

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



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004**

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



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2004**

PREPARED BY
FINANCE DIVISION

Pictures Courtesy of

**ERIC STEELE
PHOTOGRAPHER
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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS

Year Ended June 30, 2004

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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS

Year Ended June 30, 2004

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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**

**Bob Wise
Governor**

**Fred VanKirk, P. E.
Secretary/Commissioner**

December 15, 2004

The Honorable Bob Wise, Governor
Members of the West Virginia Legislature
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, 2004. The purpose of the report is to provide the Governor, Legislature, Citizens and other interested parties with reliable financial information about the Division. Responsibility for both the accuracy of the information and the completeness and fairness of presentation, including all disclosures, rests with the Division's management. To the best of our knowledge and belief, the report is accurate in all material respects and is designed to present fairly the financial activity of the Division. All disclosures necessary to enable the reader to gain an understanding of the Division's financial activities have been included.

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 founded 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. The Division has statutory authority for the construction, rehabilitation and maintenance of 35,776 miles of roads in the State.

This comprehensive annual financial report is divided into an introductory section, financial section and statistical section. In addition to this letter of transmittal, the introductory section also contains the list of the Division's principal officers, organizational chart, and the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended June 30, 2003. The Division was the second West Virginia state agency to be awarded the GFOA Certificate and is one of only eight State of West Virginia agencies to receive the Certificate for the year ended June 30, 2003. The financial section includes the independent auditors' report; Management's Discussion and Analysis (MD&A) which provides an introduction overview and analysis of the Basic Financial Statements; and the Basic Financial Statements, which present the government-wide financial statements and fund financial statements, together with notes to the Basic Financial Statements,

and the budgetary comparison statement for the State Road (general) fund. The statistical section includes other financial data that are not part of the financial statements and highway system information. This report provides information relative to the financial position of the Division in accordance with accounting principles generally accepted in the United States of America and state statutes. All funds used to record the financial activities of the Division are included in the report.

ECONOMIC CONDITIONS AND OUTLOOK

The Division is dependent on revenues generated from the purchase and use of motor fuel, motor vehicle fees, and privilege taxes 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. Although average fuel consumption rates for motor vehicles have remained fairly constant over the past several years, any future changes in consumption rates would have a significant impact on revenue collections unless there is a corresponding change to the tax rates or structure. For five of the previous six years, tax and fee revenue collections increased over the previous year. Tax and fee revenue collections declined by approximately \$17 million in 2003; they increased \$6.6 million during the current year but remained \$10 million below the FY2002 level. Privilege tax collections were positively impacted in prior years by low interest rates and significant incentives offered by automobile manufacturers. It is possible that the privilege taxes could decline significantly when these factors no longer exist. Declining motor fuel collections reflect the current economic weakness and improved fuel efficiency of vehicles.

The seasonally adjusted unemployment rate in West Virginia was 4.4 percent for September 2004 as compared to the national rate of 5.4 %. During the twelve month period from October 2003 to September 2004 nonfarm payroll employment increased by 9,600 jobs. The diversification of the West Virginia labor market over the last twenty years means that the State's economy is more likely to follow the lead of the national economy in the future. These positive economic indicators are a result of economic growth and the State's continuing emphasis on economic development activities and incentives to attract new businesses and to accelerate expansion of businesses currently in the State. The economic outlook remains stable despite a downturn in the overall economy and positive employment trends are expected to continue.

MAJOR INITIATIVES

Through the efforts of the West Virginia Congressional delegation, the Division has obtained extraordinary federal funding to construct a substantial portion of the Appalachian Development Highway System and other highways within the State. Environmental and location work has been nearly completed on Appalachian Development Highway Corridor H (US 33) which is projected to run from Interstate 79 near Weston, West Virginia to Interstate 81 in Virginia. Approximately 55 miles of the estimated 132 miles of this highway within the State have been completed and opened to traffic.

Future construction projects in the planning stages include development of modern four lane highways through southern West Virginia. Several corridors have been studied for route locations, including WV 10 (Logan to Man), the King Coal Highway and the Coal Fields Expressway. Construction has begun on all three of these corridors. Construction of Route 9

improvements in the eastern panhandle of the State will continue beyond 2004. Construction is underway on the section of Appalachian Development Highway Corridor D in Parkersburg. The first construction project on this section of Corridor D was awarded in November 1999 when additional special federal funds were received. The Division now has construction underway on the remaining 7.6 miles of the corridor with the exception of the Ohio River Bridge into Ohio.

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 more than 6,500 bridges, some of which are functionally or structurally obsolete. The Division's bridge program, enhanced by a state-funded program beginning in 1988 for small bridges, has been highly successful in correcting these problems. Since July 1, 1989 some 3,174 bridges have been repaired or replaced at a cost of more than \$1.7 billion. Other accomplishments during the fiscal year ended June 30, 2004 include the resurfacing of approximately 1,071 miles of roadway at a cost of \$113 million.

During the fiscal year ended June 30, 2004, the Division continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately \$11.8 million in new replacement units.

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.

FINANCIAL INFORMATION

Management of the Division is responsible for establishing and maintaining internal controls designed to ensure that assets are protected from loss, theft or misuse and to ensure that reliable accounting data are maintained to allow for preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute, assurance that:

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America or any other criteria, such as finance related legal and contractual compliance requirements applicable to such statements, and (2) to maintain accountability for assets.
- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of cost and benefits requires estimates and judgments by the Division's management.

Budgetary Controls

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.

Operations

The schedule that follows presents combined summary revenue and expenditure information for the State Road (General) Fund and the Capital Projects Fund for the year ended June 30, 2004. All data is presented in thousands of dollars.

Overall tax and fee revenues grew slightly in FY2004, but revenues are projected to remain relatively flat through FY2008. Federal aid revenues grew somewhat, but most of that growth can be attributed to the continuation of major construction projects on Corridors D and H. Investment and interest income declined because the remaining bond proceeds were expended.

The decrease in maintenance expenditures was expected because the winter weather was not as harsh as in the previous year. The decrease in support and administrative expenditures was primarily due to a continuation of the cost containment measures put in place in FY2003. Debt service remained fairly constant due to the maturities that occurred during the year.

	Amount	Percent of Total	Change from Prior Year	
			Amount	Percent
Gasoline and motor carrier taxes and wholesale automobile privilege taxes	\$ 303,934	30%	\$7,092	2%
Motor vehicle registration and licenses	173,225	17%	3,794	2%
Special fees and permits	81,577	8%	(4,303)	(5%)
Federal aid	4,461	1%	496	13%
Investments and interest income	424,647	42%	16,983	4%
Miscellaneous	1,542	0%	(2,113)	(58%)
Total revenues	<u>\$ 1,008,016</u>	<u>100%</u>	<u>\$19,842</u>	<u>2%</u>
Road construction and other road operations	18,630	2%	(2,107)	(10%)
Road maintenance	576,272	57%	(1,630)	(0%)
Support and administrative operations	304,228	30%	(8,021)	(3%)
Debt Service	86,744	9%	(5,700)	(6%)
	50,022	4%	3	0%
	<u>\$1,017,266</u>	<u>100%</u>	<u>\$(15,348)</u>	<u>(1%)</u>

Debt Administration

At June 30, 2004 the outstanding principal balance of long-term general obligation bonds was \$494,430,000. These bonds were issued between 1978 and 2001 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 are expected to remain at \$50 million annually for fiscal years 2005-2012.

Cash Management

The West Virginia Investment Management Board is responsible for the investment of all state monies including the Division's. Such funds are invested in the West Virginia Investment

Management Board consolidated investment pools. Investments in pooled accounts are made at the Division's request depending upon available cash and the amount of disbursements being processed.

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; and employee health and life coverage. The State of West Virginia established the Board of Risk and Insurance Management (BRIM), the Public Employees Insurance Agency (PEIA), and the Workers' Compensation Fund as public entity risk pools and insurance funds to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

OTHER INFORMATION

Independent Audit

State statute requires that an annual audit of the Division be performed. The accounting firm of Suttle and Stalnaker, PLLC was engaged to perform the audit for the year ended June 30, 2004. Its report is included in the financial section of this report.

Single Audit

The DOT has undergone a 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 report on the single audit for the year ended June 30, 2004 is available upon request.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the past twelve consecutive fiscal years (1992-2003). The Certificate of Achievement is a prestigious international award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The Division believes its FY2004 comprehensive annual financial report continues to conform to the Certificate of

Achievement program requirements, and the Division is submitting it to the GFOA for review under this program.

Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis was made possible by the personnel of the Finance Division and the Business Manager's Office. I express my sincere appreciation for the contributions made by these individuals in the preparation of this report, particularly Business Manager Danny Ellis, who has administrative responsibility for this function.

A handwritten signature in black ink, appearing to read "Fred Van Kirk". The signature is fluid and cursive, with the first name "Fred" being the most prominent.

Fred VanKirk, P.E.
Secretary/Highways Commissioner

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, 2003

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



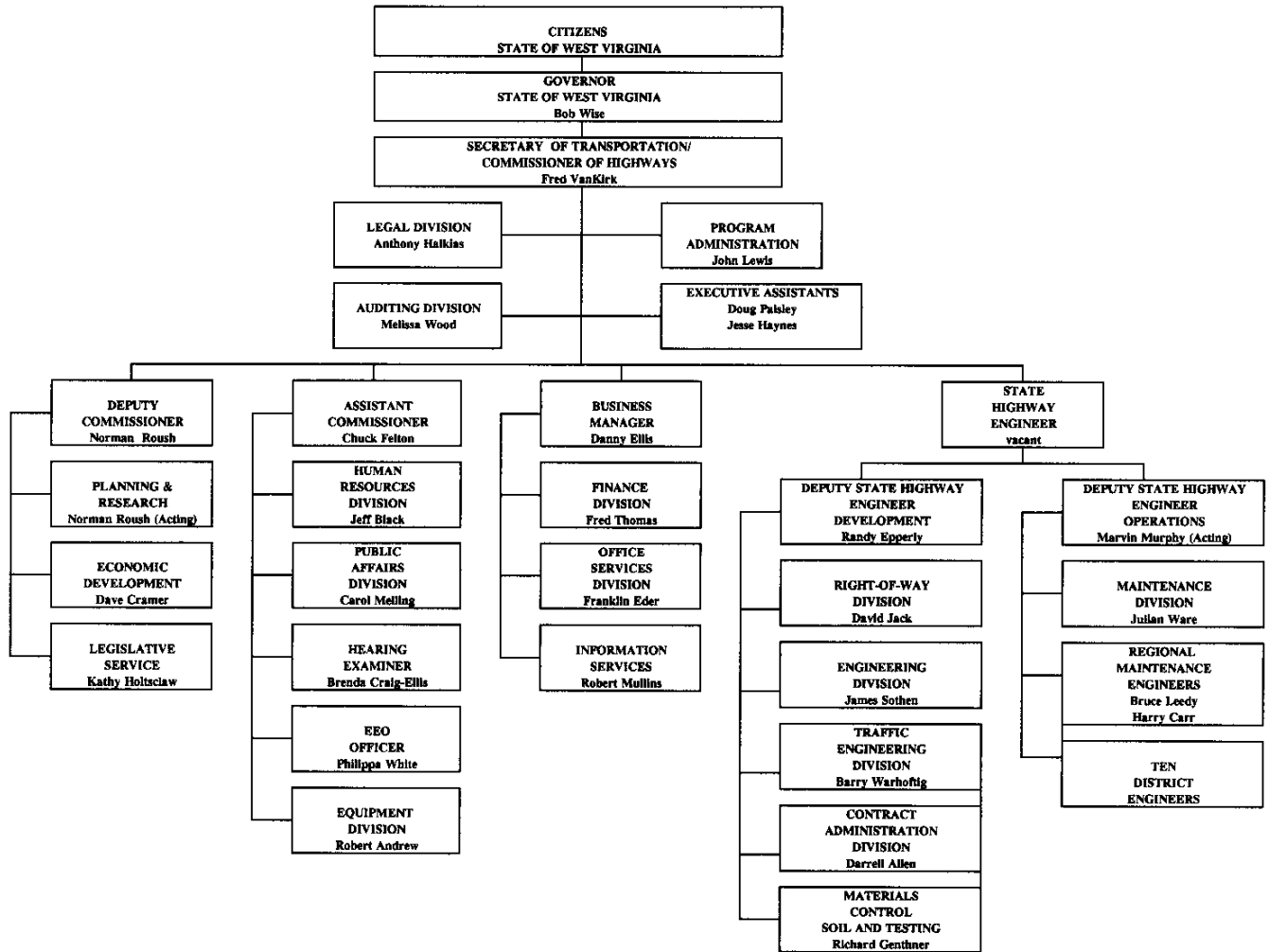
A handwritten signature in black ink, appearing to read "Edward Henry".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
ORGANIZATIONAL CHART
June 30, 2004



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 LIST OF PRINCIPAL OFFICIALS
 June 30, 2004

Fred VanKirk	Secretary of Transportation/Commissioner
Chuck Felton	Assistant Commissioner
Doug Paisley	Executive Assistant
Jesse Haynes	Executive Assistant
Danny Ellis	Business Manager
Norman Roush	Deputy Secretary DOT
vacant	State Highway Engineer
Marvin Murphy, Acting	Deputy State Highway Engineer-Operations
Randy Epperly	Deputy State Highway Engineer-Development
Dave Cramer	Economic Development
Kathy Holtsclaw	Legislative Service
Brenda Craig-Ellis	Hearing Examiner
Philippa White	EEO Officer
Darrell Allen	Director, Contract Administration Division
Melissa Wood	Director, Auditing Division
James Sothen	Director, Engineering Division
Robert Andrew	Director, Equipment Division
Fred Thomas	Director, Finance Division
Robert Mullins	Director, Information Services Division
Julian Ware	Director, Maintenance Division
Richard Genthner	Director, Materials Control Soil & Testing Division
Anthony Halkias	Director, Legal Division
Franklin Eder	Director, Office Services Division
Norman Roush, Acting	Director, Planning and Research Division
John Lewis	Director, Program Administration Division
Carol Melling	Director, Public Affairs Division
David Jack	Director, Right-of-Way Division
Barry Warhoftig	Director, Traffic Engineering Division
Jeff Black	Director, Human Resources Division
Harry Carr	Regional Operations Engineer
Bruce Leedy	Regional Operations Engineer

DISTRICT ENGINEERS

District 1	Dennis King, Acting	Charleston
District 2	Wilson Braley	Huntington
District 3	Rusty Roten	Parkersburg
District 4	Marvin Murphy	Clarksburg
District 5	William W. Hartman	Burlington
District 6	Bob Whipp	Moundsville
District 7	Gary Clayton	Weston
District 8	Tom Staud	Elkins
District 9	Jim Lagos	Lewisburg
District 10	Bill Bennett	Princeton

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WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

INDEPENDENT AUDITORS' REPORT

To The Secretary
West Virginia Department of Transportation, Division of Highways

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, as of and for the year ended June 30, 2004, which collectively comprise the West Virginia Department of Transportation, Division of Highway's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Virginia Department of Transportation, Division of Highways' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the West Virginia Department of Transportation, Division of Highways are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the West Virginia Department of Transportation and of the State of West Virginia, that is attributable to the transactions of the Division of Highways. 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, 2004 and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways, as of June 30, 2004, and the respective changes in financial position thereof and the respective budgetary comparison for the State Road (General) Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Virginia Department of Transportation, Division of Highways basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Suttle & Stalnaker, PLLC

October 1, 2004

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, West Virginia 25301

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www.suttlecpas.com



MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004. 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 Assets - The Division's total combined net assets are \$6.1 billion as of the close of fiscal year 2004.

Changes in Net Assets - During the year the Divisions' Net Assets increased \$251 million or 4.30%. This is an improvement over the prior year, when Net Assets increased \$235 or 4.20%.

Revenues and Expenses - Total revenues increased by \$19.9 million or 2.01%. Total expenditures increased \$4.1 million or .55%. There were no significant changes in the programs carried out by the Division during the year.

Governmental Funds - Fund Balances - As of the close of fiscal year 2004, the Division's governmental funds reported combined total fund equity of \$194 million, a decrease of \$9 million in comparison with the prior year. Of this total amount, \$164 million represents the "unreserved fund balances" with substantially all of that in the general fund. This is approximately 16.13 % of the total governmental fund expenditures for the year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, decreased by \$23 million (4.45%) during the current fiscal year. There were no new bond offerings during the year and principal payments reduced outstanding debt.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide Statements

Government-wide financial statements provide both long-term and short-term information about the Division's financial condition. Changes in the Division's financial position may be measured over time by increases and decreases in the Statement of Net Assets. Information on how the Division's net assets 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 governmental funds.

Notes to the Financial Statements

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements. The following Table summarizes the major features of the basic financial statements:

Major Features of the Basic Financial Statements		
	Government-wide Financial Statements	Fund Financial Statements
Scope	Entire Division	Activities of the Division that are not proprietary or fiduciary
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be depleted and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> • Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Assets

The following condensed financial information was derived from the government-wide statement of net assets and summarizes the Division's net assets as of June 30, 2004 and 2003 (amounts in thousands).

Net Assets as of June 30			
	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Total current assets	\$ 284,366	\$ 282,141	0.79%
Capital assets, net of accumulated depreciation	6,477,473	6,245,789	3.71%
Other non-current assets	<u>2,855</u>	<u>3,199</u>	(10.75%)
Total assets	<u>6,764,694</u>	<u>6,531,129</u>	3.58%
Total current liabilities	137,734	125,696	9.58%
Long term liabilities	<u>535,465</u>	<u>565,250</u>	(5.27%)
Total liabilities	<u>673,199</u>	<u>690,946</u>	(2.57%)
Invested in capital assets, net of related debt	5,980,261	5,756,415	3.89%
Unrestricted	<u>111,234</u>	<u>83,768</u>	32.79%
Total net assets	<u>\$ 6,091,495</u>	<u>\$ 5,840,183</u>	4.30%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest component (98.17%) of the Division's net assets 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 net assets are not available for future spending. The remaining portion, unrestricted net assets, may be used at the Division's discretion.

Condensed Statement of Activities

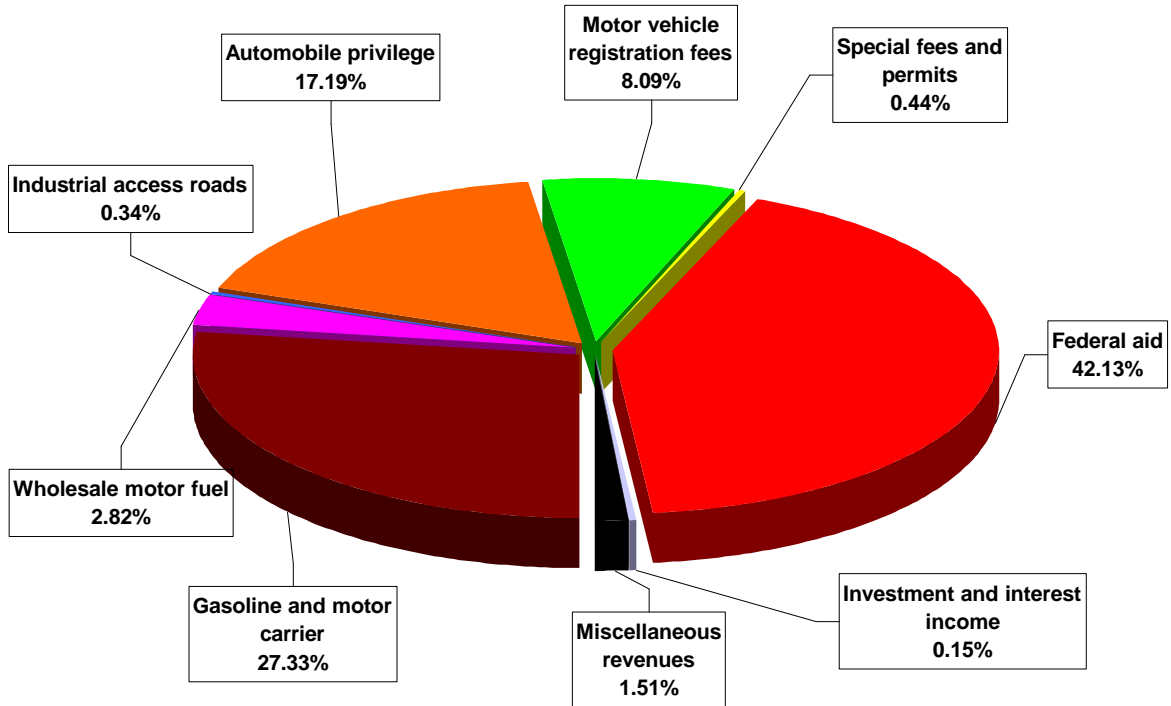
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net assets changed during the fiscal year (amounts in thousands):

	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Revenues			
Taxes	\$ 477,159	\$ 466,273	2.33%
Licenses, fees and permits	81,577	85,880	(5.01%)
Investment and interest income	1,542	3,655	(57.81%)
Miscellaneous revenues	18,630	18,793	(0.87%)
Total general revenues	<u>578,908</u>	<u>574,601</u>	0.74%
Federal aid	424,647	409,555	3.68%
Charges for service	4,461	3,965	12.51%
Total program revenues	<u>429,108</u>	<u>413,520</u>	3.77%
Total revenues	<u>1,008,016</u>	<u>988,121</u>	2.01%
Expenses			
Road maintenance	302,325	315,921	(4.30%)
Other road operations	364,645	329,531	10.66%
General and administration	59,163	77,619	(23.78%)
Interest on long-term debt	26,525	27,434	(3.31%)
Unallocated depreciation	4,046	2,096	93.03%
Total expenses	<u>756,704</u>	<u>752,601</u>	0.55%
Change in net assets	251,312	235,520	6.71%
Net assets, beginning	<u>5,840,183</u>	<u>5,604,663</u>	4.20%
Net assets, ending	<u>\$ 6,091,495</u>	<u>\$ 5,840,183</u>	4.30%

Over time, increases and decreases in net assets measure whether the Division's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$251 million or 4.30% percent.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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



Total revenues increased by approximately \$19.9 million. Total tax revenues increased by approximately \$10.9 million with the majority of the increase (\$7.1 million or 65.14%) due to a change in the gasoline and motor carrier road and wholesale motor fuel tax collection procedures. Federal aid revenue increased by approximately \$17 million or 4.17%. The following summarizes revenues for the years ended June 30, 2004 and June 30, 2003 (amounts in thousands):

	2004	2003	Increase (decrease)	% Increase (decrease)
Gasoline and motor carrier road tax	\$ 275,471	\$ 227,793	\$ 47,678	20.93%
Wholesale motor fuel tax	28,463	69,049	(40,586)	(58.78%)
Industrial access roads	3,465	1,891	1,574	83.24%
Automobile privilege	173,225	169,431	3,794	2.24%
Motor vehicle registration fees	81,577	85,880	(4,303)	(5.01%)
Special fees and permits	4,461	3,965	496	12.51%
Federal aid	424,647	407,664	16,983	4.17%
Investment and interest income	1,542	3,655	(2,113)	(57.81%)
Miscellaneous revenues	15,165	18,793	(3,628)	(19.31%)
	<u>\$ 1,008,016</u>	<u>\$ 988,121</u>	<u>\$ 19,895</u>	2.01%

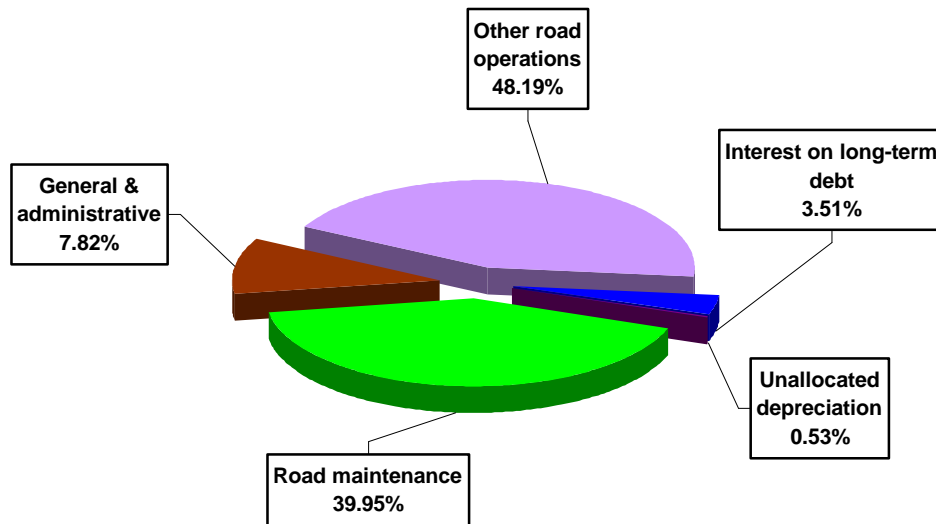
The Division's primary sources of revenue for funding of ongoing administration of the Division, general maintenance and construction of the State Road System and for providing resources to match available Federal funds are derived from fuel taxes, automobile privilege taxes, motor vehicle registration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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Although tax collections grew during the past five fiscal years, they did not significantly exceed official estimates. From fiscal year 2000 through fiscal year 2004, actual cash revenues exceeded estimates by only 1.78%. While those extra dollars allowed the Division to deal with unexpected expenses, such as major floods and severe winter weather, they did not permit the Division to undertake many new projects. In fact, some areas of expenditures were reduced during periods of less than desirable fund equity levels. Revenues are projected to remain relatively flat through fiscal year 2007, while at the same time it is anticipated that nondiscretionary costs will continue to rise. As a consequence, many programs that are operated by the Division will experience little, if any, increase in the foreseeable future and some programs may revert to lower funding levels.

The Division also relies on federal funds as a source of revenue. The federal aid is obtained in the form of reimbursable grants. Federal transportation legislation and special spending authorizations provide funds that are available for obligation by the Federal Government in specific years, and the Division expects to continue to fully obligate available funds, thus ensuring that it captures all federal dollars. Revenue under these grants is recognized when expenditures occur on specific projects that have qualified for federal participation. Federal funds received during 2004 were authorized under the "Transportation Equity Act for the 21st Century" (TEA 21). TEA 21 expired in 2004 and the United States Congress is currently working on reauthorization of a new Highway Transit Bill (SAFE TEA). The results of the reauthorization are yet to be determined.

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



Total expenses increased by approximately \$4 million (.55%). The following summarizes expenditures for the years ended June 30, 2004 and June 30, 2003 (amounts in thousands):

	2004	2003	Increase (decrease)	% Increase (decrease)
Road maintenance	\$ 302,325	\$ 315,921	\$ (13,596)	(4.30%)
Other road operations	364,645	329,531	35,114	10.66%
General and administration	59,163	77,619	(18,456)	(23.78%)
Interest on long-term debt	26,525	27,434	(909)	(3.31%)
Unallocated depreciation	4,046	2,096	1,950	93.03%
	<u>\$ 756,704</u>	<u>\$ 752,601</u>	<u>\$ 4,103</u>	0.55%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Operating divisions are allocated yearly amounts for routine maintenance. The type of routine maintenance expenses incurred is dependent, to a degree, on the level of snow and ice removal that is required in a given year.

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 FUNDS

At June 30, 2004, the Division reported fund balances of \$194 million. Of this total amount, \$164 million, 84.54%, constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it is dedicated for various commitments, such as inventories.

State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2004 fiscal year, unreserved fund balance of the General Fund was \$164 million and reserved fund balance was \$30 million. The total General Fund balance increased \$22 million during the year primarily due to cost containment measures instituted.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for road construction or reconstruction financed by the proceeds from the sale of Safe Road Bonds and matching federal highway funds on such projects. At June 30, 2004, the fund balance of the fund was \$15 thousand, which was all in the rebate arbitrage fund. The 2001 Safe Road Bond fund was closed during the year. The rebate arbitrage fund will be closed in fiscal year 2005.

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. Although average fuel consumption rates for motor vehicles have remained fairly constant over the past several years, any future changes in consumption rates would have a significant impact on revenue collections unless there is a corresponding change to the tax rates or structure. For five of the previous six years, tax and fee revenue collections increased over the previous year. Tax and fee revenue collections declined by approximately \$17 million in 2003; they, increased \$6.6 million during the current year. The following table summarizes tax and fee collections over the past three years (amounts in thousands):

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004 vs. 2003</u>	
				<u>Change</u>	<u>%Change</u>
Gasoline, motor carrier and wholesale fuel	\$ 300,964	\$ 296,842	\$ 303,934	\$ 7,092	2.39%
Motor vehicle registration	87,380	85,880	81,577	(4,303)	(5.01%)
Privilege tax	<u>180,472</u>	<u>169,431</u>	<u>173,225</u>	<u>3,794</u>	<u>2.24%</u>
	<u>\$ 568,816</u>	<u>\$ 552,153</u>	<u>\$ 558,736</u>	<u>\$ 6,583</u>	<u>1.19%</u>

Automobile privilege tax collections were positively impacted in 2002 by low interest rates and significant incentives offered by automobile manufacturers. It is possible that the automobile privilege taxes could decline significantly when these factors no longer exist.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Division's actual federal revenue for fiscal year 2004 was \$354 million, to be used primarily for design, right-of-way and construction of Corridor D, Corridor H, WV 9 and other major corridors including King Coal Highway, Coalfields Expressway, WV 2, WV 10, and WV 35 and all other federal highways. As previously discussed the recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures are dependent on variables such as the weather, the existence of differing site conditions that require plan modification, or delays caused by environmental issues or the results of public meetings, expenditures often do not occur as planned. Federal revenue in each of the last three years is summarized below (amounts in thousands):

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>Change</u>	<u>%Change</u>
Federal reimbursement - budgeted funds	\$ 371,548	\$ 380,079	\$ 379,564	\$ (515)	(0.14%)
Federal reimbursement - bond funds	47,139	23,129	29,830	6,701	28.97%
Federal reimbursement - emergency funds	14,469	4,456	15,253	10,797	242.30%
Total federal aid	<u>\$ 433,156</u>	<u>\$ 407,664</u>	<u>\$ 424,647</u>	<u>\$ 16,983</u>	4.17%

Although it is anticipated that revenues will increase slightly in the next fiscal year, the Division's revenue increases are not projected to keep pace with increases in costs related to retirement, health insurance, increased debt service and other increases that are non-discretionary in nature. As a result, the Division will be required to reduce expenditures on programs that are discretionary and expenditures in these areas will be managed to ensure that the Division maintains a positive fund balance. The fiscal 2005 budget reflects a budgeted decrease in fund balance of approximately \$35 million. Management is taking all necessary steps to ensure that the fund balance of the Division is maintained at levels that are adequate to ensure the soundness of the Division and is confident that adequate discretionary items exist to permit the Division to continue to operate in a fiscally sound manner. The level of funding available and the increases in non-discretionary spending may impact the Division's ability to achieve all operational objectives.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004, the Division had invested \$6.5 billion, net of accumulated depreciation, in a range of capital assets (see note 6 for additional details). Depreciation charges for the fiscal year totaled \$250 million.

The \$232 million increase in capital assets, net of depreciation, reflects the nature of the State's road system. While 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 \$234 million in depreciation of the infrastructure. The Division expended \$497 million dollars during the year ended June 30, 2004 for additions to capital assets. Of this amount, \$466 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 \$260 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 Randolph and Hardy Counties, Corridor D in Wood County, upgrade of WV 10 in Logan County, upgrade of WV 2 in Brooke County, widening of I-64, and continued environmental studies on various projects in process.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004, the Division had \$494 million in outstanding bonds. The amount outstanding decreased by \$23 million (4.45%) due to principal payments of \$23 million.

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

Issue	Status of insurance	Bond Rating	Amount (in thousands)
Better Highways 73 - All Bonds maturing on or before June 1, 2006	Not insured	Fitch: AA- Moody's: Aa3 S&P: AA-	\$ 5,090
Safe Roads 98A - All Bonds maturing on or before June 1, 2023	Insured by FGIC	Fitch: AAA Moody's: Aaa S&P: AAA	192,660
Safe Roads 99A - All Bonds maturing on or before June 1, 2017	Not Insured	Fitch: AA- Moody's: Aa3 S&P: AA-	101,445
Safe Roads 00A - All Bonds maturing on or before June 1, 2020	Insured by FGIC	Fitch: AAA Moody's: Aaa S&P: AAA	32,290
Safe Roads 00A - Term Bond maturing on June 1, 2025	Insured by MBIA	Fitch: AAA Moody's: Aaa S&P: AAA	77,710
Safe Roads 01A - Bonds maturing between June 1, 2005 to 2013	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	85,235
			<u>\$ 494,430</u>

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

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
STATEMENT OF NET ASSETS
JUNE 30, 2004
(amounts expressed in thousands)

ASSETS	<u>Governmental Activities</u>
Current assets	
Cash and cash equivalents	\$ 118,620
Accounts receivable	76,819
Taxes receivable	53,359
Due from other State of West Virginia agencies	3,653
Inventories	29,462
Other assets	<u>2,453</u>
Total current assets	<u>284,366</u>
Non-current assets	
Capital assets, net of accumulated depreciation	
Land - non-infrastructure	14,650
Land improvements	3,731
Buildings	52,118
Buildings - work in progress	11,049
Furniture and fixtures	720
Rolling stock	48,269
Scientific equipment	582
Shop equipment	147
Roads	3,715,948
Bridges	1,065,741
Land - infrastructure	725,025
Work in progress	<u>839,493</u>
Total capital assets	<u>6,477,473</u>
Other non-current assets	<u>2,855</u>
Total assets	<u>6,764,694</u>
LIABILITIES	
Current liabilities	
Accounts payable	56,049
Retainages payable	11,561
Accrued payroll and related liabilities	18,527
Due to other State of West Virginia agencies	4,660
Accrued interest payable	2,145
Current maturities of long term obligations	<u>44,792</u>
Total current liabilities	<u>137,734</u>
Non-current liabilities	
Claims and judgements	8,700
Compensated absences	54,332
General obligation bonds	<u>472,433</u>
Total non-current liabilities	<u>535,465</u>
Total liabilities	<u>673,199</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,980,261
Unrestricted	<u>111,234</u>
Total net assets	<u>\$ 6,091,495</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Government activities				
Road maintenance				
Expressway, trunkline & feeder & SLS	\$ 240,584	\$ -	\$ -	(240,584)
Contract paving & secondary roads	36,451	-	-	(36,451)
Small bridge repair & replacement	12,022	-	-	(12,022)
Litter control program	1,637	-	-	(1,637)
Depreciation	11,631	-	-	(11,631)
Other road operations				
Interstate highways	6,256	-	51,239	44,983
Appalachian highways	2,548	-	126,286	123,738
Other federal aid programs	107,142	-	247,122	139,980
Non federal aid improvements	12,096	-	-	(12,096)
Industrial access roads	1,967	-	3,465	1,498
Depreciation	234,636	-	-	(234,636)
General and administration				
Support and administrative operations	21,302	4,461	-	(16,841)
Claims	2,716	-	-	(2,716)
Costs associated with DMV	35,145	-	-	(35,145)
Interest on long-term debt	26,525	-	-	(26,525)
Unallocated depreciation	4,046	-	-	(4,046)
	<u>756,704</u>	<u>4,461</u>	<u>428,112</u>	<u>(324,131)</u>
General revenues				
Taxes:				
Gasoline and motor carrier				275,471
Wholesale motor fuel				28,463
Automobile privilege				173,225
Motor vehicle registration fees				81,577
Investment and interest income				1,542
Miscellaneous revenues				15,165
Total general revenues				<u>575,443</u>
Change in net assets				251,312
Net assets, beginning				5,840,183
Net assets, ending				<u>\$ 6,091,495</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
ASSETS			
Assets			
Cash and cash equivalents	\$ 118,605	\$ 15	\$ 118,620
Receivables	76,819	-	76,819
Taxes receivable	53,359	-	53,359
Due from other State of West Virginia agencies	3,653	-	3,653
Inventories	29,462	-	29,462
Other assets	2,453	-	2,453
	<u>284,351</u>	<u>15</u>	<u>284,366</u>
Total assets	<u>\$ 284,351</u>	<u>\$ 15</u>	<u>\$ 284,366</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 56,049	\$ -	\$ 56,049
Retainages payable	11,561	-	11,561
Accrued payroll and related liabilities	18,527	-	18,527
Due to other State of West Virginia agencies	4,660	-	4,660
Total liabilities	<u>90,797</u>	<u>-</u>	<u>90,797</u>
Fund balances			
Reserved for capital projects	-	15	15
Reserved for inventories	29,462	-	29,462
Unreserved, undesignated	164,092	-	164,092
Total fund balances	<u>193,554</u>	<u>15</u>	<u>193,569</u>
Total liabilities and fund balances	<u>\$ 284,351</u>	<u>\$ 15</u>	<u>\$ 284,366</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
 DIVISION OF HIGHWAYS
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004
 (amounts expressed in thousands)

Total fund balances - governmental funds \$ 193,569

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

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

Land - non infrastructure	\$	14,650	
Land improvements- non infrastructure		3,731	
Buildings		52,118	
Buildings - work in progress		11,049	
Furniture and Fixtures		720	
Rolling Stock and Shop Equipment		48,269	
Scientific Equipment		582	
Shop Equipment		147	
Roads		3,715,948	
Bridges		1,065,741	
Infrastructure Land		725,025	
Work in progress		839,493	6,477,473

Bonds issued by the Division have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets 2,855

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

Accrued interest payable	(2,145)		
Claims and judgments	(9,116)		
Compensated absences	(73,930)		
General obligation bonds	(497,211)		(582,402)

Net assets of governmental activities \$ 6,091,495

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
Revenues			
Taxes			
Gasoline and motor carrier	\$ 275,471	\$ -	\$ 275,471
Wholesale motor fuel	28,463	-	28,463
Automobile privilege	173,225	-	173,225
Industrial access	3,465	-	3,465
License, fees and permits			
Motor vehicle registrations and licenses	81,577	-	81,577
Special fees and permits	4,461	-	4,461
Federal aid			
Interstate highways	51,211	28	51,239
Appalachian highways	126,286	-	126,286
Other federal aid programs	217,320	29,802	247,122
Investment and interest income, net of arbitrage rebate	844	698	1,542
Miscellaneous revenues	15,165		15,165
	<u>977,488</u>	<u>30,528</u>	<u>1,008,016</u>
Expenditures			
Current			
Road maintenance			
Expressway, trunkline and feeder, state and local services	246,648	-	246,648
Contract paving and secondary roads	36,451	-	36,451
Small bridge repair and replacement	19,492	-	19,492
Litter control program	1,637	-	1,637
Support and administrative operations	51,038	-	51,038
Division of Motor Vehicles operations	35,145	-	35,145
Claims	561	-	561
Capital outlay and other road operations			
Road construction and other road operations			
Interstate highways	59,932	60	59,992
Appalachian highways	154,471	-	154,471
Other federal aid programs	280,061	37,971	318,032
Nonfederal aid construction and road operations	17,898	23,912	41,810
Industrial access road	1,967	-	1,967
Debt service	50,022	-	50,022
	<u>955,323</u>	<u>61,943</u>	<u>1,017,266</u>
Excess (deficiency) of revenues over expenditures	22,165	(31,415)	(9,250)
Fund balances, beginning of year	<u>171,389</u>	<u>31,430</u>	<u>202,819</u>
Fund balances, end of year	<u>\$ 193,554</u>	<u>\$ 15</u>	<u>\$ 193,569</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
 DIVISION OF HIGHWAYS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2004
 (amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$	(9,250)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$481,633 exceeded depreciation of (\$250,313) in the current period.		231,320
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Governmental funds report the proceeds from the sale of capital assets, primarily equipment, as revenue. In the statement of activities revenues is only recognized to the extent that amounts received are in excess of the net book value of the assets sold. The net book value of assets disposed of during the year was \$363.		363
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Repayment of bond principal is an expenditure to governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		23,070
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the increase in compensated absences of \$7,537, accrued claims of (\$2,155) and amortization of bond issuance costs of (\$344), exceeded accretion of bond premiums of \$675 and an increase in interest payable of \$96.		5,809
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Change in net assets of governmental activities	\$	251,312
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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, 2004

(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues					
Taxes					
Gasoline and motor carrier	\$ 227,900	\$ 34,100	\$ 262,000	\$ 272,398	\$ 10,398
Wholesale motor fuel	72,500	(35,400)	37,100	36,920	(180)
Automobile privilege	170,763	4,713	175,476	180,196	4,720
Motor vehicle registrations and licenses	83,600	-	83,600	84,724	1,124
Revenue Transfer to Industrial Access Roads	(3,000)	-	(3,000)	(2,948)	52
Federal aid	472,963	8,937	481,900	354,087	(127,813)
Miscellaneous revenues	5,400	900	6,300	5,726	(574)
	<u>1,030,126</u>	<u>13,250</u>	<u>1,043,376</u>	<u>931,103</u>	<u>(112,273)</u>
Expenditures					
Road construction and other road operations					
Interstate highways	70,000	-	70,000	60,449	9,551
Appalachian highways	150,000	15,000	165,000	151,956	13,044
Other federal aid programs	340,700	-	340,700	252,940	87,760
Nonfederal aid construction	20,000	-	20,000	14,080	5,920
Road maintenance					
Maintenance	243,700	6,000	249,700	245,625	4,075
Contract paving and secondary roads	30,000	6,000	36,000	33,647	2,353
Small bridge repair and replacement	15,000	5,000	20,000	18,055	1,945
Litter control program	1,600	-	1,600	1,600	-
Support and administrative operations					
General operations	38,768	1,250	40,018	33,084	6,934
Equipment revolving	10,000	2,000	12,000	9,962	2,038
Inventory revolving	2,000	-	2,000	1,797	203
Debt service	50,000	-	50,000	49,850	150
Division of Motor Vehicles operations	39,555	-	39,555	35,006	4,549
Waste tire	3,625	-	3,625	3,550	75
Claims - DOH and DMV	700	-	700	700	-
	<u>1,015,648</u>	<u>35,250</u>	<u>1,050,898</u>	<u>912,301</u>	<u>138,597</u>
Excess (deficiency) of revenues over expenditures	14,478	(22,000)	(7,522)	18,802	26,324
Fund balance, beginning of year	92,159	-	92,159	92,159	-
Fund balance, end of year	\$ 106,637	\$ (22,000)	\$ 84,637	\$ 110,961	\$ 26,324

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, 2004
(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, 2004 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets are 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 assets.

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, proprietary funds, fiduciary funds and similar component units, and major component units, if applicable. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

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 60 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, 2004, has been reported only in the government-wide financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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. However, an employee may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's post employment health care insurance premium or to increase service credits for retirement purposes. The liability for accumulated sick leave for employees has been recorded only in the government-wide financial statements.
- The Division pays 100% of the health insurance premium for retirees who elected to participate in the health insurance plans prior to July 1, 1988 and 50% of the premium for retirees who elected to participate prior to July 1, 2001. The liability for accumulated post-retirement health insurance has been reported only in the government-wide financial statements.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for transfer to the fiscal agent or for payment to be made early in the following year.
- Claims and judgments are recorded only when payment is due.

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

A fund is a separate accounting entity with a self-balancing set of accounts. The following summarizes the major governmental funds that are 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.
- Capital Projects Fund - This fund accounts for financial resources to be used for road construction or reconstruction financed by proceeds from the sale of the Safe Road Bonds and matching federal highway funds.

INTERFUND ACTIVITY - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges from the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Division processes certain routine payments, such as payroll through the State Road Fund and allocates those costs to the Capital Project Fund based on individual projects charged. The interfund balances at June 30, 2004 are a result of these routine payments and transfers.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
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 (amounts expressed in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 31 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 31 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 capital projects fund, debt service fund, and certain monies reported within the State Road Fund for accounting principles generally accepted in the United States of America purposes, 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, 2004, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$	18,802
Basis of accounting differences (budgetary to GAAP)		1,127
Unbudgeted funds		<u>2,236</u>
 Excess of revenues over expenditures - GAAP basis.	 \$	 <u>22,165</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 Investment Management Board (IMB). In addition, the Division makes interest-earning deposits in certain investment pools maintained by the IMB that are available to the Division with overnight notice. Interest income from these investments is prorated to the Division at rates specified by the IMB based on the balance of the Division's deposits maintained in relation to the total deposits of all state agencies participating in the pool. Because these deposits are held in the IMB investment pools, no other disclosures related to safekeeping, credit or market risk, or GASB 3 risk are required. However, market risk exists as the value of the investment pools underlying investment assets may decline because of an increase in interest rates or a decline in stock prices. The carrying value of the deposits reflected in the financial statements approximates fair value and approximates the value of the shares in the external investment pool.

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 IMB for investment in accordance with the West Virginia Code, policies set by the IMB, and provisions of bond indentures and trust agreements when applicable. The IMB is governed by a thirteen-member Board of Trustees. The Governor, the State Auditor and the State Treasurer are members of the Board and the other members are appointed by the Governor. The Board was formed in 1997 to serve as the Trustee to hold certain public pension funds and insurance funds, as well as to provide prudent fiscal administration, investment, and management of the Consolidated Pension Fund and the State's operating funds.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2004
 (amounts expressed in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's cash and cash equivalents were comprised of the following at June 30, 2004:

Investments with IMB	\$ 83,700
Cash	34,675
Cash in transit	<u>245</u>
	<u>\$ 118,620</u>

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 "Reserve for inventories" 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 assets in the government-wide financial statements. Capital assets are defined by the Division as follows:

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

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

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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
- Buildings: 40 years
- Furniture and fixtures: 3 - 20 years
- Rolling stock: 1 - 20 years
- Scientific equipment: 2 - 25 years
- Infrastructure: roads - 30 years
- Infrastructure: bridges - 50 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 gasoline and wholesale fuel 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. They are composed primarily of amounts on deposit with West Virginia Workers' Compensation Fund.

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. Any unused vacation and 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. 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.

POST EMPLOYMENT BENEFITS - The Division pays 100% of the health insurance premium for retirees who elected to participate in the health insurance plans prior to July 1, 1988 and 50% of the premium for retirees who elected to participate between that date and July 1, 2001. Employees who were eligible and elected to participate in the Division's health insurance plan at July 1, 1988 and 2001, and who had continuous participation in the Plan since those dates, are eligible for the post retirement benefits. Employees hired subsequent to July 1, 2002 are not eligible for these benefits. Expenditures for post retirement health insurance premiums are recognized as incurred in the governmental fund financial statements. The government-wide financial statements present the cost of accumulated post-retirement health insurance as a liability.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
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 (amounts expressed in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

ARBITRAGE REBATE LIABILITY - The capital project fund accounts for arbitrage rebate payable, if any, as a liability of the fund. The change in the obligation is recorded as an adjustment to current year interest revenue.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2004 consisted of the following:

Federal aid billed and not paid	\$ 8,102
Federal aid earned but not billed	<u>63,026</u>
Total federal aid receivable	71,128
Other receivables	<u>7,741</u>
Combined total receivables	78,869
Less: allowance for uncollectibles	<u>(2,050)</u>
 Net accounts receivable	 <u><u>\$ 76,819</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.

NOTE 3 - TAXES RECEIVABLE

Taxes receivable at June 30, 2004 consisted of the following:

Automobile privilege taxes	\$ 24,125
Gasoline and motor fuel taxes	25,970
Registration fees	<u>3,264</u>
	<u><u>\$ 53,359</u></u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2004
 (amounts expressed in thousands)

NOTE 4 - DUE FROM/TO OTHER STATE OF WEST VIRGINIA AGENCIES

Amounts due from other State of West Virginia agencies at June 30, 2004 consisted of the following:

The Department of Motor Vehicles	\$ 2,636
The Department of Administration	319
National Guard	103
Adjutant General	30
The Governor's Office	239
The Bureau of Employment Programs	27
West Virginia State Police	104
West Virginia Building Commission	40
Other agencies	<u>155</u>
	<u>\$ 3,653</u>

Amounts due to other State of West Virginia agencies at June 30, 2004 consisted of the following:

Public Employees Insurance Agency	\$ 1,174
Public Employee's Retirement	1,111
Bureau of Employment Programs	2,298
Division of Corrections	49
Other agencies	<u>28</u>
	<u>\$ 4,660</u>

NOTE 5 - INVENTORIES

Inventories at June 30, 2004 consisted of the following:

Materials and supplies	\$ 20,299
Equipment repair parts	7,566
Gas and lubrication supplies	<u>1,597</u>
	<u>\$ 29,462</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance <u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2004</u>
Capital assets not being depreciated:				
Land - non infrastructure	\$ 14,650	\$ -	\$ -	\$ 14,650
Land - infrastructure	647,247	77,833	55	725,025
Construction-in-process - buildings	8,105	10,480	7,536	11,049
Construction-in-progress - roads	524,201	238,245	154,304	608,142
Construction-in-progress - bridges	<u>196,222</u>	<u>149,448</u>	<u>114,319</u>	<u>231,351</u>
Total capital assets not being depreciated	<u>1,390,425</u>	<u>476,006</u>	<u>276,214</u>	<u>1,590,217</u>
Capital assets being depreciated:				
Buildings	64,787	15,802	956	79,633
Furniture and fixtures	3,454	533	61	3,926
Land improvements - non infrastructure	5,041	155	-	5,196
Rolling stock	171,689	11,874	6,379	177,184
Shop equipment	3,040	-	-	3,040
Scientific equipment	2,027	76	-	2,103
Infrastructure - roads	6,186,254	144,399	6,369	6,324,284
Infrastructure - bridges	<u>1,185,983</u>	<u>115,977</u>	<u>-</u>	<u>1,301,960</u>
Total capital assets being depreciated	<u>7,622,275</u>	<u>288,816</u>	<u>13,765</u>	<u>7,897,326</u>
Less accumulated depreciation:				
Buildings and improvements	24,939	3,532	956	27,515
Furniture and fixtures	3,008	254	56	3,206
Land improvements - non infrastructure	1,205	260	-	1,465
Rolling stock	123,201	11,447	5,733	128,915
Shop equipment	2,816	77	-	2,893
Scientific equipment	1,414	107	-	1,521
Infrastructure - roads	2,399,108	209,637	409	2,608,336
Infrastructure - bridges	<u>211,220</u>	<u>24,999</u>	<u>-</u>	<u>236,219</u>
Total accumulated depreciation	<u>2,766,911</u>	<u>250,313</u>	<u>7,154</u>	<u>3,010,070</u>
Total capital assets being depreciated, net	<u>4,855,364</u>	<u>38,503</u>	<u>6,611</u>	<u>4,887,256</u>
Governmental activities capital assets, net	<u>\$ 6,245,789</u>	<u>\$ 514,509</u>	<u>\$ 282,825</u>	<u>\$ 6,477,473</u>

Current year depreciation totaling \$246,267 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$4,046 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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2004
 (amounts expressed in thousands)

NOTE 6 - CAPITAL ASSETS (Continued)

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Buildings and improvements	\$ 3,532
Furniture and fixtures	254
Land improvements	<u>260</u>
Total unallocated	<u>4,046</u>
Rolling stock	11,447
Shop equipment	77
Scientific equipment	<u>107</u>
Total road maintenance	<u>11,631</u>
Infrastructure - roads	209,637
Infrastructure - bridges	<u>24,999</u>
Total other road operations	<u>234,636</u>
Total depreciation expense	<u>\$ 250,313</u>

NOTE 7 - RETAINAGES PAYABLE

The Division has entered into an arrangement with the West Virginia Investment Management Board whereby amounts retained from payments to contractors may, at the option of the contractor, be deposited in an interest bearing account in the contractor's name. Retainage payments are made to the contractor when contracts are satisfactorily completed. The funds on deposit in these accounts are not reported as assets of the Division. At June 30, 2004, retainages payable on contracts had been reduced by these amounts on deposit in such accounts by approximately \$3,580.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2004, 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:							
Better highway bonds	1973	5.625%- 6.10%	02/01/2006	\$ 10,815	\$ -	\$ 5,725	\$ 5,090
Safe road bonds	1998	4.30%- 5.25%	06/01/2023	199,750	-	7,090	192,660
Safe road bonds	1999	4.30%- 5.75%	06/01/2017	103,270	-	1,825	101,445
Safe road bonds	2000	5.50%- 5.75%	06/01/2025	110,000	-	-	110,000
Safe road bonds	2001	3.50%- 5.50%	06/01/2013	<u>93,665</u>	<u>-</u>	<u>8,430</u>	<u>85,235</u>
Total general obligation bonds				517,500	-	23,070	494,430
Bond premium				<u>3,456</u>	<u>-</u>	<u>675</u>	<u>2,781</u>
Total general obligation bonds payable net of premium				<u>520,956</u>	<u>-</u>	<u>23,745</u>	<u>497,211</u>
Claims and judgments				6,961	2,300	145	9,116
Compensated absences				<u>81,466</u>	<u>2,236</u>	<u>9,772</u>	<u>73,930</u>
Total long-term obligations				<u>\$ 609,383</u>	<u>\$ 4,536</u>	<u>\$ 33,662</u>	<u>\$ 580,257</u>

General obligation bond issues are authorized by constitutional amendments and are general obligations of the State of West Virginia. Legislation implementing the amendments require 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.

Debt service expenditures for debt service funds included interest of \$26,952 for the year ended June 30, 2004. Total debt service costs, exclusive of coupon redemption costs, for each of the next five years and thereafter, on general obligation bonds payable and liquidated through debt service funds, are as follows:

	2005	2006	2007	2008	2009	2010- 2014	2015- 2019	2020- 2024	2025	Total
General obligation bonds payable from tax revenue:										
Better highway bonds	\$ 3,909	\$ 1,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,476
State road bonds	<u>46,087</u>	<u>48,431</u>	<u>49,997</u>	<u>49,996</u>	<u>49,999</u>	<u>225,589</u>	<u>144,532</u>	<u>117,595</u>	<u>23,519</u>	<u>755,745</u>
Total general obligation bonds	49,996	49,998	49,997	49,996	49,999	225,589	144,532	117,595	23,519	761,221
Less: interest	<u>25,781</u>	<u>24,628</u>	<u>23,532</u>	<u>22,201</u>	<u>20,799</u>	<u>80,239</u>	<u>45,907</u>	<u>22,425</u>	<u>1,279</u>	<u>266,791</u>
Total principal	24,215	25,370	26,465	27,795	29,200	145,350	98,625	95,170	22,240	494,430
Bond premium	<u>563</u>	<u>475</u>	<u>400</u>	<u>336</u>	<u>277</u>	<u>663</u>	<u>67</u>	<u>-</u>	<u>-</u>	<u>2,781</u>
Total principal and bond premium	<u>\$ 24,778</u>	<u>\$ 25,845</u>	<u>\$ 26,865</u>	<u>\$ 28,131</u>	<u>\$ 29,477</u>	<u>\$ 146,013</u>	<u>\$ 98,692</u>	<u>\$ 95,170</u>	<u>\$ 22,240</u>	<u>\$ 497,211</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
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NOTES TO THE FINANCIAL STATEMENTS
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(amounts expressed in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

The portion of long-term and short-term compensated absences, claims payable, and general obligation bonds are as follows:

	<u>Compensated Absences</u>	<u>Claims and Judgments</u>	<u>General Obligation Bonds and Premium</u>	<u>Total</u>
Short-term liability	\$ 19,598	\$ 416	\$ 24,778	\$ 44,792
Long-term liability	<u>54,332</u>	<u>8,700</u>	<u>472,433</u>	<u>535,465</u>
	<u>\$ 73,930</u>	<u>\$ 9,116</u>	<u>\$ 497,211</u>	<u>\$ 580,257</u>

During the year ended June 30, 1972, the State was authorized by constitutional amendment to issue \$500,000 of general obligation bonds to fund highway and road construction projects known as Better Highway Bonds. 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.

The Division's Safe Road Bonds are subject to the arbitrage rebate provisions of the Internal Revenue Code, which requires 90% of interest earnings in excess of interest expended to be paid to the Internal Revenue Service. The Division has no arbitrage rebate liability as of June 30, 2004.

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

	<u>Year Ended June 30, 2004</u>	<u>Year Ended June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
Estimated claims liability, July 1	\$ 6,961	\$ 5,095	\$ 11,200
Additions for claims incurred during the year	3,762	3,246	2,787
Changes in estimates for claims of prior periods	(845)	(785)	(8,877)
Payments on claims	<u>(762)</u>	<u>(595)</u>	<u>(15)</u>
Estimated claims liability, June 30	<u>\$ 9,116</u>	<u>\$ 6,961</u>	<u>\$ 5,095</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

NOTE 8 - LONG-TERM OBLIGATIONS (Continued)

At June 30, 2004, approximately \$28,624 of tort claims and \$4,376 of construction claims, including non-incremental 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 \$8,700, recorded in the government-wide Statement of Net Assets, 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 \$416. 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. Also included in this amount is the Division's unfunded obligation of approximately \$5,901 arising in connection with legislation to fund portions of employee post retirement health insurance costs for retired employees. These liabilities are generally liquidated by the State Road Fund.

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce their future insurance premiums paid to the West Virginia Public Employees Insurance Agency or to obtain a greater benefit under the West Virginia Public Employees Retirement System. These liabilities are generally liquidated by the State Road Fund.

NOTE 9 - 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 and a portion of State Office Building No. 3 which are 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 these operating leases, which expire December 31, 2004 for rental payments of approximately \$1.8 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, 2004 the Division incurred payroll related expenditures of approximately \$29,662 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$17,721 in employer matching contributions to the State Public Retirement System.
- The Division is insured under the State Workers' Compensation Plan. During the year ended June 30, 2004 the Division paid approximately \$9,898 for employee workers' compensation benefits, which are paid into funds administered by the West Virginia Workers' Compensation Commission.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

NOTE 9 - RELATED PARTY TRANSACTIONS WITH THE STATE OF WEST VIRGINIA (Continued)

- The Division made payments to the Department of Military Affairs and Public Safety, Division of Public Safety for various services performed. These expenditures, which were authorized by the Legislature, amounted to approximately \$5,481 during the year ended June 30, 2004.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$512,623 at June 30, 2004.

The Division participates in several federal programs which are subject to audit by the federal awarding agency. Any disallowed claims, including amounts already collected, may constitute a liability 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 audit adjustments for questioned costs in the period the audit is finalized.

During the year ended June 30, 1989, the Division in-substance defeased Huntington Bridge Revenue Bonds dated January 1, 1965, by authorizing the West Virginia Municipal Bond Commission (MBC), the bond fiscal agent, to purchase U.S. government securities which will mature on dates to coincide with the remaining principal and interest payments. At June 30, 2004, \$940 of these bonds were outstanding and are considered defeased. Accordingly, the assets and liability for these defeased bonds have been excluded from the Division's financial statements.

NOTE 11 - RETIREMENT PLAN

PLAN DESCRIPTION - The Division contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 1900 Kanawha Boulevard East, Building Five, Charleston, West Virginia 25305 or by calling (304) 558-3570.

FUNDING POLICY - The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 15% of annual covered payroll, including the Division's contribution of 10.5% which is established by PERS. The Division's contributions to PERS for the years ended June 30, 2004, 2003, and 2002 were \$17,721, \$16,663, and \$15,717, respectively, equal to the required contributions for each year.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004
(amounts expressed in thousands)

NOTE 12 - 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), the Public Employees Insurance Agency (PEIA), and the Workers' Compensation Commission (WCC) to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance. The WCC provides coverage for work related accidents and is considered an insurance enterprise fund. 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 8, 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 8.

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

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WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

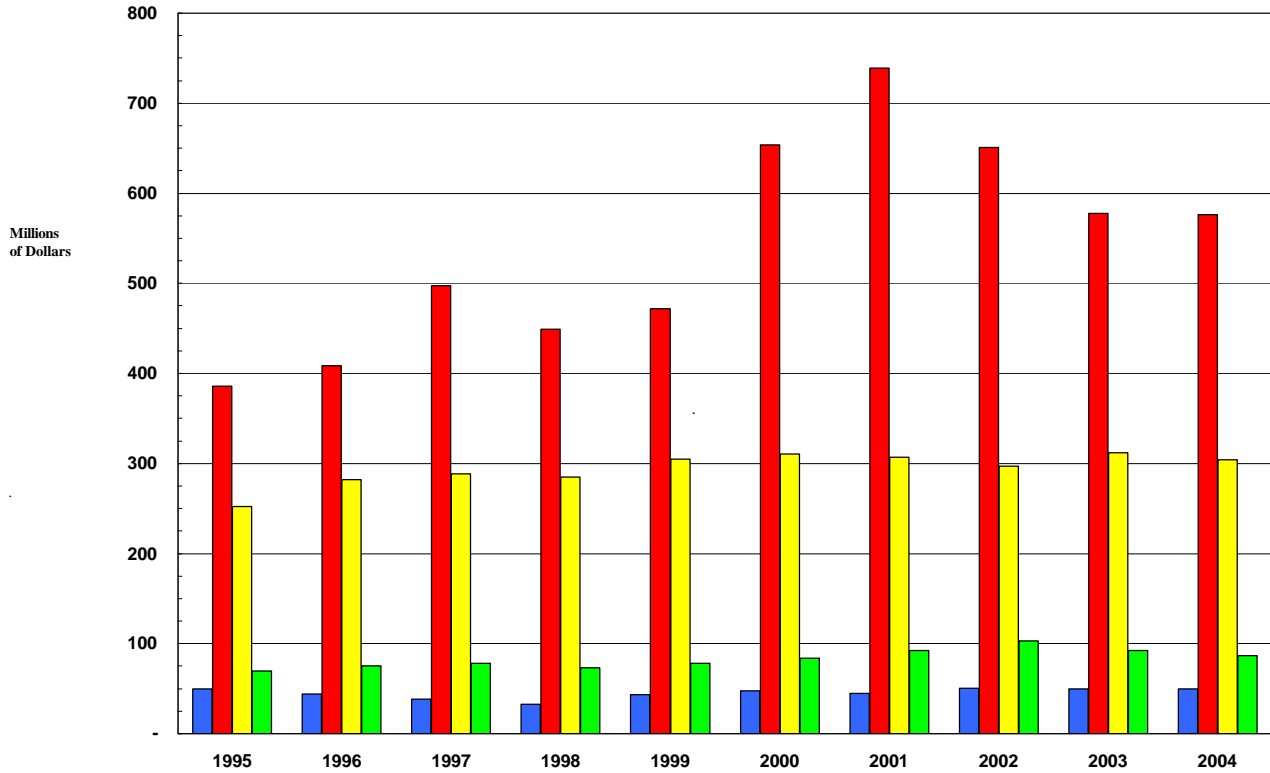
DIVISION OF HIGHWAYS



**TOTAL EXPENDITURES BY FUNCTION (All Funds)
1995 TO 2004**

(Amount expressed in thousands)

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Debt Service	\$49,648	\$44,017	\$38,645	\$32,866	\$43,455	\$47,526	\$44,925	\$50,790	\$50,019	\$50,022
Construction	385,613	408,272	497,106	448,851	471,784	653,659	738,607	650,662	577,902	576,272
Maintenance	252,222	282,382	288,648	284,821	305,062	310,786	307,207	297,190	312,249	304,228
Administrative/ Support	69,764	75,086	77,962	72,887	78,485	83,883	92,231	102,971	92,444	86,744
Total	\$757,247	\$809,757	\$902,361	\$839,425	\$898,786	\$1,095,854	\$1,182,970	\$1,101,613	\$1,032,614	\$1,017,266



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

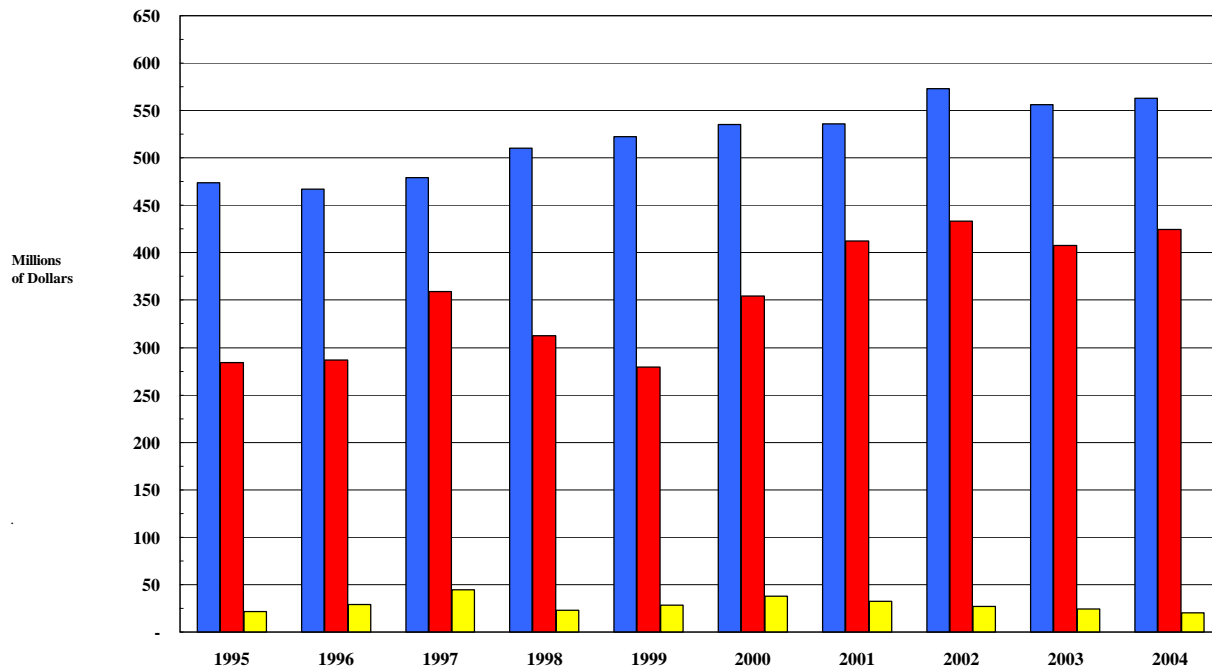
DIVISION OF HIGHWAYS



**TOTAL REVENUE BY SOURCE (All Funds)
1995 TO 2004**

(Amount expressed in thousands)

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Taxes and License Fees	\$473,842	\$467,288	\$478,913	\$510,011	\$522,672	\$535,534	\$535,898	\$572,989	\$556,118	\$563,197
Federal Aid	284,007	287,021	358,750	312,673	279,473	354,080	412,404	433,156	407,664	424,647
Miscellaneous	21,567	29,017	44,597	23,202	28,373	37,548	32,455	27,124	24,392	20,172
Total	\$779,416	\$783,326	\$882,260	\$845,886	\$830,518	\$927,162	\$980,757	\$1,033,269	\$988,174	\$1,008,016



DIVISION OF HIGHWAYS



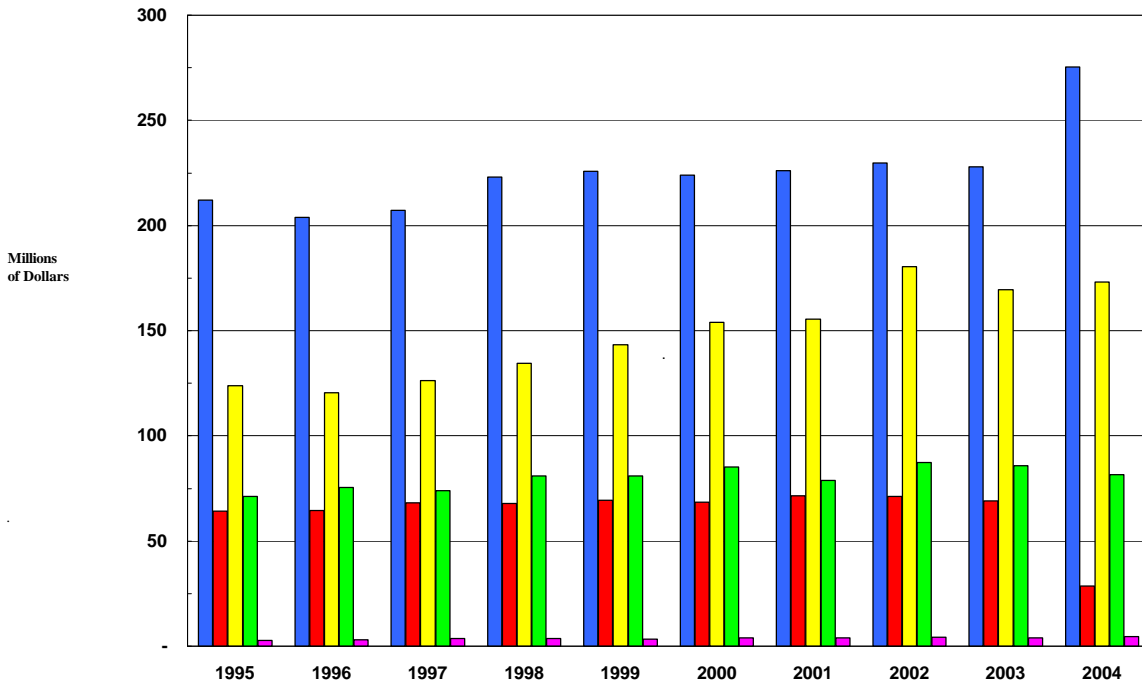
TAX AND LICENSE FEE REVENUE BY SOURCE ⁽¹⁾

1995 to 2004

(Amount expressed in thousands)

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Gasoline/Motor Carrier	\$212,173	\$203,855	\$207,297	\$223,068	\$225,761	\$224,029	\$225,946	\$229,650	\$227,793	\$275,471
Motor Fuel	64,137	64,385	68,103	67,945	69,405	68,372	71,521	71,314	69,049	28,463
Automobile Privilege	123,723	120,455	126,157	134,354	143,356	153,927	155,623	180,472	169,431	173,225
Registration/License Fees	71,122	75,552	73,831	80,928	80,935	85,222	78,745	87,380	85,880	81,577
Special Fees & Permits	2,687	3,041	3,525	3,716	3,215	3,984	4,063	4,173	3,965	4,461
Total	\$473,842	\$467,288	\$478,913	\$510,011	\$522,672	\$535,534	\$535,898	\$572,989	\$556,118	\$563,197

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



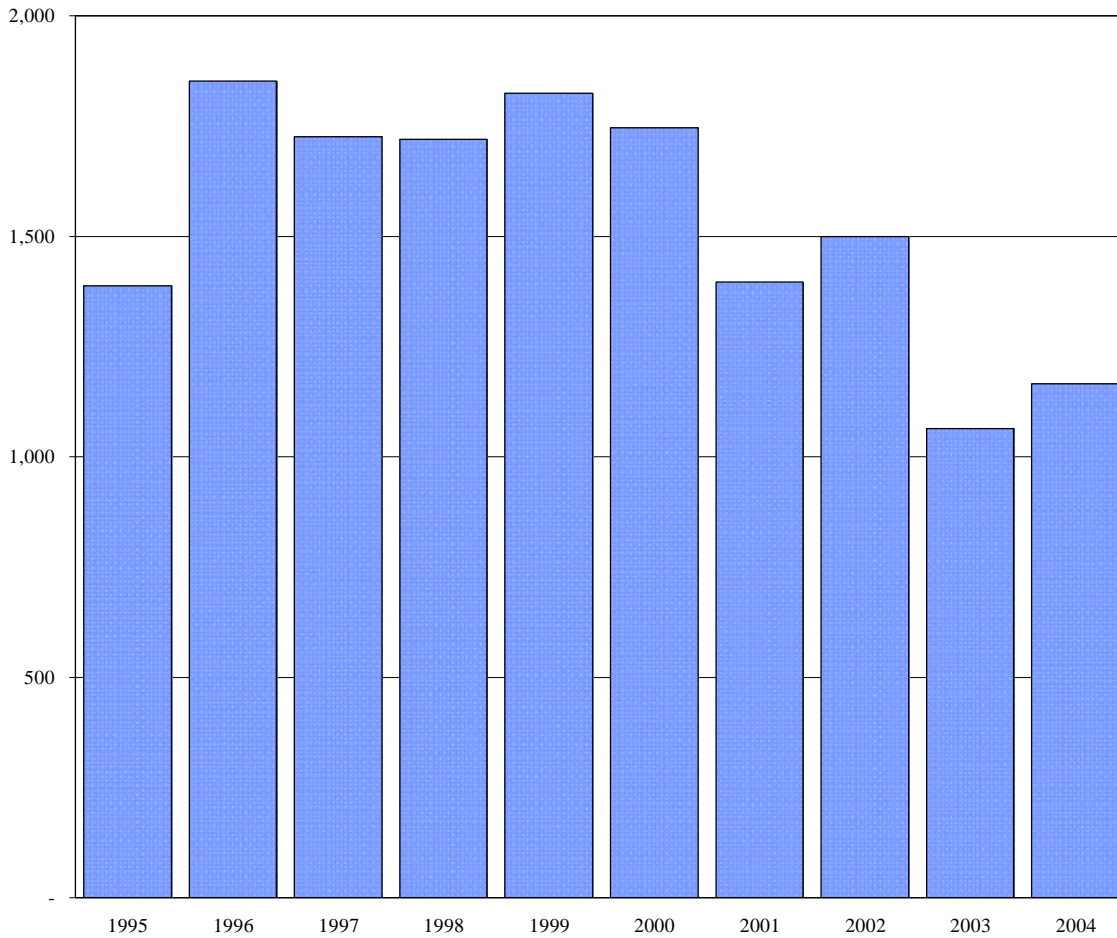
DIVISION OF HIGHWAYS



**HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED
1995 TO 2004**

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total Projects
Projects	1,387	1,852	1,725	1,720	1,825	1,746	1,396	1,499	1,064	1,165	15,379

Number of
Projects



DIVISION OF HIGHWAYS



**HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED
1995 TO 2004**

**Federal Aid
(Number of Projects)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Bond	0	0	0	0	3	5	0	0	1	0
Interstate Construction	1	0	0	0	0	8	2	9	4	5
Interstate Renovation	23	23	59	27	35	41	20	23	26	29
Non-Interstate Other	81	104	88	78	73	58	44	62	68	65
Appalachian Development	7	12	5	0	22	24	22	25	14	13
Timber Bridge	6	5	5	6	0	0	0	0	0	0
Other Bridge	53	49	56	42	44	58	14	62	36	31
Miscellaneous	41	259	213	69	103	132	78	172	149	208
Total	212	452	426	222	280	326	180	353	298	351

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

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Contract Paving and Secondary Roads										
Maintenance	545	672	663	716	574	615	522	448	335	424
Bridge Replacement and Renovation	94	85	77	93	61	65	50	73	48	29
Miscellaneous Bridge Work	54	66	58	47	77	59	44	44	36	20
Industrial Access Roads	8	14	8	12	11	15	6	15	7	5
Turnpike Refund	3	1	1	0	0	0	0	0	0	0
Bond	0	0	0	26	312	209	67	21	11	0
Roadway Renovation and Improvement	471	562	492	604	510	457	527	545	329	336
Total	1175	1400	1299	1498	1545	1420	1216	1146	766	814
GRAND TOTAL	1387	1852	1725	1720	1825	1746	1396	1499	1064	1165

TOTAL AUTHORIZED PROJECTS = 15,379

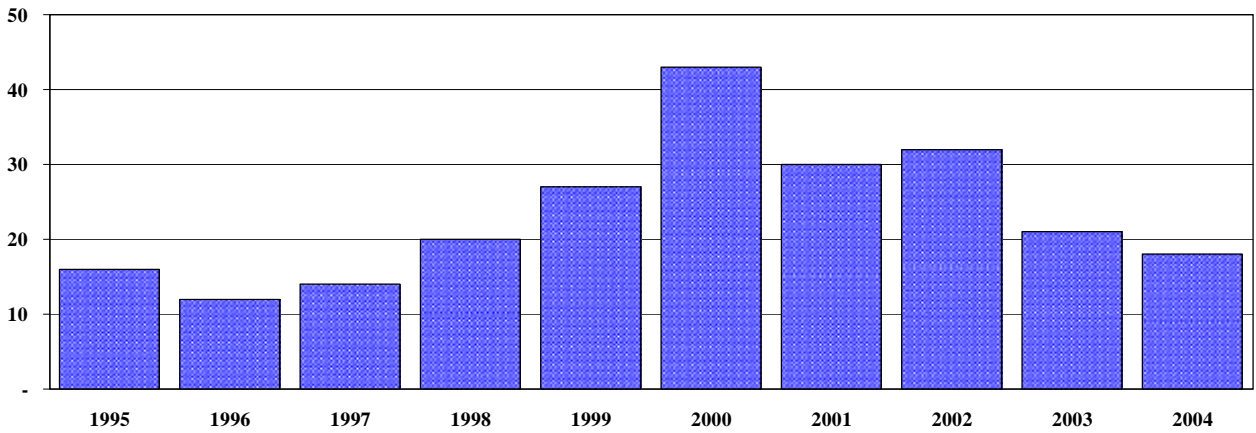
DIVISION OF HIGHWAYS



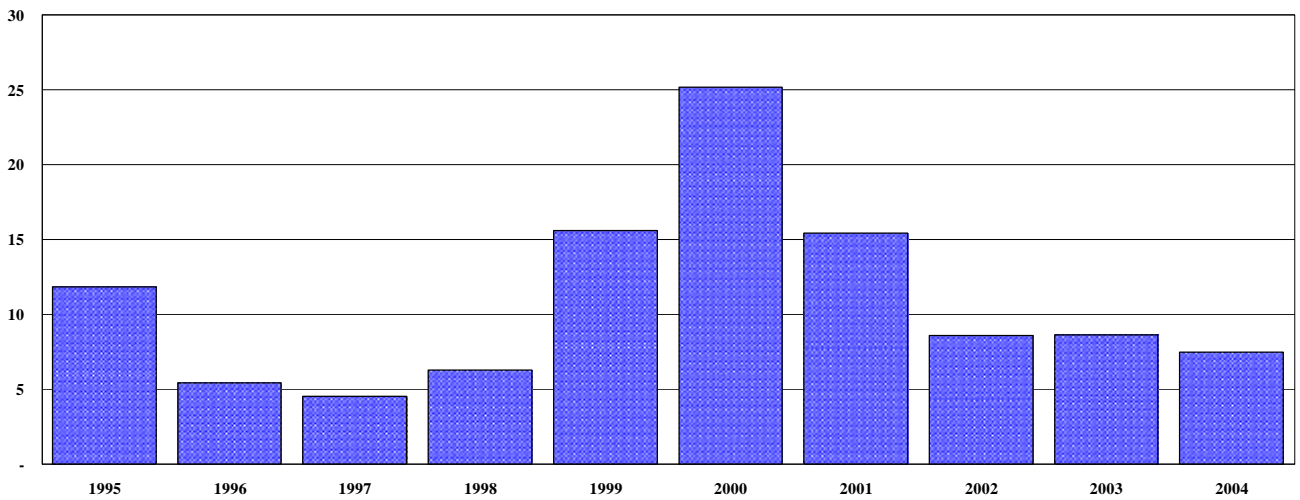
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY
1995 TO 2004

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of Projects	16	12	14	20	27	43	30	32	21	18
Number of Miles	11.83	5.41	4.54	6.27	15.60	25.15	15.42	8.60	8.62	7.49

Number of Projects



Number of Miles



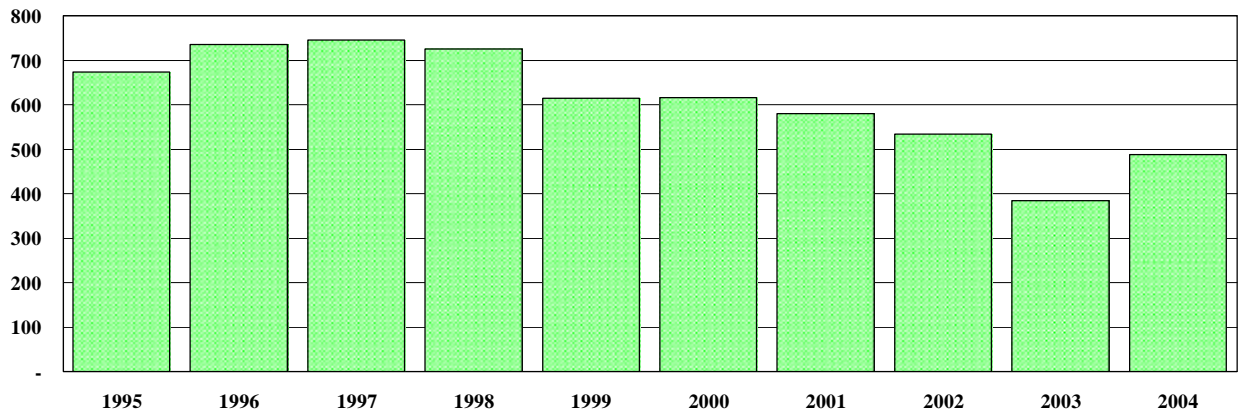
DIVISION OF HIGHWAYS



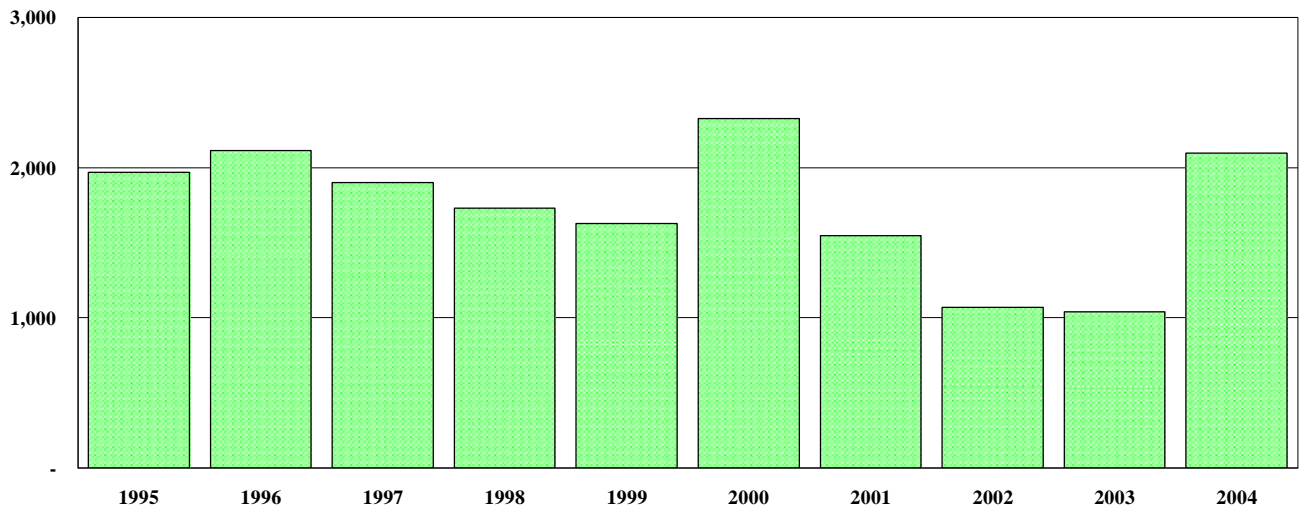
ROADWAY RESURFACING PROJECTS
1995 TO 2004

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of Projects	674	735	746	725	615	616	580	534	384	488
Number of Miles	1,970	2,114	1,902	1,730	1,629	2,325	1,545	1,071	1,040	2,098

Number of
Projects






Number of
Miles



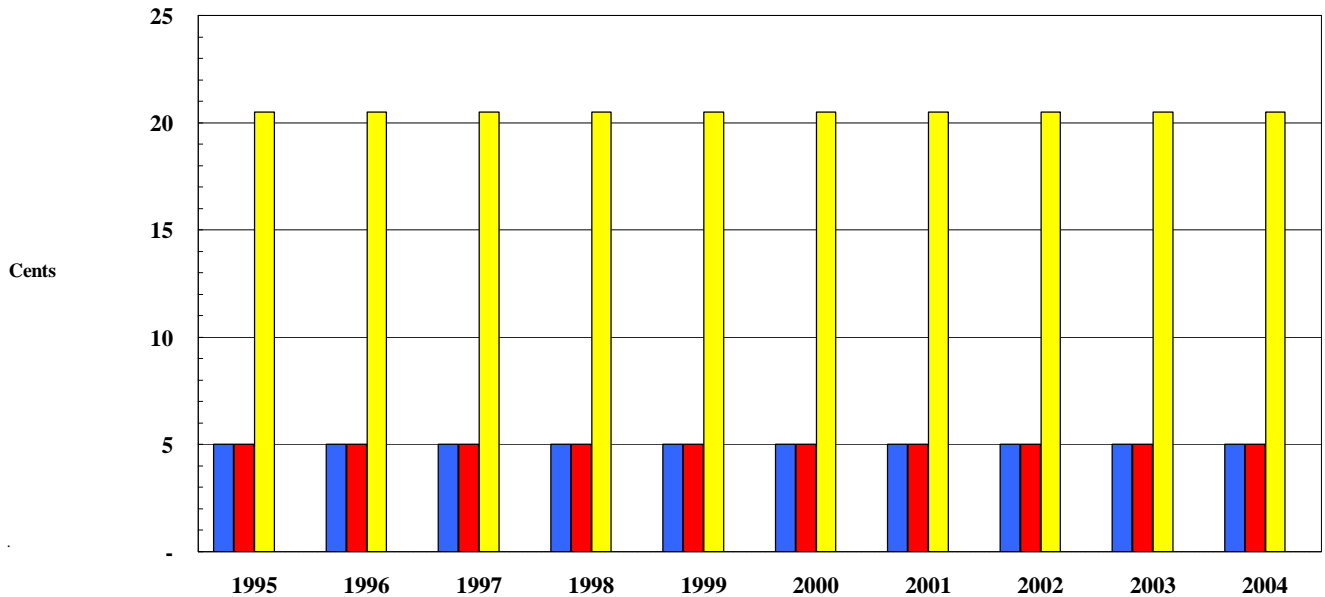
DIVISION OF HIGHWAYS



FUEL AND PRIVILEGE TAX RATES
1995 TO 2004

Fiscal Year		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Wholesale Motor Fuel(1) (cents per dollar)		5	5	5	5	5	5	5	5	5	5
Automobile Privilege(2) (cents per dollar)		5	5	5	5	5	5	5	5	5	5
Gasoline (cents per gallon)		20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5

- (1) Gasoline and special fuel furnished or delivered within West Virginia, or purchased outside and used within West Virginia, is subject to a wholesale tax at five percent of the average wholesale price
- (2) A tax equal to five percent of the value of said motor vehicle at the time of this certification.



DIVISION OF HIGHWAYS

TOTAL HIGHWAY MILEAGE BY CATEGORY

<i>Total Road System</i>	
Interstate Highway	468
U.S. Routes	1,828
W.V. Routes	3,605
County Routes	28,864
Other	<u>1,011</u>
Total Miles	35,776

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

	<u>Rural Miles</u>	<u>Urban Miles</u>
<u>Interstate Highways (Part of National Highway System) *</u>	380 **	88 ***
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>	1,141	120
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>	7,554	984
All other roads on which federal Highway funds may be expended.		
Sub-total miles	<u>9,075</u>	<u>1,192</u>
Total Miles	10,267	

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS

**Ratio Of Annual Debt Service Expenditures
To Total General Governmental Expenditures
Last Ten Fiscal Years**
(amount expressed in thousands)

Fiscal Year	1995	1996	1997	1998	1999	2000	2001	2002 (a)	2003 (a)	2004(a)
Principal	\$38,785	\$35,055	\$31,325	\$28,010	\$28,920	\$28,170	\$20,665	\$21,485	\$22,040	\$23,070
Interest	\$10,863	\$8,962	\$7,320	\$4,856	\$14,535	\$19,356	\$24,260	\$28,508	\$27,956	\$26,525
Total Debt Service	\$49,648	\$44,017	\$38,645	\$32,866	\$43,455	\$47,526	\$44,925	\$49,993	\$49,996	\$49,595
Total General Governmental Expenditures	\$707,599	\$756,740	\$863,716	\$806,559	\$853,331	\$1,048,327	\$1,138,045	\$1,050,823	\$982,595	\$967,244
Ratio of Debt Service to General Governmental Expenditures	7.02%	5.82%	4.47%	4.07%	5.09%	4.53%	3.95%	4.76%	5.09%	5.13%

(a) Does not include bond issuance, coupon redemption/bank costs, or premium amortization