate	156	98	87	209
Intergovernmental	9,480	11,951	11,340	28,078
Miscellaneous revenues	35,738	31,629	36,351	34,695
Total Revenues	<u>1,139,117</u>	<u>1,230,693</u>	<u>1,216,613</u>	<u>1,256,788</u>
Expenditures				
Current				
Road maintenance				
Expressway, trunkline and feeder, sls	345,897	333,355	337,538	380,301
Contract paving and secondary roads	64,425	54,642	57,386	66,721
Small bridge repair and replacement	29,154	20,413	29,148	39,731
Litter control program	556	555	1,880	1,682
Support and administrative operations	73,957	80,273	76,203	112,652
Division of Motor Vehicles operations	37,550	36,066	36,702	33,838
Office of Administrative Hearings operations	1,673	1,607	1,793	1,578
Claims	607	744	2,092	2,327
Capital outlay and other road operations				
Road construction and other road operations				
Interstate highways	85,274	109,529	108,503	129,221
Appalachian highways	62,526	73,637	68,957	108,798
Other federal aid programs	365,263	363,658	396,979	387,429
Nonfederal aid construction and road op.	15,935	17,282	21,500	19,908
Industrial access roads	2,719	2,055	2,651	1,583
Debt service				
Bond issuance costs	613	1	4	3
Principal	51,740	49,315	48,600	57,290
Interest	12,499	14,961	17,349	20,078
Total Expenditures	<u>1,150,388</u>	<u>1,158,093</u>	<u>1,207,285</u>	<u>1,363,140</u>
Excess (deficiency) of revenues over expenditures	(11,271)	72,600	9,328	(106,352)
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(11,605)	-	-
Refunding bonds issued	133,710	-	-	-
Premium on refunding bonds	26,198	-	-	-
Payment to refunded bond escrow agent	(159,300)	-	-	-
Proceeds from sale of assets	1,658	1,734	1,185	2,446
Total other financing sources (uses)	<u>2,266</u>	<u>(9,871)</u>	<u>1,185</u>	<u>2,446</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (9,005)</u>	<u>\$ 62,729</u>	<u>\$ 10,513</u>	<u>\$ (103,906)</u>
Debt Service as a percentage of noncapital expenditures, excluding debt service	8%	7%	9%	7%

Fiscal Year					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 406,347	\$ 393,557	\$ 391,903	\$ 395,641	\$ 364,550	\$ 330,538
168,602	147,466	141,930	169,095	171,429	170,484
3,000	3,000	3,010	2,806	3,126	3,016
91,475	87,600	87,255	86,166	86,840	87,534
7,083	5,793	5,958	5,954	5,263	4,290
112,134	112,435	121,087	80,203	56,801	53,359
63,239	81,840	73,894	80,111	93,552	104,228
359,229	337,746	265,799	237,909	242,180	271,996
517	(457)	1,919	9,692	9,652	4,701
14,171	41,318	27,924	-	-	-
31,945	25,012	28,649	36,479	37,459	53,255
1,257,742	1,235,310	1,149,328	1,104,056	1,070,852	1,083,401
334,608	318,389	312,984	283,726	258,720	238,425
65,809	62,542	108,779	92,331	42,785	48,345
23,595	27,638	47,813	22,480	17,100	22,099
1,699	1,688	1,692	1,684	1,663	1,744
129,104	96,251	67,340	61,962	55,911	75,050
33,222	31,990	30,358	28,884	34,754	34,346
1,064	-	-	-	-	-
1,563	497	724	629	144	397
128,278	125,499	144,799	95,599	70,926	69,406
84,470	102,626	104,017	110,006	132,747	156,141
444,804	426,980	361,965	358,353	348,650	354,562
27,717	26,714	33,448	14,791	20,365	20,825
355	3,121	2,776	2,891	1,407	5,475
442	4	5	-	-	-
52,980	52,435	40,635	38,940	18,150	19,920
22,829	25,134	24,110	25,803	23,442	23,098
1,352,539	1,301,508	1,281,445	1,138,079	1,026,764	1,069,833
(94,797)	(66,198)	(132,117)	(34,023)	44,088	13,568
-	-	80,964	-	112,097	-
-	-	-	12,931	-	-
-	-	-	-	-	-
35,135	-	-	-	-	-
2,913	-	-	-	-	-
(37,730)	-	-	-	-	-
2,506	-	-	-	-	-
2,824	-	80,964	12,931	112,097	-
-	(14,100)	-	-	-	-
\$ (91,973)	\$ (80,298)	\$ (51,153)	\$ (21,092)	\$ 156,185	\$ 13,568
10%	10%	9%	11%	8%	8%

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





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

	Fiscal Year		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund			
Nonspendable			
Inventories	\$ 46,984	\$ 36,087	\$ 42,950
Restricted			
Construction and Maintenance of coal resource roads	4,584	7,786	2,189
Construction and Maintenance of industrial access roads	4,039	3,758	6,283
Waste tire clean-up	4,345	2,680	2,605
Unassigned	43,876	62,522	(3,923)
Reserved for inventories	-	-	-
Unreserved	-	-	-
Total General Fund	<u>\$ 103,828</u>	<u>\$ 112,833</u>	<u>\$ 50,104</u>
 All Other Governmental Funds			
Restricted, capital projects fund	\$ -	\$ -	\$ -
Reserved, capital projects fund	-	-	-
Total all funds	<u><u>\$ 103,828</u></u>	<u><u>\$ 112,833</u></u>	<u><u>\$ 50,104</u></u>

Fiscal Year							
<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	
\$ 45,765	\$ 38,779	\$ 37,157	\$ -	\$ -	\$ -	\$ -	
4,739	3,266	-	-	-	-	-	
10,240	8,823	-	-	-	-	-	
2,371	2,495	-	-	-	-	-	
(23,524)	90,134	180,285	-	-	-	-	
-	-	-	39,881	33,040	33,259	34,592	
-	-	-	218,945	320,030	272,736	197,236	
\$ 39,591	\$ 143,497	\$ 217,442	\$ 258,826	\$ 353,070	\$ 305,995	\$ 231,828	
\$ -	\$ -	\$ 18,028	\$ -	\$ -	\$ -	\$ -	
-	-	-	56,942	13,851	82,018	-	
\$ 39,591	\$ 143,497	\$ 235,470	\$ 315,768	\$ 366,921	\$ 388,013	\$ 231,828	

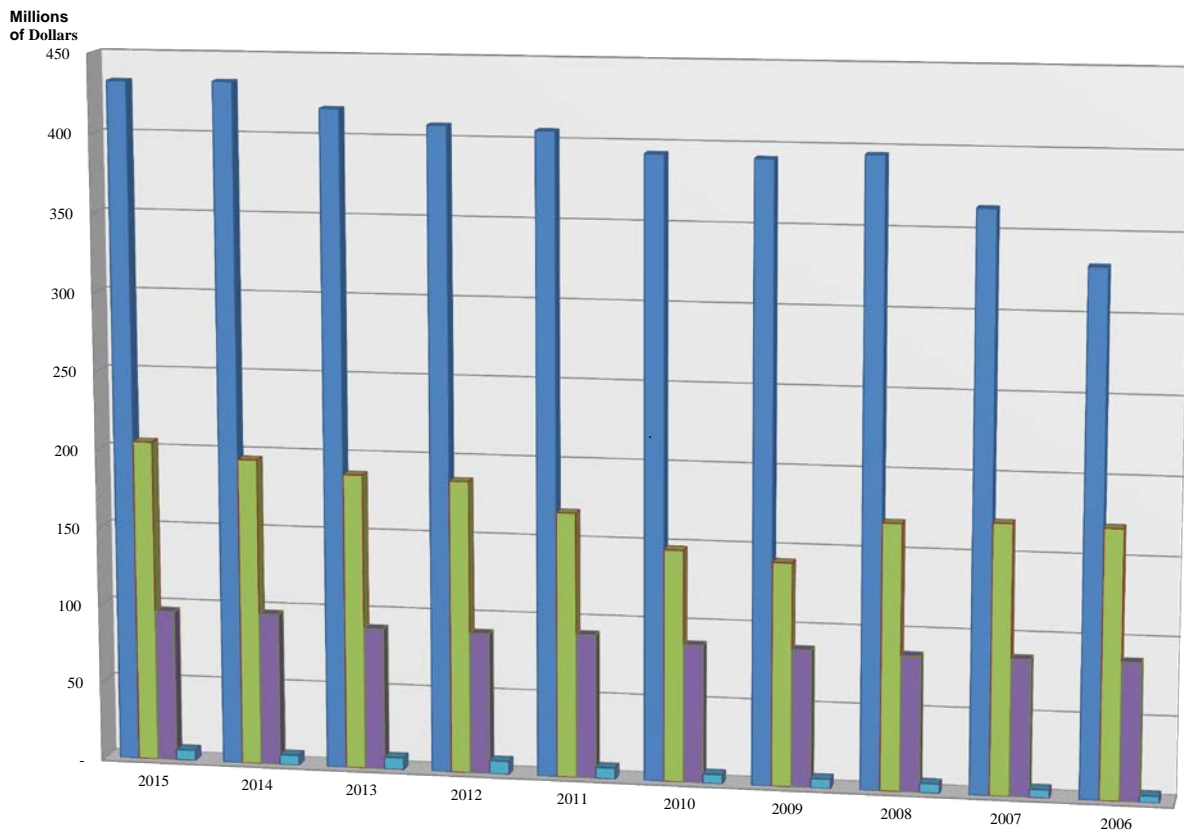


DIVISION OF HIGHWAYS
TAX AND LICENSE FEE REVENUE BY SOURCE(1)
Last Ten Fiscal Years
(Amount expressed in thousands)

Fiscal Year		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Gasoline/Motor Carrier		\$432,642	\$433,252	\$417,571	\$408,571	\$406,347	\$393,557	\$391,903	\$395,641	\$364,550	\$330,538
Automobile Privilege		204,994	195,737	188,197	186,300	168,602	147,466	141,930	169,095	171,429	170,484
Registration/ License Fees		96,294	96,983	90,062	89,741	91,475	87,600	87,255	86,166	86,840	87,534
Special Fees & Permits		6,681	6,333	7,676	8,380	7,083	5,793	5,958	5,954	5,263	4,290
Total		\$740,611	\$732,305	\$703,506	\$692,992	\$673,507	\$634,416	\$627,046	\$656,856	\$628,082	\$592,846

(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

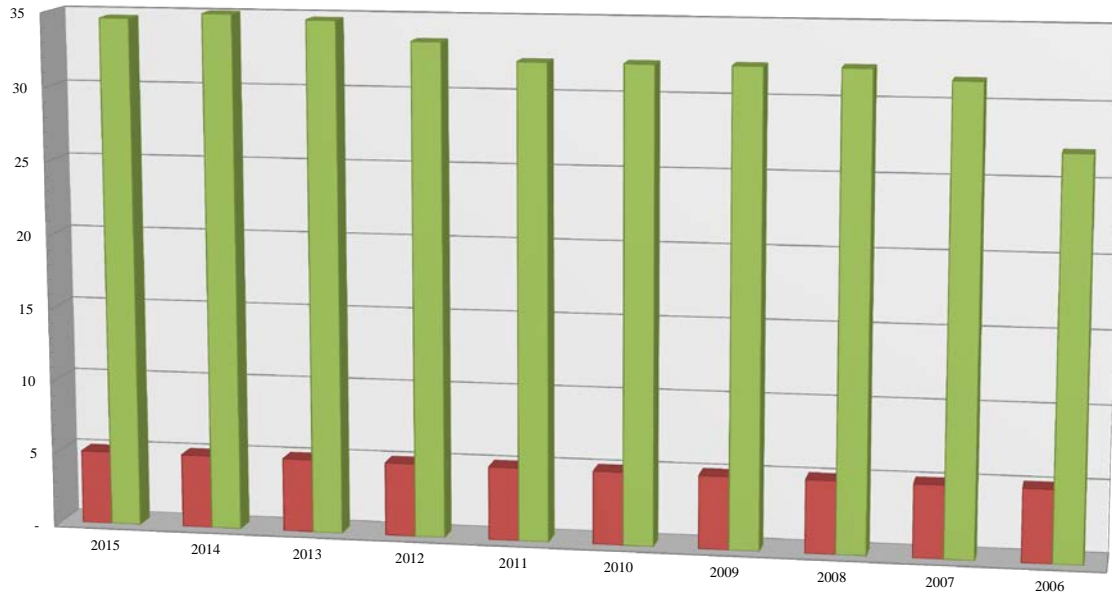
Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Automobile Privilege(2) (cents per dollar)	5	5	5	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1) (cents per gallon)	34.6	35.7	34.7	33.4	32.2	32.2	32.2	32.2	31.5	27.0

(1)

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 14.1 cents per invoiced gallon as of January 1, 2015.

(2) A tax equal to five percent of the value of said motor vehicle at the time of certification.

Cents



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	Revenue	Total	Percentage	Per Capita*
	Obligation Bonds	Notes	Primary Government	of Personal Income*	
2015	\$ 196,405	\$ 27,896	\$ 224,301	0.34%	121.22
2014	238,979	54,565	293,544	0.45%	158.30
2013	265,541	80,059	345,600	0.54%	186.27
2012	292,497	104,448	396,945	0.64%	213.94
2011	329,130	127,892	457,022	0.77%	246.64
2010	362,066	150,431	512,497	0.89%	281.63
2009	395,289	172,295	567,584	0.99%	312.74
2008	427,263	101,931	529,194	0.98%	292.18
2007	457,859	112,599	570,458	1.10%	315.65
2006	478,009	-	478,009	0.99%	264.98

Fiscal Year	Government Activities Tax and Fee Income				
	Gasoline	Automobile	Motor Vehicle	Special	Total
	and Motor Carrier	Privilege	Registrations and Licenses	Fees and Permits	
2015	\$ 432,642	\$ 204,993	\$ 96,294	\$ 6,681	740,610
2014	433,252	195,737	96,983	6,333	732,305
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

Fiscal Year	General Obligation Bond Debt Ratio			
	General	Percentage	Percentage	Per Capita*
	Obligation Bonds	of Tax and Fee Income	of Personal Income*	
2015	\$ 196,405	26.52%	0.29%	106.15
2014	238,979	32.63%	0.36%	128.88
2013	265,541	37.75%	0.42%	143.12
2012	292,497	42.21%	0.47%	157.65
2011	329,130	48.87%	0.55%	177.62
2010	362,066	57.07%	0.63%	198.96
2009	395,289	63.04%	0.69%	217.81
2008	427,263	65.05%	0.79%	235.90
2007	457,859	72.90%	0.88%	253.35
2006	478,009	80.63%	0.99%	264.98

* These ratios are calculated using personal income and population for the prior calendar year. See page 73 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**

Calendar Year	Total Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	Median Age
2014	1,850,326	66,857,000	36,132	7.6%	41.9
2013	1,854,304	65,889,000	35,533	6.6%	41.3
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

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			
	2015	2014	2013	2012
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
Mylan Pharmaceuticals, Inc.	5	5	6	7
Murray American Energy, Inc.	6	6	-	-
St. Mary's Medical Center, Inc.	7	7	8	9
Lowe's Home Centers, Inc.	8	8	7	6
Cabell Huntington Hospital	9	-	-	-
Res-Care, Inc.	10	10	10	-
Mentor Management, Inc (Mentor Network, The)	-	9	9	8
American Electric Power	-	-	-	10
Consolidation Coal Company	-	-	5	5
Pilgrim's Pride Corporation of West Virginia	-	-	-	-
Verizon	-	-	-	-
Eldercare Resources Corportaion	-	-	-	-
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					
2011	2010	2009	2008	2007	2006
1	1	1	1	1	1
2	2	2	2	2	2
3	3	3	3	3	3
4	4	4	4	4	4
6	10	-	-	-	-
-	-	-	-	-	-
8	8	7	9	10	10
7	7	10	8	7	7
-	-	-	-	-	-
-	9	-	-	-	-
10	-	-	-	-	-
9	5	5	6	5	6
5	6	9	10	-	8
-	-	-	-	9	-
-	-	-	-	-	9
-	-	6	7	6	-
-	-	8	5	8	5

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

**Employees by Program
Last Ten Fiscal Years**

<u>Program</u>	Employees as of June 30			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Maintenance	3383	3404	3,401	3,466
Construction	966	973	973	853
General and administration	483	486	486	520
Total	4,832	4,863	4,860	4,839

Source: Division of Highways Budget Office.

Employees as of June 30					
<u>2012</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
3,547	3,534	3,539	3,372	3,340	3,327
950	927	898	888	907	961
309	298	306	296	313	332
4,806	4,759	4,743	4,556	4,560	4,620

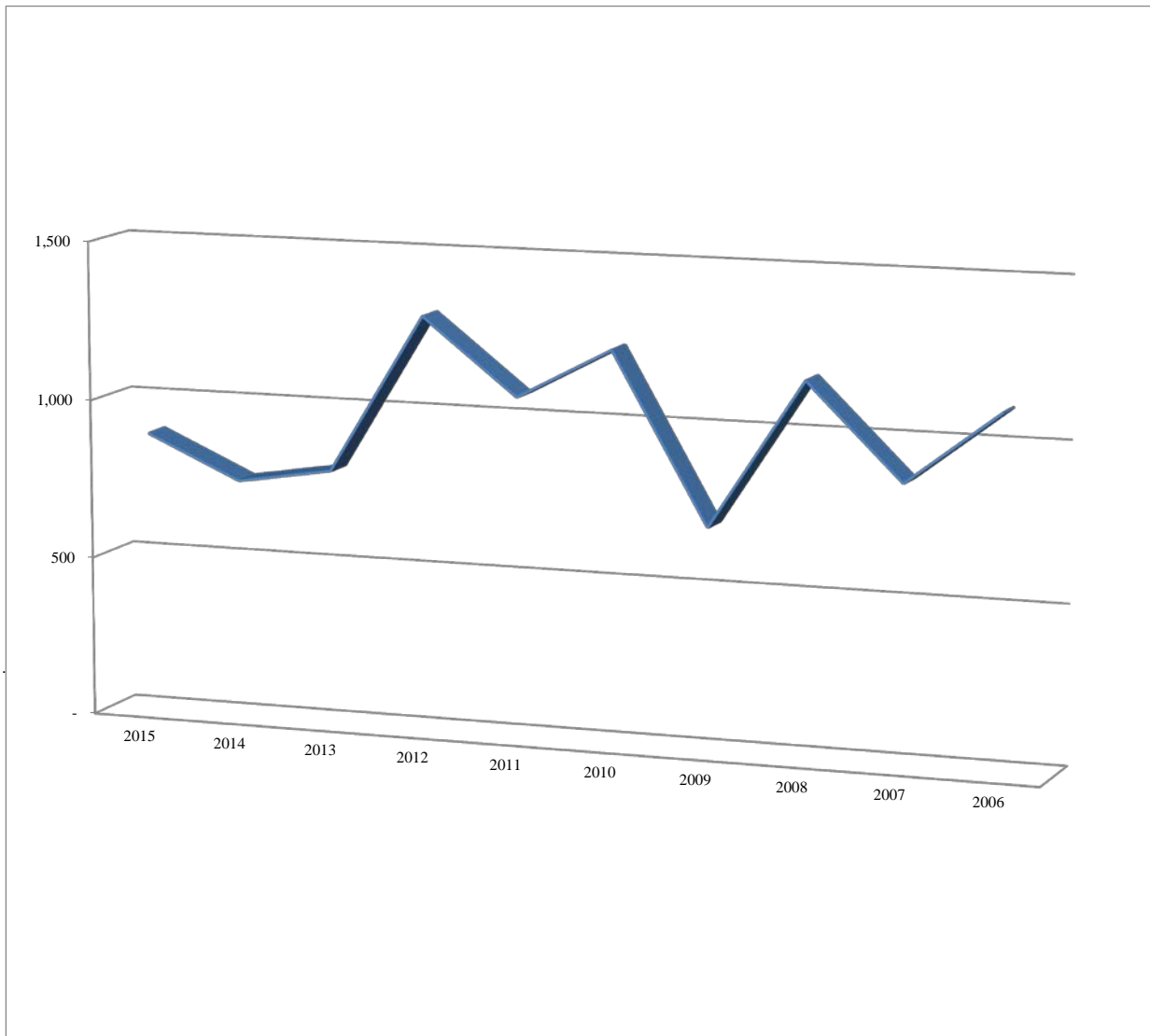


**DIVISION OF HIGHWAYS
HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED
Last Ten Fiscal Years**

Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Total Projects
Projects	891	757	806	1,305	1,070	1,231	702	1,169	874	1,105	9,910

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)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Interstate Construction	7	6	7	5	7	6	5	11	10	9
Interstate Renovation	24	14	24	24	19	20	16	18	22	15
Interstate Expansion	0	0	0	0	1	0	0	0	0	0
Non-Interstate Other	68	64	71	99	75	44	2	3	4	62
ARRA	0	0	0	1	8	70	73	0	0	0
Appalachian Development	15	14	17	14	30	16	19	19	19	25
Other Bridge	41	35	40	43	50	51	27	24	31	33
Miscellaneous	179	194	143	131	201	205	194	125	137	123
Total	334	327	302	317	391	412	336	200	223	267

Non-Federal Aid
(Number of Projects)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Maintenance	320	178	220	378	276	415	50	444	321	418
Bridge Replacement and Renovation	31	34	23	31	28	26	37	48	32	41
Miscellaneous Bridge Work	34	29	45	45	70	63	20	90	30	40
Industrial Access Roads	5	4	4	10	4	8	4	4	6	7
Roadway Renovation and Improvement	167	185	212	524	301	307	255	383	262	332
Total	557	430	504	988	679	819	366	969	651	838
Grand Total	891	757	806	1305	1070	1231	702	1169	874	1105

TOTAL AUTHORIZED PROJECTS = 9,910

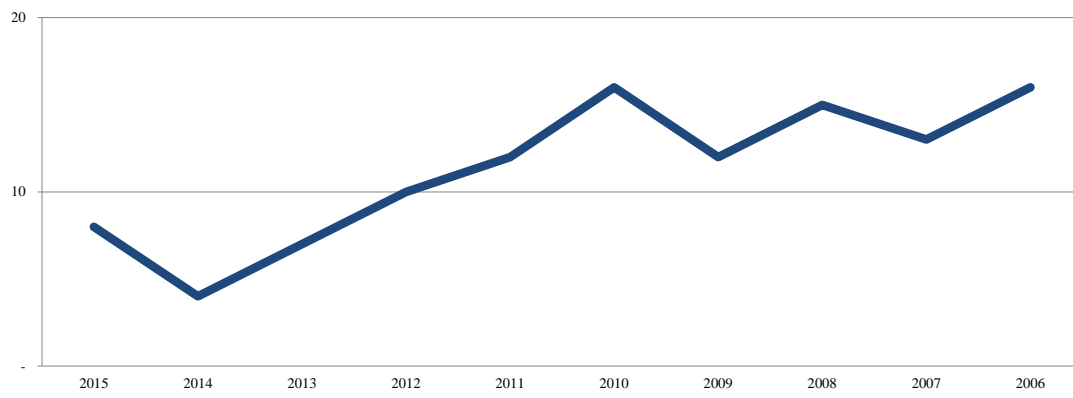


DIVISION OF HIGHWAYS
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY
 Last Ten Fiscal Years

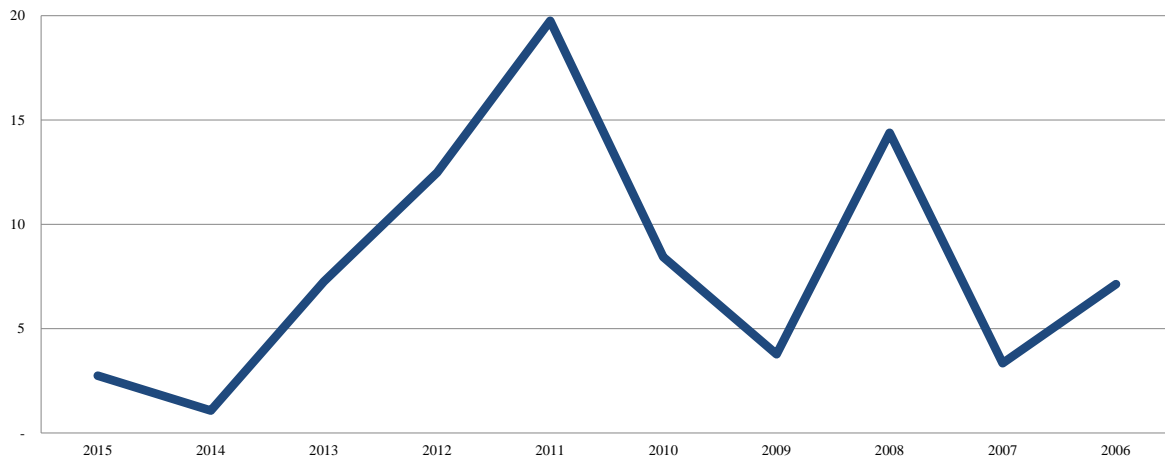
Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of Projects	8	4	7	10	12	16	12	15	13	16
Number of Miles	2.75	1.08	7.26	12.49	19.75	8.44	3.77	14.39	3.34	7.13

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



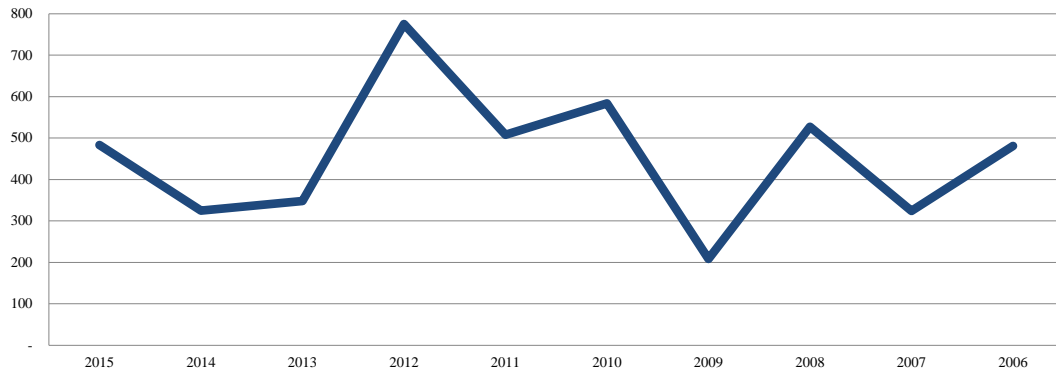


DIVISION OF HIGHWAYS
ROADWAY RESURFACING PROJECTS
 Last Ten Fiscal Years

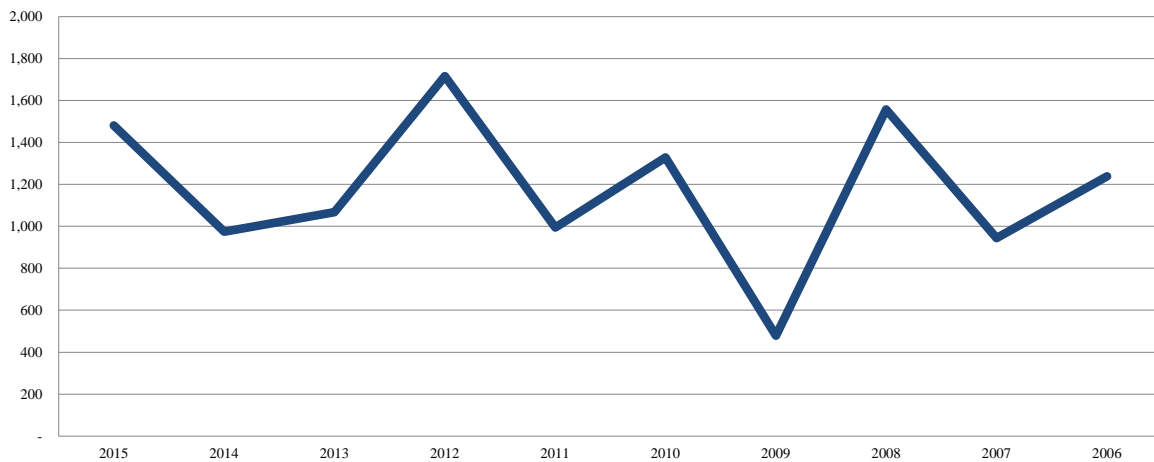
Fiscal Year	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Number of Projects	483	325	348	775	508	584	208	527	324	481
Number of Miles	1,481	975	1,067	1,716	995	1,328	479	1,557	944	1,239

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 excluding Turnpike		468
U.S. Routes		1,830
W.V. Routes		3,686
County Routes		28,877
Other (Parks, Forests, HARP)		<u>1,078</u>
Total Road System Miles		<u><u>35,939</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</u>	<u>Urban</u>
		<u>Miles</u>	<u>Miles</u>
<u>Interstate Highways including 86 Turnpike Miles</u>		368 *	187 **
(Part of National Highway System)			

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.

* Includes 4 miles of one way connecting ramps

** Includes 1 mile of one way connecting ramps

<u>Other National Highway System</u>	1,083	327
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.		
<u>Other Federal-Aid Highways</u>	7,018	1,498
All other roads on which Federal Highway funds may be expended including Federal Aid Non-State (FANS) roads.	<u> </u>	<u> </u>
Sub-total miles	<u>8,469</u>	<u>2,012</u>
Total Federal Aid Routes Miles	<u><u>10,481</u></u>	

Source: 2014 Public Certified Mileage



Prepared by the Finance and Administration Division

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