

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



**COMPREHENSIVE**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2007**

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

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2007**

PREPARED BY  
FINANCE SECTION

Pictures Courtesy of

WVDOH COMMUNICATIONS/PUBLIC AFFAIRS  
STATE CAPITOL COMPLEX  
BUILDING 5, ROOM 137  
CHARLESTON, WEST VIRGINIA 25305

# WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS

Year Ended June 30, 2007

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

Letter of Transmittal	2
Government Finance Officers Association Certificate of Achievement	8
Organizational Chart	9
List of Principal Officials	10

### FINANCIAL SECTION

Independent Auditors' Report	12
Management's Discussion and Analysis	14
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	23
Statement of Activities	24
Fund Financial Statements	
Balance Sheet – Governmental Funds	25
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	28

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

Year Ended June 30, 2007

**TABLE OF CONTENTS**

(Continued)

**FINANCIAL SECTION (Continued)**

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgetary Basis) – State Road Fund	29
Notes to Financial Statements	30

**STATISTICAL SECTION**

Statistical Section Index	55
---------------------------	----



**I  
N  
T  
R  
O  
D  
U  
C  
T  
O  
R  
Y**

**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**

**Joe Manchin III  
Governor**

December 31, 2007

Honorable Joe Manchin III, Governor;  
Members of the West Virginia Legislature;  
and the Citizens of the State of West Virginia

We are pleased to submit the Comprehensive Annual Financial Report of the West Virginia Department of Transportation, Division of Highways (the Division) for the fiscal year ended June 30, 2007. The purpose of the report is to provide the Governor, Legislature, Citizens and other interested parties with reliable financial information about the Division.

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

State statute requires that an annual audit of the Division be performed. The accounting firm of Hayflich and Steinberg, PLLC was engaged to perform the audit for the year ended June 30, 2007. Its report is included in the financial section of this report. The West Virginia Department of Transportation 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, 2007 is available upon request.

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

**PROFILE OF THE GOVERNMENT**

The Division is an operating division of the state government of West Virginia (the State). The State Road Fund (the Division's general fund) is considered a special revenue fund of the

State and represents separate funds of the State that are not a part of the State's General Fund. Effective July 1, 1989, the Department of Highways became the Division of Highways when the Department of Transportation was established as a result of legislation enacted by the West Virginia Legislature. It had been the Department of Highways since 1969 when the name was changed from the State Road Commission, which was established in 1917. The Division has statutory authority for the construction, rehabilitation and maintenance of 35,916 miles of roads in the State.

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

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.

## **LOCAL ECONOMY**

The seasonally adjusted unemployment rate in West Virginia was 5.0% for October 2007 as compared to the national rate of 4.7%. During the period of October 2006 to October 2007 nonfarm payroll employment increased by 2,600 jobs. The continuing diversification of the West Virginia labor market over the last twenty years should allow the State's economy to follow the lead of the national economy in the future. The State continues to put emphasis on economic development activities and incentives to attract new businesses and to accelerate expansion of businesses currently in the State. The economic outlook for West Virginia should continue to reflect modest growth and begin to follow national trends, though it is recognized that the State possesses tremendous energy resources and much of the improvement in the State's economy and a higher profitability are associated with coal and timber. Additionally, the State has used fiscal restraint and retired a significant portion of unfunded liabilities over the past three years.

## **LONG-TERM FINANCIAL PLANNING**

The schedule that follows presents combined summary revenue and expenditure information for the State Road (General) Fund for the year ended June 30, 2007. All data is presented in thousands of dollars.



The overall decline in tax and fee revenues in FY2007 was insignificant. Federal aid reimbursement fell due to delays in the start of a few major construction projects and Congress' failure to pass a highway appropriations bill in a timely manner. Gas tax revenue increased primarily because the variable rate component of the tax rose \$.045 per gallon in January 2007. Much of the decline in miscellaneous revenue occurred because the FY2006 amount included a one-time transfer of eleven million in surplus Lottery funds to the State Road Fund.

	Amount	Percent of Total	Change from Prior Year	
			Amount	Percent
Gasoline and motor carrier taxes and wholesale	\$364,550	34%	\$34,012	10%
Automobile privilege taxes	171,429	16%	945	1%
Motor vehicle registration and licenses	86,840	8%	(694)	1%
Special fees and permits	5,263	0%	973	23%
Federal aid	392,533	37%	(37,050)	(9%)
Investments and interest income	9,652	1%	4,951	105%
Miscellaneous	40,585	4%	(15,686)	(28%)
<b>Total revenues</b>	<b>\$1,070,852</b>	<b>100%</b>	<b>(\$12,549)</b>	<b>(1%)</b>
Road construction and other road operations	574,095	56%	(32,314)	(5%)
Road maintenance	320,268	31%	9,655	3%
Support and administrative operations	90,809	9%	(18,984)	(17%)
Debt Service	41,592	4%	(1,426)	(3%)
	<b>\$1,026,764</b>	<b>100%</b>	<b>(\$43,069)</b>	<b>4%</b>

The decline in Construction expenditures occurred for the same reasons reimbursement fell – delays in projects and the lack of a timely federal appropriation. Support and administrative operations saw a reduction in equipment purchases and related expenditures.

At June 30, 2007 the outstanding principal balance of long-term general obligation bonds was \$429,845,000. These bonds were issued between 1998 and 2005 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 around \$50 million annually for fiscal years 2007-2012.

During the fiscal year ended June 30, 2007, the Division issued \$109,160,000 of revenue notes. The notes were issued as a Grant Anticipation Revenue Vehicle (GARVEE), a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. Under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year.

The West Virginia Board of Treasury Investments is responsible for the investment of all

state monies, including the Division's. Such funds are invested in the West Virginia Board of Treasury Investments' 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.

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) and the Public Employees Insurance Agency (PEIA) 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. In January 2006 the state privatized Workers' Compensation. Workers' Compensation coverage is currently provided solely from BrickStreet Insurance Company, a private mutual insurance company established in conjunction with the privatization process.

## **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 48) which is projected to run from Interstate 79 near Weston, West Virginia to Wardensville, in Hardy County, West Virginia. Approximately 62 miles of the estimated 132 miles of this highway within the State have been completed and opened to traffic.

Due to several factors, including a high concentration of truck traffic, safety concerns, and its regional significance, the Division has given high priority to improvement of US 35 in Putnam and Mason Counties. The Division used the previously described GARVEE notes to accelerate construction of significant portions of that highway. Several corridors have been studied for route locations, including WV 10 (Logan to Man), the King Coal Highway, and the Coal Fields Expressway. Construction of Route 9 improvements in the eastern panhandle of the State will continue beyond 2012. Additional review is being done in conjunction with Route 705 in the Morgantown area. All Mon-Fayette Expressway projects are programmed for construction. Construction of the Blennerhassett Bridge over the Ohio River, is scheduled for completion December 2007. This is the last remaining construction project on mainline Corridor D.

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 6,600 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, 1990 some 3,383 bridges have been repaired or replaced at a cost of more than \$2.0 billion. Other accomplishments during the fiscal year ended June 30, 2007 include the resurfacing of approximately 944 miles of roadway at a cost of \$103 million.

During the fiscal year ended June 30, 2007, the Division continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of

approximately \$15.9 million in new replacement units. The Division is now giving increased priority to replacing equipment involved in our core maintenance functions.

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

### **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the past fifteen consecutive fiscal years (1992-2006). The Certificate of Achievement is a prestigious international award recognizing conformance with the highest standards for preparation of state and local government financial reports. The Division was the second West Virginia state agency to be awarded the GFOA Certificate and is one of only eight State of West Virginia agencies to receive the Certificate for the year ended June 30, 2006.

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 FY2007 comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and the Division is submitting it to the GFOA for review under this program.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the personnel of the 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 the Financial Reporting Section of the Finance Division, who has administrative responsibility for this function.

Sincerely,



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



# 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, 2006

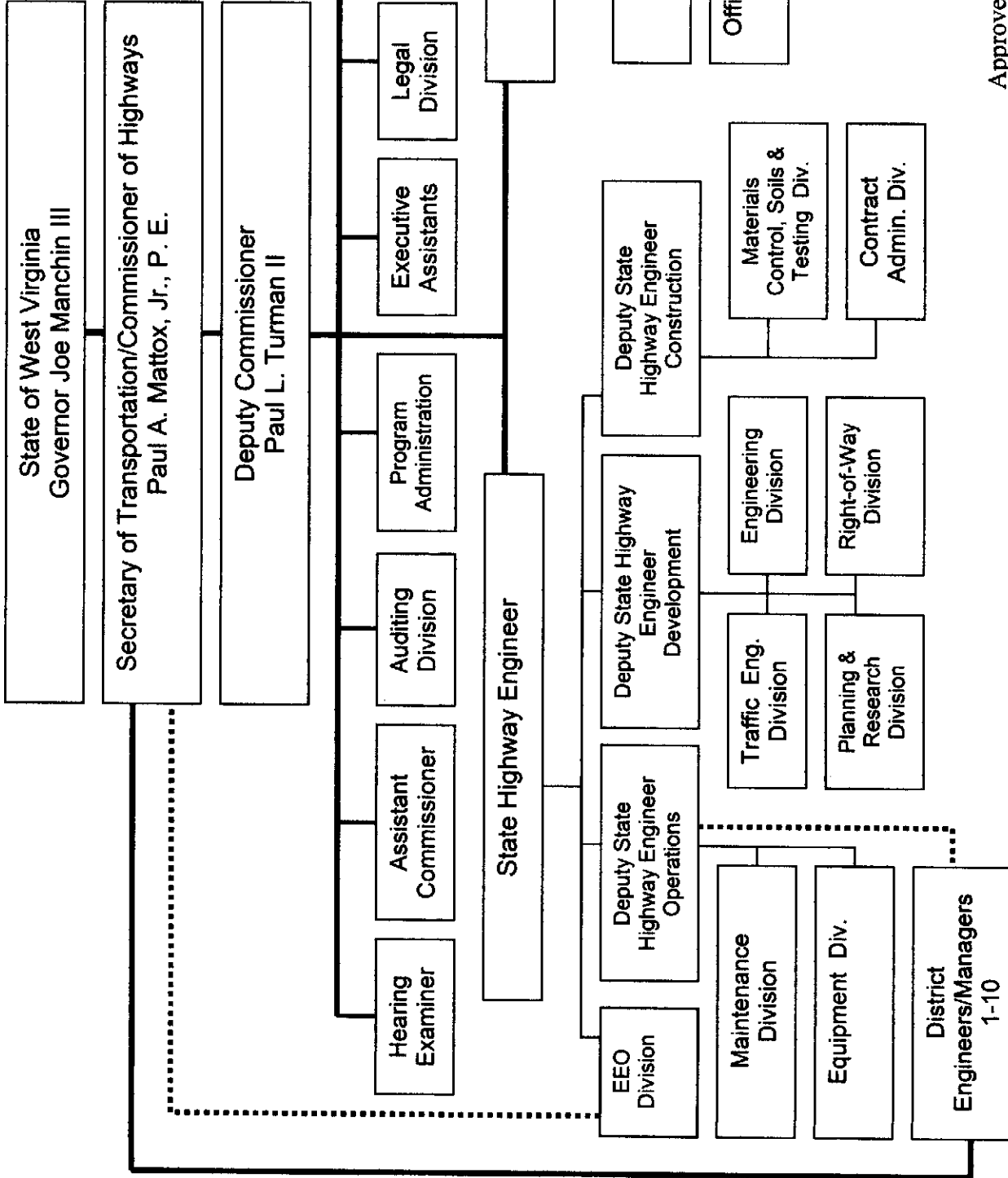
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# WEST VIRGINIA DIVISION OF HIGHWAYS



Approved By:

*Paul A. Mattox, Jr.*

4-30-07

Secretary/Commissioner of Highways Date

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
 DIVISION OF HIGHWAYS  
 LIST OF PRINCIPAL OFFICIALS  
 June 30, 2007

Paul A. Mattox, Jr.	Cabinet Secretary of Transportation
Paul A. Mattox, Jr.	Commissioner of Highways
Paul L. Turman II	Deputy Secretary of Transportation
Paul L. Turman II	Deputy Commissioner of Highways
Marvin Murphy	State Highway Engineer
Howard Mullens	Assistant Commissioner
Danny Ellis	Business Manager
John Walker	Deputy State Highway Engineer-Operations
James Sothen	Deputy State Highway Engineer-Development
Darrell Allen	Deputy State Highway Engineer-Construction
Jack Catalano	Executive Assistant
Kathy Holtsclaw	Executive Assistant
Ernie Larzo	Executive Assistant
Chuck Runyon	Executive Assistant
Randy Wade	Director, Auditing Division
Alice Taylor	Director, Budget Division
Todd Rumbaugh	Acting Director, Contract Administration Division
Greg Bailey	Director, Engineering Division
Drema Smith	Director, Equal Employment Opportunity Division
Robert Andrew	Director, Equipment Division
Fred Thomas	Director, Finance Division
Jeff Black	Director, Human Resources Division
Joe Biancaniello	Director, Information Services Division
Anthony Halkias	Director, Legal Division
Kyle Stollings	Director, Maintenance Division
Aaron Gillespie	Director, Materials Control Soil & Testing Division
Susie Watkins	Director, Office of Communications
Phyllis Lucas	Director, Office Services Division
Ken Ferguson	Director, Planning and Research Division
Vacant	Director, Program Administration Division
David Jack	Director, Right of Way Division
Barry Warhoftig	Director, Traffic Engineering Division
Brenda Craig-Ellis	Hearing Examiner
Wilson Braley	Regional Operations Engineer
Vacant	Regional Operations Engineer
Bill Bennett	Regional Operations Engineer
Gary Clayton	Regional Operations Engineer

---

DISTRICT ENGINEERS/MANAGERS

District 1	Anthony Carovillano	Charleston
District 2	Keith Chapman	Huntington
District 3	Rusty Roten	Parkersburg
District 4	Greg Phillips	Clarksburg
District 5	Bob Amtower	Burlington
District 6	Bob Whipp	Moundsville
District 7	Ron Hooton	Weston
District 8	Michael Moran	Elkins
District 9	Jim Lagos	Lewisburg
District 10	John McBrayer	Princeton



F  
I  
S  
N  
E  
A  
C  
T  
I  
O  
N  
A  
L



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





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, 2007. 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 \$6.9 billion as of the close of fiscal year 2007.

*Changes in Net Assets* - During the year the Divisions' Net Assets increased \$281 million or 4.24%. This percentage of increase is a slight decline from the prior year, when Net Assets increased \$294 or 4.65%.

*Revenues and Expenses* - Total revenues decreased by \$13 million or 1.16%. Total expenses increased \$1 million or 0.12%. 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 2007, the Division's governmental funds reported combined total fund equity of \$388 million, an increase of \$156 million in comparison with the prior year. Of this total amount, \$355 million represents the "unreserved fund balances" with substantially all of that in the general fund. This is approximately 34.55% 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 \$18 million during the current fiscal year. The Division sold two issues of Surface Transportation Improvements Special Obligation Notes increasing debt by \$109 million for a net increase in debt of \$91 million or 20.31%.

### **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

**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, 2007 and 2006 (amounts in thousands).

**Net Assets as of June 30**

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Total current assets	\$ 469,570	\$ 306,036	53.44%
Capital assets, net of accumulated depreciation	7,162,668	6,953,347	3.01%
Other non-current assets	<u>2,830</u>	<u>2,435</u>	16.22%
Total assets	<u>7,635,068</u>	<u>7,261,818</u>	5.14%
Total current liabilities	145,901	115,336	26.50%
Long term liabilities	<u>586,301</u>	<u>524,536</u>	11.78%
Total liabilities	<u>732,202</u>	<u>639,872</u>	14.43%
Invested in capital assets, net of related debt	6,592,210	6,475,338	1.80%
Restricted	13,975	8,512	64.18%
Unrestricted	<u>296,681</u>	<u>138,096</u>	114.84%
Total net assets	<u>\$ 6,902,866</u>	<u>\$ 6,621,946</u>	4.24%

The largest component (95.50%) 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 is classified as either restricted or unrestricted net assets the unrestricted net assets, may be used at the Division's discretion. The restricted net assets has constraints as to how these funds may be used, this enabling legislation directs the use of these funds.

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

**Condensed Statement of Activities**

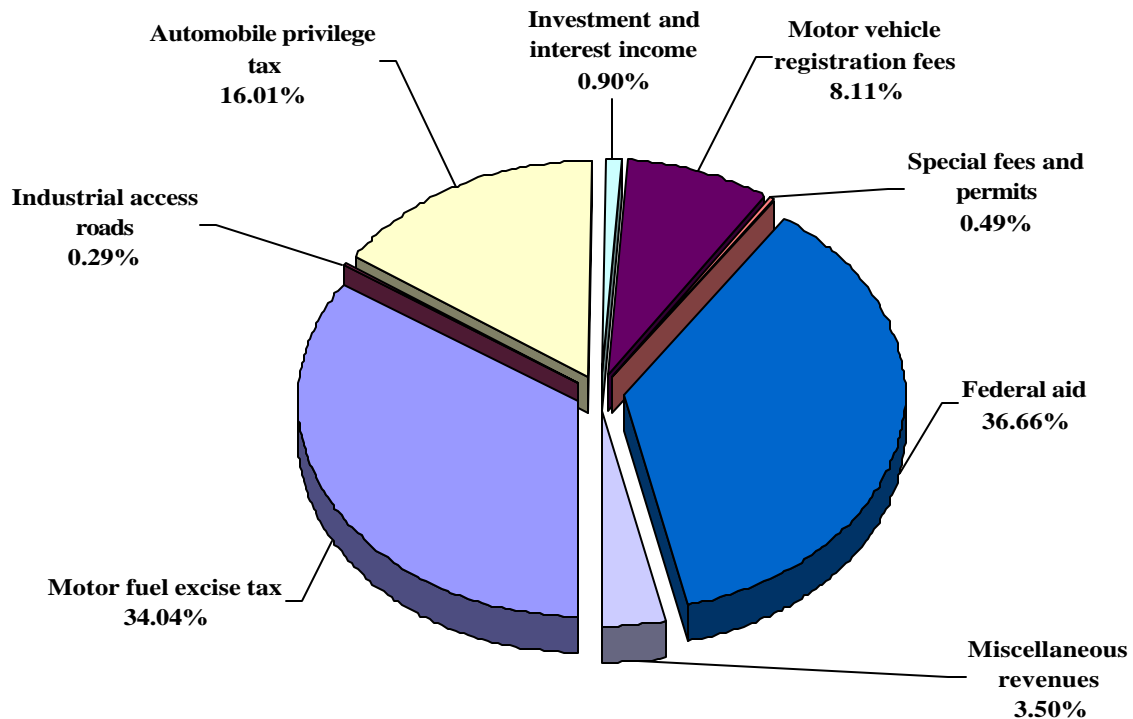
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net assets changed during the fiscal year (amounts in thousands):

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
<b>Revenues</b>			
Taxes	\$ 535,979	\$ 501,022	6.98%
Investment and interest income	9,652	4,701	105.32%
Miscellaneous revenues	<u>37,459</u>	<u>53,255</u>	(29.66%)
Total general revenues	<u>583,090</u>	<u>558,978</u>	4.31%
Federal aid	392,533	429,583	(8.62%)
Industrial access roads	3,126	3,016	3.65%
Charges for service	<u>92,103</u>	<u>91,824</u>	0.30%
Total program revenues	<u>487,762</u>	<u>524,423</u>	(6.99%)
Total revenues	<u>1,070,852</u>	<u>1,083,401</u>	(1.16%)
<b>Expenses</b>			
Road maintenance	338,550	316,475	6.98%
Other road operations	365,796	366,874	(0.29%)
General and administration	59,358	81,349	(27.03%)
Interest on long-term debt	22,977	21,283	7.96%
Unallocated depreciation	<u>3,251</u>	<u>3,030</u>	7.29%
Total expenses	<u>789,932</u>	<u>789,011</u>	0.12%
Change in net assets	280,920	294,390	(4.58%)
Net assets, beginning	<u>6,621,946</u>	<u>6,327,556</u>	4.65%
Net assets, ending	<u>\$ 6,902,866</u>	<u>\$ 6,621,946</u>	4.24%

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 \$281 million or 4.24% 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 decreased by approximately \$13 million. Total tax revenues increased by approximately \$35 million. Federal aid revenue decreased by approximately \$37 million or (8.62%). The following summarizes revenues for the years ended June 30, 2007 and June 30, 2006 (amounts in thousands):

	2007	2006	Increase (decrease)	% Increase (decrease)
Motor fuel excise tax	\$ 364,550	\$ 330,538	\$ 34,012	10.29%
Industrial access roads	3,126	3,016	110	3.65%
Automobile privilege tax	171,429	170,484	945	0.55%
Motor vehicle registration fees	86,840	87,534	(694)	(0.79%)
Special fees and permits	5,263	4,290	973	22.68%
Federal aid	392,533	429,583	(37,050)	(8.62%)
Investment and interest income	9,652	4,701	4,951	105.32%
Miscellaneous revenues	37,459	53,255	(15,796)	(29.66%)
	<u>\$ 1,070,852</u>	<u>\$ 1,083,401</u>	<u>\$ (12,549)</u>	<u>(1.16%)</u>

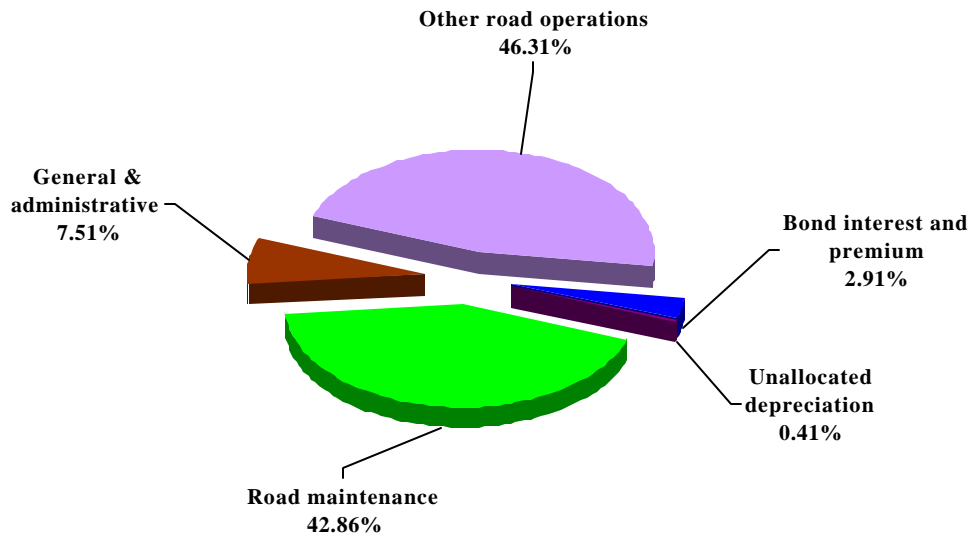
The Division's primary sources of revenue for funding of ongoing administration of the Division, general maintenance and construction of the State Road System and for providing resources to match available Federal funds are derived from fuel taxes, automobile privilege taxes, motor vehicle registration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

Although tax collections grew during the past five fiscal years, they did not significantly exceed official estimates. From fiscal year 2003 through fiscal year 2007, actual cash revenues exceeded estimates by only 1.75%. 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 agency to adjust its budgets for inflationary increases. In FY 2008, Motor Fuel Tax revenues are projected to be approximately 14% above FY 2007 level due to the increase in the variable component of the tax, but the other revenue sources will remain relatively flat. Although the agency will be able to increase its budgets somewhat, it is anticipated that nondiscretionary costs will continue to rise. Consequently, many programs that are operated by the Division will experience little, if any, real growth in the foreseeable future.

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

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 2007 were authorized under the new Highway Transit Bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA -LU).

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



Total expenses increased by approximately \$1 million or 0.12%. The following summarizes expenditures for the years ended June 30, 2007 and June 30, 2006 (amounts in thousands):

	2007	2006	Increase (decrease)	% Increase (decrease)
Road maintenance	\$ 338,550	\$ 316,475	\$ 22,075	6.98%
Other road operations	365,796	366,874	(1,078)	(0.29%)
General and administration	59,358	81,349	(21,991)	(27.03%)
Interest on long-term debt	22,977	21,283	1,694	7.96%
Unallocated depreciation	3,251	3,030	221	7.29%
	<u>\$ 789,932</u>	<u>\$ 789,011</u>	<u>\$ 921</u>	0.12%

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

Operating units are allocated yearly amounts for routine maintenance. The type of routine maintenance expenses incurred is dependent, to a degree, on the level of snow 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.

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

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

At June 30, 2007, the Division reported fund balances of \$388 million. Of this total amount, \$355 million, 91.43%, 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 2007 fiscal year, unreserved fund balance of the General Fund was \$273 million and reserved fund balance was \$33 million. The total General Fund balance increased \$74 million during the year primarily due to a combination of reduced expenditures and increased Motor Fuel Tax revenue, resulting from the \$.045 increase in the variable component of the fuel tax rate.

**Capital Projects Fund**

The Capital Projects Fund accounts for financial resources to be used for road construction financed by the proceeds from the sale of Surface Transportation Improvements Special Obligation Notes. The notes were issued as a Grant Anticipation Revenue Vehicle (GARVEE), a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. To allow for effective use of federal obligation authority, a state may request partial conversion of GARVEE projects to coincide with GARVEE debt service payments. In West Virginia, under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year. The current GARVEE note sales are for the construction of portions of the US 35 corridor. At June 30, 2007 the balance of \$82 million represented unexpended note funds associated with the 2006A and 2007A note issues.

**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 changed little over the past several years, any improvements in fuel efficiency 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 increased by approximately \$34 million in 2007; they increased \$2 million during the previous year. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>%Change</u>
Motor fuel excise and wholesale fuel	\$ 364,550	\$ 330,538	\$ 34,012	10.29%
Motor vehicle registration	86,840	87,534	(694)	(0.79%)
Privilege tax	<u>171,429</u>	<u>170,484</u>	<u>945</u>	0.55%
	<u>\$ 622,819</u>	<u>\$ 588,556</u>	<u>\$ 34,263</u>	5.82%

On January 1, 2005, the gasoline and special fuels excise tax was repealed, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate that is calculated yearly. On January 1, 2007, the rate rose from 6.5 cents to 11 cents per invoiced gallon.

Automobile privilege tax collections were positively impacted from 2002 through 2007 by low interest rates and significant incentives offered by automobile manufacturers. The automobile privilege taxes increased \$1 million in 2007.



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

The Division's federal revenue for budgetary purposes for fiscal year 2007 was \$390 million, to be used primarily for design, right-of-way and construction of Corridor D, Corridor H, WV 9, US Route 35 and other major corridors including King Coal Highway, WV 16, and WV 10 and all other federal highways. As previously discussed the recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures are dependent on variables such as the weather, the existence of differing site conditions that require plan modification, or delays caused by environmental issues or the results of public meetings, expenditures often do not occur as planned. Federal revenue recognized in the Statement of Activities in each of the last two years is summarized below (amounts in thousands):

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>%Change</u>
Federal reimbursement - budgeted funds	\$ 386,875	\$ 423,979	\$ (37,104)	(8.75%)
Federal Reimbursement – Surface Transportation	1,207		1,207	100.0%
Federal reimbursement - emergency funds	4,451	5,604	(1,153)	(20.57%)
Total federal aid	<u>\$ 392,533</u>	<u>\$ 429,583</u>	<u>\$ (37,050)</u>	<u>(8.62%)</u>

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, and other increases that are non-discretionary in nature. The fiscal 2008 budget reflects a budgeted decrease in fund balance of approximately \$17 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. Under SAFETEA - LU, the Division annually receives an average of \$316 million in federal funding. In order to capture that federal aid the Division needs \$58.2 million annually in state matching funds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2007, the Division had invested \$7.2 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled \$278 million.

The \$209 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 \$257 million in depreciation of the infrastructure. The Division expended \$490 million dollars during the year ended June 30, 2007 for additions to capital assets. Of this amount, \$469 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 \$344 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to Corridor H in Hardy County, Corridor D in Wood County, upgrade of WV 10 in Logan County, widening of I64, upgrade of WV Route 9 in the Eastern Panhandle, upgrade of US Route 35 in Putnam County, upgrade of US Route 52 in Mingo County, upgrade of WV 16 in Fayette County 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, 2007, the Division had \$430 million in outstanding bonds. The amount outstanding decreased by \$18 million or (4.05%) due to net principal payments.

The Division has been authorized to issue revenue notes in the amount of \$200 million by constitutional amendment. The Division issued revenue notes in the amount of \$76 million in October 2006 and \$33 million in April 2007. It is anticipated that another estimated \$91 million will be issued during fiscal year 2008. These notes will be revenue notes and the debt service payments will be funded through federal aid revenue

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

Issue	Status of insurance	Bond Rating	Amount (in thousands)
Safe Roads 98A - All Bonds maturing on or before June 1, 2023	Insured by FGIC	Fitch: AAA	\$ 51,510
		Moody's: Aaa	
		S&P: AAA	
Safe Roads 99A - All Bonds maturing on or before June 1, 2017	Not Insured	Fitch: AA-	4,470
		Moody's: Aa3	
		S&P: AA-	
Safe Roads 01A - Bonds maturing between June 1, 2006 to 2013	Insured by FSA	Fitch: AAA	57,490
		Moody's: Aaa	
		S&P: AAA	
Safe Roads 05A - Bonds maturing on or before June 1, 2025.	Not Insured	Fitch: AA-	860
		Moody's: Aa3	
		S&P: AA-	
Safe Roads 05A - Bonds maturing on or before June 1, 2025.	Insured by FSA	Fitch: AAA	315,515
		Moody's: Aaa	
		S&P: AAA	
Surface Transportation Improvements Special Obligation Notes (Garvee 2006A) – Notes maturing on or before June 1, 2016	Not Insured - notes maturing Sept.1 2007 and Sept. 1, 2008	Fitch: AAA	75,970
		Moody's: Aaa	
		S&P: AAA	
Surface Transportation Improvements Special Obligation Notes (Garvee 2007A) – Notes Maturing on or before June 1, 2016	Not Insured - notes maturing Sept.1 2007 and Sept. 1, 2008	Fitch: AAA	33,190
		Moody's: Aaa	
		S&P: AAA	
			\$ 539,005

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

**REQUESTS FOR INFORMATION**

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

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
STATEMENT OF NET ASSETS  
JUNE 30, 2007  
(amounts expressed in thousands)

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 271,662
Restricted cash and cash equivalents	50
Accounts receivable, net	86,894
Taxes receivable	74,562
Due from other State of West Virginia agencies	3,143
Inventories	33,259
Total current assets	469,570
Non-current assets	
Capital assets, net of accumulated depreciation	
Land - non-infrastructure	15,403
Land improvements	4,404
Land Improvements - work in progress	598
Buildings	65,195
Buildings - work in progress	2,041
Furniture and fixtures	323
Rolling stock	58,860
Scientific equipment	620
Shop equipment	70
Roads	3,608,137
Bridges	1,286,064
Land - infrastructure	844,674
Construction in progress	1,276,279
Total capital assets	7,162,668
Other non-current assets	2,830
Total assets	7,635,068
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	52,862
Retainages payable	9,047
Accrued payroll and related liabilities	16,866
Due to other State of West Virginia agencies	2,782
Accrued interest payable	3,279
Current maturities of long term obligations	61,065
Total current liabilities	145,901
Non-current liabilities	
Claims and judgements	5,420
Compensated absences	51,687
Long - term debt obligations	529,194
Total non-current liabilities	586,301
Total liabilities	732,202
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,592,210
Unrestricted	296,681
Restricted by enabling legislation	13,975
Total net assets	\$ 6,902,866

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007  
(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	\$ 262,684			\$ (262,684)
Contract paving & secondary roads	42,785			(42,785)
Small bridge repair & replacement	14,002			(14,002)
Litter control program	1,663			(1,663)
Depreciation	17,416			(17,416)
Other road operations				
Interstate highways	11,514		\$ 56,801	45,287
Appalachian highways	3,994		93,552	89,558
Other federal aid programs	82,182		242,180	159,998
Non federal aid improvements	9,407			(9,407)
Industrial access roads	1,407		3,126	1,719
Depreciation	257,292			(257,292)
General and administration				
Support and administrative operations	27,108	\$ 5,263		(21,845)
Claims	(3,000)			3,000
Costs associated with DMV	35,250	86,840		51,590
Interest on long-term debt	22,977			(22,977)
Unallocated depreciation	3,251			(3,251)
	\$ 789,932	\$ 92,103	\$ 395,659	(302,170)
General revenues				
Taxes:				
Gasoline and motor carrier				364,550
Automobile privilege				171,429
Investment and interest income				9,652
Miscellaneous revenues				37,459
				583,090
Total general revenues				583,090
Change in net assets				280,920
Net assets, beginning				6,621,946
Net assets, ending				\$ 6,902,866

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
 DIVISION OF HIGHWAYS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2007  
 (amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Assets			
Cash and cash equivalents	\$ 182,292	\$ 89,420	\$ 271,712
Receivables	86,894	-	86,894
Taxes receivable	74,562	-	74,562
Due from other funds	192	-	192
Due from other State of West Virginia agencies	3,143	-	3,143
Inventories	33,259	-	33,259
Total assets	\$ 380,342	\$ 89,420	\$ 469,762
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 45,652	\$ 7,210	\$ 52,862
Retainages payable	9,047	-	9,047
Accrued payroll and related liabilities	16,866	-	16,866
Due to other funds	-	192	192
Due to other State of West Virginia agencies	2,782	-	2,782
Total liabilities	74,347	7,402	81,749
Fund balances			
Reserved for inventories	33,259	-	33,259
Unreserved, undesignated	272,736	82,018	354,754
Total fund balances	305,995	82,018	388,013
Total liabilities and fund balances	\$ 380,342	\$ 89,420	\$ 469,762

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007  
(amounts expressed in thousands)

Total fund balances - governmental funds \$ 388,013

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	\$	15,403	
Land improvements- non infrastructure		4,404	
Land improvements- work in progress		598	
Buildings		65,195	
Buildings - work in progress		2,041	
Furniture and Fixtures		323	
Rolling Stock and Shop Equipment		58,860	
Scientific Equipment		620	
Shop Equipment		70	
Roads		3,608,137	
Bridges		1,286,064	
Infrastructure Land		844,674	
Work in progress		1,276,279	7,162,668

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. 2,830

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	(3,279)	
Claims and judgments	(6,050)	
Compensated absences	(70,858)	
General obligation bonds and revenue notes	(570,458)	(650,645)

Net assets of governmental activities \$ 6,902,866

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007  
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Taxes			
Gasoline and motor carrier	\$ 364,550		\$ 364,550
Automobile privilege	171,429		171,429
Industrial access roads	3,126		3,126
License, fees and permits			
Motor vehicle registrations and licenses	86,840		86,840
Special fees and permits	5,263		5,263
Federal aid			
Interstate highways	56,801		56,801
Appalachian highways	93,552		93,552
Other federal aid programs	240,973	\$ 1,207	242,180
Investment and interest income, net of arbitrage rebate	6,879	2,773	9,652
Miscellaneous revenues	37,459		37,459
	<u>1,066,872</u>	<u>3,980</u>	<u>1,070,852</u>
<b>Expenditures</b>			
Current			
Road maintenance			
Expressway, trunkline and feeder, state and local services	258,720	-	258,720
Contract paving and secondary roads	42,785	-	42,785
Small bridge repair and replacement	17,100	-	17,100
Litter control program	1,663	-	1,663
Support and administrative operations	55,911	-	55,911
Division of Motor Vehicles operations	34,754	-	34,754
Claims	144	-	144
Capital outlay and other road operations			
Road construction and other road operations			
Interstate highways	70,926	-	70,926
Appalachian highways	132,747	-	132,747
Other federal aid programs	315,798	32,852	348,650
Nonfederal aid construction and road operations	20,365	-	20,365
Industrial access roads	1,407	-	1,407
Debt service			
Principal	18,150		18,150
Interest	22,235	1,207	23,442
	<u>992,705</u>	<u>34,059</u>	<u>1,026,764</u>
Excess (deficiency) of revenues over expenditures	74,167	(30,079)	44,088
Other financing sources (uses)			
Proceeds from Bond issues	-	112,097	112,097
Net change in fund balances	74,167	82,018	156,185
Fund balances, beginning of year	231,828	-	231,828
Fund balances, end of year	<u>\$ 305,995</u>	<u>\$ 82,018</u>	<u>\$ 388,013</u>

The Accompanying Notes Are An Integral  
Part Of These Financial Statements



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2007

(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ 156,185

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 \$ 490,171, exceeded depreciation of (\$277,959) in the current period. 212,212

In the statement of activities only the loss on the sale of assets is reported, whereas in the governmental funds. The proceeds from the sale increase financial resources. Thus the change in the net assets differs from the change in fund balance by the undepreciated cost of the assets sold. (2,891)

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. (93,947)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the decrease in compensated absences of \$5,752, accretion of bond premiums of \$2,243, an increase in interest payable of (\$1,427) , exceeded the decrease in claims \$3,144 and amortization of bond issuance costs of (\$351). 9,361

Change in net assets of governmental activities \$ 280,920

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 (BUDGETARY BASIS) - STATE ROAD FUND

YEAR ENDED JUNE 30, 2007  
 (amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>					
<b>Taxes</b>					
Gasoline and motor carrier	\$ 290,000	\$ 25,000	\$ 315,000	\$ 349,172	\$ 34,172
Automobile privilege	175,686	(7,264)	168,422	173,306	4,884
Motor vehicle registrations and licenses	88,008	-	88,008	87,058	(950)
Revenue Transfer to Industrial Access Roads	(3,000)	-	(3,000)	(3,034)	(34)
Federal aid	485,177	36,112	521,289	389,643	(131,646)
Miscellaneous revenues	10,664	1,285	11,949	14,164	2,215
	<u>1,046,535</u>	<u>55,133</u>	<u>1,101,668</u>	<u>1,010,309</u>	<u>(91,359)</u>
<b>Expenditures</b>					
<b>Road construction and other road operations</b>					
Interstate highways	84,000	(4,000)	80,000	64,077	15,923
Appalachian highways	150,000	-	150,000	120,405	29,595
Other federal aid programs	325,700	50,000	375,700	314,362	61,338
Nonfederal aid construction	25,000	8,000	33,000	19,603	13,397
<b>Road maintenance</b>					
Maintenance	256,700	11,000	267,700	253,868	13,832
Contract paving and secondary roads	37,000	13,000	50,000	43,294	6,706
Small bridge repair and replacement	30,000	(8,000)	22,000	16,790	5,210
Litter control program	1,664	-	1,664	1,664	-
<b>Support and administrative operations</b>					
General operations	42,500	-	42,500	29,652	12,848
Equipment revolving	15,000	-	15,000	5,035	9,965
Inventory revolving	2,000	-	2,000	(1,443)	3,443
Debt service	41,000	-	41,000	39,621	1,379
PSC Weight Enforcement	4,667	-	4,667	4,667	-
Division of Motor Vehicles operations	37,333	-	37,333	33,092	4,241
Claims - DOH and DMV	144	-	144	144	-
	<u>1,052,708</u>	<u>70,000</u>	<u>1,122,708</u>	<u>944,831</u>	<u>177,877</u>
Excess (deficiency) of revenues over expenditures	(6,173)	(14,867)	(21,040)	65,478	86,518
Fund balance, beginning of year	113,598	(14,871)	98,727	100,002	1,275
Fund balance, end of year	<u>\$ 107,425</u>	<u>\$ (29,738)</u>	<u>\$ 77,687</u>	<u>\$ 165,480</u>	<u>\$ 87,793</u>

The Accompanying Notes Are An Integral  
 Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

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, 2007 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

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. The government-wide statement of net assets reports \$13,975 restricted assets, of which all is restricted by enabling legislation.

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds, 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 45 days of the end of the current fiscal year. Principal revenues subject to accrual include gasoline and wholesale fuel taxes, automobile privilege taxes, federal reimbursements and other reimbursements for use of materials and services.

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

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2007, has been reported only in the government-wide financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

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 postemployment 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-employment 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.
- The Capital Projects Fund - This fund accounts for financial resources to be used for road construction financed by the proceeds from the sale of Surface Transportation Improvements Special Obligation Notes. The notes were issued as a Grant Anticipation Revenue Vehicle (GARVEE), a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code

INTERFUND ACTIVITY - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges from the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Division processes certain routine payments, such as payroll through the State Road Fund and allocates those costs to the other governmental funds based on individual projects charged. The interfund balances at June 30, 2007 are a result of these routine payments and transfers.

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's State Road (General) Fund which includes the State Road Fund and A. James Manchin Fund has a legislatively approved budget. However, the coal resource fund, industrial access fund and certain monies reported within the State Road Fund 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, 2007, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$	65,478
Basis of accounting differences (budgetary to GAAP)		6,454
Unbudgeted funds		<u>2,235</u>
 Excess of revenues over expenditures - GAAP basis	 \$	 <u><u>74,167</u></u>

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

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

**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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The estimates of historical costs of buildings and other improvements were based on values that were compiled in 1983. 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.

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.

**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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

POSTEMPLOYMENT 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 postemployment benefits. Employees hired subsequent to July 1, 2001 are not eligible for these benefits. Expenditures for postemployment health insurance premiums are recognized as incurred in the governmental fund financial statements. The government-wide financial statements present the cost of accumulated post-employment health insurance as a liability.

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 sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

RECENT STATEMENTS ISSUED BY THE GASB - The following statements were adopted by the Division during the fiscal year ended June 30, 2007:

- The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, effective for fiscal years beginning after December 15, 2006. This statement provides standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. Effective July 1, 2007, the Division is required to participate in this multiple employer cost sharing plan sponsored by the State of West Virginia. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency, State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, West Virginia, 25305-0710 or <http://www.wvpeia.com> No liability related to this plan exists for the Division at June 30, 2007. The impact on the Division's financial statements in subsequent years has not yet been determined, but such amount may be significant.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The GASB has issued Statement No. 48, *Sales and Pledges of Receivable and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for fiscal years beginning after December 15, 2006. This statement addresses whether an exchange of an interest in expected cash flows for collecting specific receivables of specific future revenues for an immediate lump sum should be regarded as a sale or as a collateralized borrowing resulting in a liability. It establishes criteria to determine whether proceeds should be reported as revenue or a liability. The Division has not yet determined the effect that the adoption of GASB Statement No. 48 may have on the financial statements.
- The GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective for fiscal years beginning after December 15, 2007. This statement addresses the obligations of existing pollution events. It provides guidance on whether any components of a remediation should be recognized as a liability. The Division has not yet determined the effect that the adoption of GASB Statement No. 49 may have on the financial statements.
- The GASB has issued Statement No. 50, *Pensions Disclosures* (an amendment of GASB Statements No. 25 and No. 27), effective for fiscal years beginning after June 15, 2007. This statement more closely aligns the financial reporting requirements for pension with those for other postemployment benefits, thus enhancing the information disclosed on the notes to the financial statements or presented as required supplementary information. The Division has not yet determined the effect that the adoption of GASB Statement No. 50 may have on the financial statements.
- The GASB has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The Division has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Cash on deposit with State Treasurer	\$ 18,413	\$ 18,413
Cash on deposit with State Treasurer invested in BTI cash liquidity pool	163,177	163,177
Cash on deposit with State Treasurer invested in BTI money market pool - (Garvee 2007A)	31,958	31,958
Cash on deposit with Huntington Bank	50	50
Cash on Deposit with BTI – (Garvee 2006A)	57,005	57,005
Cash in transit	<u>1,109</u>	<u>1,109</u>
	<u>\$ 271,712</u>	<u>\$ 271,712</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

**West Virginia Board of Treasury Investments (BTI) Cash Liquidity Pool, Government Money Market Pool, and Division of Highways Account**

Cash on deposit with the State Treasurer is a non-safeguarded deposit in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments, (including Repurchase Agreements), and Reverse Repurchase Agreements*. Additionally, such deposits are subject to the following BTI policies and procedures.

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

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the BTI’s Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the BTI’s Consolidated Fund pools and accounts which the Authority may invest in three are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, and Enhanced Yield Pool.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The Pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

Security Type	Credit Rating *		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P1	A-1	\$ 1,015,926	48.89%
Corporate bonds and notes	Aaa	AAA	98,999	4.76
	Aa3	AA	20,001	0.96
	Aa3	A	23,002	1.11
	Aa2	AA	15,000	0.72
	Aa2	A	27,000	1.30
	Aa1	AA	77,023	3.71
Total corporate bonds and notes			<u>261,025</u>	<u>12.56</u>
U.S. agency bonds	Aaa	AAA	46,994	2.26
U.S. Treasury bills	Aaa	AAA	358,725	17.27
Certificates of deposit	P1	A-1	76,500	3.68
U.S. agency discount notes	P1	A-1	21,655	1.04
Money market funds	Aaa	AAA	185	0.01
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	246,821	11.88
Total investments			<u>2,027,831</u>	<u>97.59</u>
Deposits:				
Nonnegotiable certificates of deposit	NR*	NR*	50,000	2.41
			<u>\$ 2,077,831</u>	<u>100.00%</u>

\* NR = Not Rated

The Division's ownership represents 7.85% of these amounts held by BTI.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AAA	\$ 67,620	29.46%
U.S. Treasury bills	Aaa	AAA	36,379	15.85
U.S. agency discount notes	P1	A-1	74,143	32.30
Money market funds	Aaa	AAA	9	-
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	51,400	22.39
			<u>\$ 229,551</u>	<u>100.00%</u>

The Division's ownership represents 13.92% of these amounts held by BTI.

The Division of Highways Account provides for the investment of proceeds from the issuance and sale of \$90 million Surface Transportation Improvements Special Obligation Notes (Garvee 2006A). The BTI does not have a policy specifically addressing credit risk in the Division of Highways Account. The following table provides information on the credit ratings of the Division of Highways Account investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Money market funds	Aaa	AAA	\$ 11	0.02%
Repurchase agreements (underlying securities):				
U.S. agency mortgage backed securities	Aaa	AAA	56,994	99.98
			<u>\$ 57,005</u>	<u>100.00%</u>

The Division's ownership represents 100% of these amounts held by BTI.

**Interest Rate Risk**

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

The overall weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Carrying Value	WAM (Days)
Repurchase agreements	\$ 246,821	2
U.S. Treasury bills	358,725	30
Commercial paper	1,015,926	52
Certificates of deposit	126,500	76
U.S. agency discount notes	21,655	113
Corporate notes	261,025	58
U.S. agency bonds/notes	46,994	156
Money market fund	<u>185</u>	1
	<u>\$ 2,077,831</u>	48

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 51,400	2
U.S. Treasury bills	36,379	29
U.S. agency discount notes	74,143	106
U.S. agency bonds/notes	67,620	60
Money market funds	<u>9</u>	1
	<u>\$ 229,551</u>	49

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Division of Highways Account arising from increasing interest rates. The following table provides information on the weighted average maturities for the various asset types in the Division of Highways Account:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 56,994	610
Money market funds	<u>11</u>	1
	<u>\$ 57,005</u>	610

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

**Other Investment Risks**

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

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in the leading agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

**Restricted Cash and Cash Equivalents for Debt Service Repayment**

**Credit Risk**

The Division limits the exposure to credit risk in the funds invested for debt service repayment by requiring in the note trust indenture that investments in money market funds be rated AAAM or AAAM-G or better by S&P. At June 30, 2007 these funds were invested with Huntington Bank in the Huntington Treasury Money Market IV. The following table provides information on the credit ratings of this investment.

<u>Security Type</u>	<u>Moody's</u>	<u>S&amp;P</u>	<u>Carrying Value</u>	<u>Percentage of Assets</u>
Huntington Treasury Money Market IV	Aaa	AAA	\$ 50	100%

**Concentration of Credit Risk**

The Division note trust indenture places no limit on the amount the Authority may invest in any one Issuer. All of the investments for debt service repayment are in the Huntington Treasury Money Market IV.

**Custodial Credit Risk**

Custodial Credit Risk is the risk that in the event of a failure of the counterparty, the Division will not be able to recover the value of the investment that is in the possession of an outside party. The Division does not have a policy for custodial credit risk. As of June 30, 2007, \$50 thousand of the Division's investments were invested in the Huntington Treasury Money Market IV.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

**Interest rate risk**

The weighted average maturity of the Huntington Treasury Money Market Fund IV is less than one year. The funds are invested in money market funds that do not have a maturity date.

<u>Security Type</u>	<u>Carrying Value</u>	Investment Maturity in Years			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Huntington Treasury Money Market IV	\$ 50	\$50	-	-	-

**Foreign Currency Risk**

The investments for debt service repayment have no securities that are subject to foreign currency risk.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2007 consisted of the following:

Federal aid billed and not paid	\$ 17,578
Federal aid earned but not billed	57,718
Total federal aid receivable	75,296
Other receivables	12,003
Combined total receivables	87,299
Less: allowance for uncollectibles	(405)
Net accounts receivable	\$ 86,894

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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

NOTE 4 - TAXES RECEIVABLE

Taxes receivable at June 30, 2007 consisted of the following:

Automobile privilege taxes	\$	25,713
Motor fuel excise taxes		45,448
Registration fees		3,401
	\$	74,562

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

Amounts due from other State of West Virginia agencies at June 30, 2007 consisted of the following:

The Department of Motor Vehicles	\$	2,986
Other agencies		157
	\$	3,143

Amounts due to other State of West Virginia agencies at June 30, 2007 consisted of the following:

Public Employees Insurance Agency	\$	1,193
Public Employee's Retirement		982
Department of Administration		243
Other agencies		364
	\$	2,782

NOTE 6 - INVENTORIES

Inventories at June 30, 2007 consisted of the following:

Materials and supplies	\$	21,204
Equipment repair parts		9,190
Gas and lubrication supplies		2,865
	\$	33,259



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2007</u>
Capital assets not being depreciated:				
Land - non infrastructure	\$ 15,403	\$ -	\$ -	\$ 15,403
Land - infrastructure	806,875	37,878	79	844,674
Construction -in-progress - buildings	1,270	2,066	1,295	2,041
Construction -in-progress - land improvements	437	648	487	598
Construction -in-progress - roads	799,284	261,418	249,959	810,743
Construction -in-progress - bridges	<u>389,022</u>	<u>170,098</u>	<u>93,584</u>	<u>465,536</u>
Total capital assets not being depreciated	<u>2,012,291</u>	<u>472,108</u>	<u>345,404</u>	<u>2,138,995</u>
Capital assets being depreciated:				
Buildings	98,561	1,288	218	99,631
Furniture and fixtures	3,747	175	177	3,745
Land improvements - non infrastructure	6,480	245	-	6,725
Rolling stock	199,537	16,274	15,423	200,388
Shop equipment	3,040	0	-	3,040
Scientific equipment	2,308	81	7	2,382
Infrastructure - roads	6,624,223	249,959	-	6,874,182
Infrastructure - bridges	<u>1,518,716</u>	<u>93,584</u>	<u>-</u>	<u>1,612,300</u>
Total capital assets being depreciated	<u>8,456,612</u>	<u>361,606</u>	<u>15,825</u>	<u>8,802,393</u>
Less accumulated depreciation:				
Buildings	31,924	2,730	218	34,436
Furniture and fixtures	3,386	197	161	3,422
Land improvements - non infrastructure	1,997	324	-	2,321
Rolling stock	138,634	17,303	14,409	141,528
Shop equipment	2,954	16	-	2,970
Scientific equipment	1,672	97	7	1,762
Infrastructure - roads	3,041,128	224,917	-	3,266,045
Infrastructure - bridges	<u>293,861</u>	<u>32,375</u>	<u>-</u>	<u>326,236</u>
Total accumulated depreciation	<u>3,515,556</u>	<u>277,959</u>	<u>14,795</u>	<u>3,778,720</u>
Total capital assets being depreciated, net	<u>4,941,056</u>	<u>83,647</u>	<u>1,030</u>	<u>5,023,673</u>
Governmental activities capital assets, net	<u>\$ 6,953,347</u>	<u>\$ 555,755</u>	<u>\$ 346,434</u>	<u>\$ 7,162,668</u>

Current year depreciation totaling \$274,708 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$3,251 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, 2007

NOTE 7 - CAPITAL ASSETS (Continued)

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Buildings and improvements	\$ 2,730
Furniture and fixtures	197
Land improvements	324
Total unallocated	3,251
Rolling stock	17,303
Shop equipment	16
Scientific equipment	97
Total road maintenance	17,416
Infrastructure - roads	224,917
Infrastructure - bridges	32,375
Total other road operations	257,292
Total depreciation expense	\$ 277,959

NOTE 8 - RETAINAGES PAYABLE

The Division has entered into an arrangement with the BTI 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, 2007, retainages payable on contracts had been reduced by these amounts on deposit in such accounts to approximately \$572.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2007, and changes for the fiscal year then ended are as follows:

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
General obligation bonds payable from tax revenue:							
Safe road bonds	1998	4.30%-5.25%	06/01/2023	\$ 56,755		\$ 5,245	\$ 51,510
Safe road bonds	1999	4.30%-5.75%	06/01/2017	6,560		2,090	4,470
Safe road bonds	2001	3.50%-5.50%	06/01/2013	67,120		9,630	57,490
Safe road bonds	2006	3.00%-5.00%	06/01/2025	317,560		1,185	316,375
Total general obligation bonds				447,995		18,150	429,845
Bond premium				30,014		2,000	28,014
Total general obligation bonds payable net of premium				478,009		20,150	457,859
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Garvee 2006A)	2006	3.75%-5.00%	06/01/2016	\$ -	\$ 75,970	\$ -	\$ 75,970
Surface transportation improvements special notes (Garvee 2007A)	2007	4.00%-5.00%	06/01/2016		33,190		33,190
Total revenue notes payable					109,160		109,160
Premium					3,683	244	3,439
Total revenue notes payable net of premium					112,843	244	112,599
Claims and judgments				9,194	630	3,774	6,050
Compensated absences				76,609	945	6,696	70,858
Total long-term obligations				\$ 563,812	\$ 114,418	\$ 30,864	\$ 647,366

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service expenditures for debt service funds included interest of \$23,437 for the year ended June 30, 2007. 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:

	2008	2009	2010	2011	2012	2013- 2017	2018- 2022	2023- 2027	Total
General obligation bonds payable from tax revenue:									
Safe road bonds	\$ 49,993	\$ 49,996	\$ 49,995	\$ 49,993	\$ 49,995	\$ 173,069	\$ 117,578	\$ 70,545	\$ 611,164
Total general obligation bonds	49,993	49,996	49,995	49,993	49,995	173,069	117,578	70,545	611,164
Less: interest	21,338	19,911	18,405	16,828	15,130	54,214	29,023	6,470	181,319
Total principal	28,655	30,085	31,590	33,165	34,865	118,855	88,555	64,075	429,845
Bond Premium	1,941	1,886	1,633	1,586	1,546	7,470	7,470	4,482	28,014
Total principal and bond premium	<u>\$ 30,596</u>	<u>\$ 31,971</u>	<u>\$ 33,223</u>	<u>\$ 34,751</u>	<u>\$ 36,411</u>	<u>\$ 126,325</u>	<u>\$ 96,025</u>	<u>\$ 68,557</u>	<u>\$ 457,859</u>
Revenue notes payable from federal aid revenue:									
Surface transportation special obligation notes	\$ 14,744	\$ 14,749	\$ 14,745	\$ 14,749	\$ 14,750	\$ 58,981			\$ 132,718
Total surface transportation special obligation notes	14,744	14,749	14,745	14,749	14,750	58,981			132,718
Less: interest	4,459	4,199	3,740	3,244	2,750	5,166			23,558
Total principal	10,285	10,550	11,005	11,505	12,000	53,815			109,160
Premium	383	382	382	382	382	1,528			3,439
Total principal and note premium	<u>\$ 10,668</u>	<u>\$ 10,932</u>	<u>\$ 11,387</u>	<u>\$ 11,887</u>	<u>\$ 12,382</u>	<u>\$ 55,343</u>			<u>\$ 112,599</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

NOTE 9 - 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, Revenue Notes and Premium</u>	<u>Total</u>
Short-term liability	\$ 19,171	\$ 630	\$ 41,264	\$ 61,065
Long-term liability	<u>51,687</u>	<u>5,420</u>	<u>529,194</u>	<u>586,301</u>
	<u>\$ 70,858</u>	<u>\$ 6,050</u>	<u>\$ 570,458</u>	<u>\$ 647,366</u>

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

In 2005, the State refinanced part of the above mentioned bonds in the amount of \$321,405. These bonds will be repaid from revenues of the State Road Fund through the year 2025.

During the year ended June 30, 2007, The State was authorized by constitutional amendment to issue \$200,000 of Surface Transportation Improvements Special Obligation Notes (Garvee Notes) to fund highway and road construction projects. These notes will be repaid from future federal highway revenues. Garvee Notes of \$76,000 were issued during October 2006 and \$33,000 were issued during April 2007. It is anticipated that approximately \$91,000 of additional Garvee notes will be issued during the fiscal year ending June 30, 2008.

In 2005, the State refinanced \$321,405 in general obligation bonds to advance-refund \$319,860 of outstanding 1998, 1999 and 2000 Series bonds. The net proceeds of \$351,405 (after payment of \$1,606 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government State and Local Government Series securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refinanced portions of the 1998, 1999, and 2000 Series bonds. As a result, the refinanced portion of the 1998 and 1999 Series bonds along with all 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,545. This amount is being netted against the new debt and amortized over the remaining useful life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$19,689 and resulted in an economic gain of \$18,821.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2007

NOTE 9 - LONG-TERM OBLIGATIONS (Continued)

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

	<u>Year Ended</u> <u>June 30, 2007</u>	<u>Year Ended</u> <u>June 30, 2006</u>	<u>Year Ended</u> <u>June 30, 2005</u>
Estimated claims liability, July 1	\$ 9,194	\$ 6,197	\$ 8,700
Additions for claims incurred during the year	630	3,094	1,200
Changes in estimates for claims of prior periods	(3,630)	300	(3,287)
Payments on claims	<u>(144)</u>	<u>(397)</u>	<u>(416)</u>
Estimated claims liability, June 30	<u>\$ 6,050</u>	<u>\$ 9,194</u>	<u>\$ 6,197</u>

At June 30, 2007, approximately \$14,032 of tort claims and \$18,774 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 \$6,050, 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 \$630. 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 \$8,558 arising in connection with legislation to fund portions of employee postemployment 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. Expenditures during the year ended June 30, 2007 for health care premiums for 509 retirees were approximately \$2,038.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

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

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

- The Division leases from the Department of Administration substantially all of State Office Building No. 5 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, 2007 for rental payments of approximately \$2.0 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, 2007 the Division incurred payroll related expenditures of approximately \$30,976 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$16,653 in employer matching contributions to the State Public Retirement System.
- The Division was insured under the West Virginia Workers' Compensation Division until January 1, 2006. In January 2006 the state privatized Workers' Compensation. Workers' Compensation coverage is currently provided solely from BrickStreet Insurance Company, a private mutual insurance company established in conjunction with the privatization process. During the year ended June 30, 2007 the Division paid approximately \$9,431 to BrickStreet Insurance Company for coverage.
- 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, 2007.
- The Division made payments to the Public Service Commission for weight enforcement duties. These expenditures, which were authorized by the Legislature, amounted to approximately \$4,667 during the year ended June 30, 2007.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2007

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$655,316 at June 30, 2007.

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.

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

NOTE 12 - RETIREMENT PLAN

**PLAN DESCRIPTION** - The Division contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 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, 2007, 2006, and 2005 were \$16,653, \$16,559, and \$17,450, 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, 2007

NOTE 13 - RISK MANAGEMENT

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

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

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

NOTE 14 - SUBSEQUENT EVENTS

The Division of Highways is expected to issue revenue notes in the amount of \$91 million in February 2008. These notes will be revenue notes and the debt service payments will be funded through federal aid revenue and are the third issue of the Surface Transportation Improvements Special Obligation Notes.



**S  
T  
A  
T  
I  
S  
T  
I  
C  
A  
L**



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



## Statistical Section Index

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

Net Assets by Component	56
Changes in Net Assets	57
Changes in Fund Balances of Governmental Funds	58
Fund Balances, Governmental Funds	59

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

Tax and License Fee Revenue by Source	60
Fuel and Privilege Tax Rates	61

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

Ratios of Outstanding Debt by Type	62
------------------------------------	----

Demographic and Economic Information - These schedules offer indicators to help the reader understand the environment within which the Division’s financial activities take place.

Demographic Statistics of West Virginia	63
Principal Employers	64

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

Employees by Program	65
Highway Construction and Improvement, Total Projects Authorized	66
Highway Construction and Improvement	67
Roadway Projects – System Expansion Only	68
Roadway Resurfacing Projects	69
Total Highway Mileage by Category	70

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

**Net Assets by Component,  
Last Six Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities						
Invested in capital assets, net of related debt	\$ 5,198,392	\$ 5,756,415	\$ 5,980,261	\$ 6,193,029	\$ 6,475,338	\$ 6,592,210
Restricted				10,843	8,512	13,975
Unrestricted	85,275	83,768	111,234	123,684	138,096	296,681
Total governmental activities net assets	<u>\$ 5,283,667</u>	<u>\$ 5,840,183</u>	<u>\$ 6,091,495</u>	<u>\$ 6,327,556</u>	<u>\$ 6,621,946</u>	<u>\$ 6,902,866</u>

**Note:** The Division of Highways has elected to report retroactively back to the year 2002, which was the year that GASB 34 was implemented.

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

**Changes in Net Assets,  
Last Six Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Revenues</b>						
Governmental activities:						
General Revenues						
Motor fuel excise tax	\$ 300,964	\$ 296,842	\$ 303,934	\$ 320,891	\$ 330,538	\$ 364,550
Automobile privilege tax	180,472	169,431	173,225	178,763	170,484	171,429
Investment and interest income	8,148	3,655	1,542	1,906	4,701	9,652
Miscellaneous revenues	15,062	18,793	15,165	25,589	53,255	37,459
Total General Revenues	<u>504,646</u>	<u>488,721</u>	<u>493,866</u>	<u>527,149</u>	<u>558,978</u>	<u>583,090</u>
Program Revenues						
Capital grants and contributions:						
Federal aid	433,156	407,664	424,647	440,579	429,583	392,533
Industrial access roads	3,914	1,891	3,465	2,351	3,016	3,126
Charges for services:						
Motor vehicle registration fees	87,380	85,880	81,577	86,466	87,534	86,840
Special fees and permits	4,173	3,965	4,461	4,554	4,290	5,263
Total Program Revenues	<u>528,623</u>	<u>499,400</u>	<u>514,150</u>	<u>533,950</u>	<u>524,423</u>	<u>487,762</u>
Total governmental revenues	<u>\$ 1,033,269</u>	<u>\$ 988,121</u>	<u>\$ 1,008,016</u>	<u>\$ 1,061,099</u>	<u>\$ 1,083,401</u>	<u>\$ 1,070,852</u>
<b>Expenses</b>						
Governmental activities:						
Road maintenance						
Expressway, trunkline & feeder & SLS	\$ 228,449	\$ 237,026	\$ 240,584	\$ 247,711	\$ 236,326	\$ 262,684
Contract paving & secondary roads	41,536	43,417	36,451	46,090	48,345	42,785
Small bridge repair & replacement	25,259	21,580	12,022	12,559	14,135	14,002
Litter control program	1,595	1,492	1,637	1,688	1,744	1,663
Depreciation	747	12,406	11,631	14,351	15,925	17,416
Other road operations						
Interstate highways	54,614	3,152	6,256	16,662	4,479	11,514
Appalachian highways	126,317	0	2,548	462	4,434	3,994
Other federal aid programs	199,802	83,240	107,142	116,383	92,941	82,182
Non federal aid improvements	41,966	12,688	12,096	6,356	10,257	9,407
Industrial Access Roads	2,224	523	1,967	1,822	5,475	1,407
Depreciation	224,441	229,928	234,636	241,146	249,288	257,292
General and administration						
Support and administrative operations	53,183	40,964	21,302	66,966	43,609	27,108
Claims	610	2,461	2,716	(2,504)	3,394	(3,000)
Costs associated with DMV	32,029	34,194	35,145	34,544	34,346	35,250
Interest on long-term debt	28,168	27,434	26,525	18,112	21,283	22,977
Unallocated depreciation	14,022	2,096	4,046	2,690	3,030	3,251
Total governmental expenses	<u>\$ 1,074,962</u>	<u>\$ 752,601</u>	<u>\$ 756,704</u>	<u>\$ 825,038</u>	<u>\$ 789,011</u>	<u>\$ 789,932</u>
<b>Change in net assets</b>	<u>\$ (41,693)</u>	<u>\$ 235,520</u>	<u>\$ 251,312</u>	<u>\$ 236,061</u>	<u>\$ 294,390</u>	<u>\$ 280,920</u>
<b>Net assets, beginning</b>	<u>\$ 5,325,360</u>	<u>\$ 5,604,663</u>	<u>\$ 5,840,183</u>	<u>\$ 6,091,495</u>	<u>\$ 6,327,556</u>	<u>\$ 6,621,946</u>
<b>Net assets, ending</b>	<u>\$ 5,283,667</u>	<u>\$ 5,840,183</u>	<u>\$ 6,091,495</u>	<u>\$ 6,327,556</u>	<u>\$ 6,621,946</u>	<u>\$ 6,902,866</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST SIX FISCAL YEARS  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007
Revenues						
Taxes						
Gasoline and motor carrier	\$ 300,964	\$ 296,842	\$ 303,934	\$ 320,891	\$ 330,538	\$ 364,550
Automobile privilege	180,472	169,431	173,225	178,763	170,484	171,429
Industrial access roads	3,914	1,891	3,465	2,351	3,016	3,126
License, fees and permits						
Motor vehicle registrations and licenses	87,380	85,880	81,577	86,466	87,534	86,840
Special fees and permits	4,173	3,965	4,461	4,554	4,290	5,263
Federal aid						
Interstate highways	55,825	44,372	51,239	64,114	53,359	56,801
Appalachian highways	161,088	168,789	126,286	101,247	104,228	93,552
Other federal aid programs	216,243	194,503	247,122	275,218	271,996	242,180
Investment and interest income, net of arbitrage rebate	8,148	3,655	1,542	1,906	4,701	9,652
Miscellaneous revenues	15,062	18,846	15,165	25,589	53,255	37,459
Total Revenues	<u>1,033,269</u>	<u>988,174</u>	<u>1,008,016</u>	<u>1,061,099</u>	<u>1,083,401</u>	<u>1,070,852</u>
Expenditures						
Current						
Road maintenance						
Expressway, trunkline and feeder, sls	228,456	238,591	246,648	247,456	238,425	258,720
Contract paving and secondary roads	41,536	43,417	36,451	46,090	48,345	42,785
Small bridge repair and replacement	25,603	28,749	19,492	18,699	22,099	17,100
Litter control program	1,595	1,492	1,637	1,688	1,744	1,663
Support and administrative operations	70,927	57,655	51,038	56,242	75,050	55,911
Division of Motor Vehicles operations	32,029	34,194	35,145	34,544	34,346	34,754
Claims	15	595	561	416	397	144
Capital outlay and other road operations						
Road construction and other road operations						
Interstate highways	67,992	54,733	59,992	75,030	69,406	70,926
Appalachian highways	198,175	194,507	154,471	125,231	156,141	132,747
Other federal aid programs	295,131	262,481	318,032	350,464	354,562	348,650
Nonfederal aid construction and road op.	87,140	65,658	41,810	31,725	20,825	20,365
Industrial access roads	2,224	523	1,967	1,822	5,475	1,407
Debt service						
Principal	21,485	22,040	23,070	28,060	19,920	18,150
Interest	29,305	27,979	26,952	18,941	23,098	23,442
Total Expenditures	<u>1,101,613</u>	<u>1,032,614</u>	<u>1,017,266</u>	<u>1,036,408</u>	<u>1,069,833</u>	<u>1,026,764</u>
Excess (deficiency) of revenues over expenditures	(68,344)	(44,440)	(9,250)	24,691	13,568	44,088
Other financing sources (uses)						
Proceeds from issuance of debt	114,172	-	-	-	-	112,097
Transfers in	35,991	-	-	15	-	-
Transfers out	(35,991)	-	-	(15)	-	-
Refunding bonds issued	-	-	-	321,405	-	-
Payment to refunded bond escrow agent	-	-	-	(321,405)	-	-
Total other financing sources (uses)	<u>114,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,097</u>
Net change in fund balance	<u>\$ 45,828</u>	<u>\$ (44,440)</u>	<u>\$ (9,250)</u>	<u>\$ 24,691</u>	<u>\$ 13,568</u>	<u>\$ 156,185</u>
Debt Service as a percentage of noncapital expenditures	6%	10%	9%	8%	8%	8%

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

**Fund Balances, Governmental Funds  
Last Six Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year					
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund						
Reserved for inventories	\$ 30,273	\$ 27,461	\$ 29,462	\$ 31,459	\$ 34,592	\$ 33,259
Unreserved	133,303	143,928	164,092	186,801	197,236	272,736
Total General Fund	<u>\$ 163,576</u>	<u>\$ 171,389</u>	<u>\$ 193,554</u>	<u>\$ 218,260</u>	<u>\$ 231,828</u>	<u>\$ 305,995</u>
 All Other Governmental Funds						
Reserved, capital projects fund	\$ 83,683	\$ 31,430	\$ 15	\$ 0	\$ 0	\$ 82,018
Total all funds	<u>\$ 247,259</u>	<u>\$ 202,819</u>	<u>\$ 193,569</u>	<u>\$ 218,260</u>	<u>\$ 231,828</u>	<u>\$ 388,013</u>

**Note:** The Division of Highways has elected to report retroactively back to the year 2002, which was the year that GASB 34 was implemented.



DIVISION OF HIGHWAYS



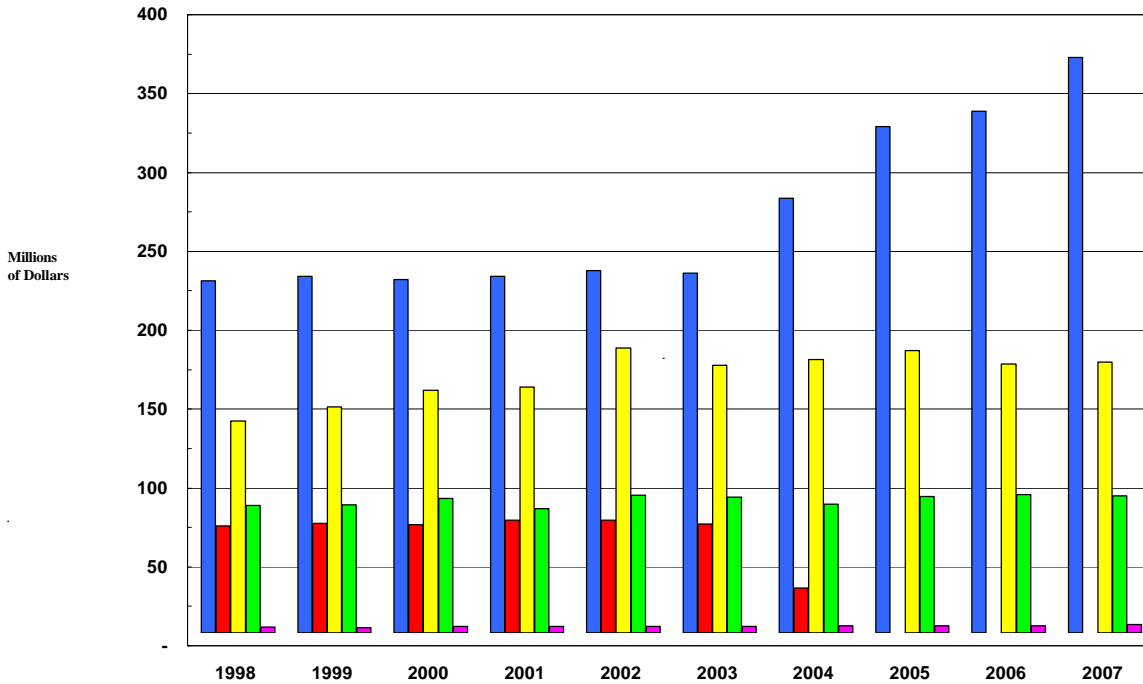
**TAX AND LICENSE FEE REVENUE BY SOURCE <sup>(1)</sup>  
1998 to 2007**

(Amount expressed in thousands)

Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Gasoline/Motor Carrier</b>	\$223,068	\$225,761	\$224,029	\$225,946	\$229,650	\$227,793	\$275,471	\$320,891	\$330,538	\$364,550
<b>Motor Fuel</b>	67,945	69,405	68,372	71,521	71,314	69,049	28,463	-	-	-
<b>Automobile Privilege</b>	134,354	143,356	153,927	155,623	180,472	169,431	173,225	178,763	170,484	171,429
<b>Registration/License Fees</b>	80,928	80,935	85,222	78,745	87,380	85,880	81,577	86,466	87,534	86,840
<b>Special Fees &amp; Permits</b>	3,716	3,215	3,984	4,063	4,173	3,965	4,461	4,554	4,290	5,263
<b>Total</b>	\$510,011	\$522,672	\$535,534	\$535,898	\$572,989	\$556,118	\$563,197	\$590,674	\$592,846	\$628,082

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

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



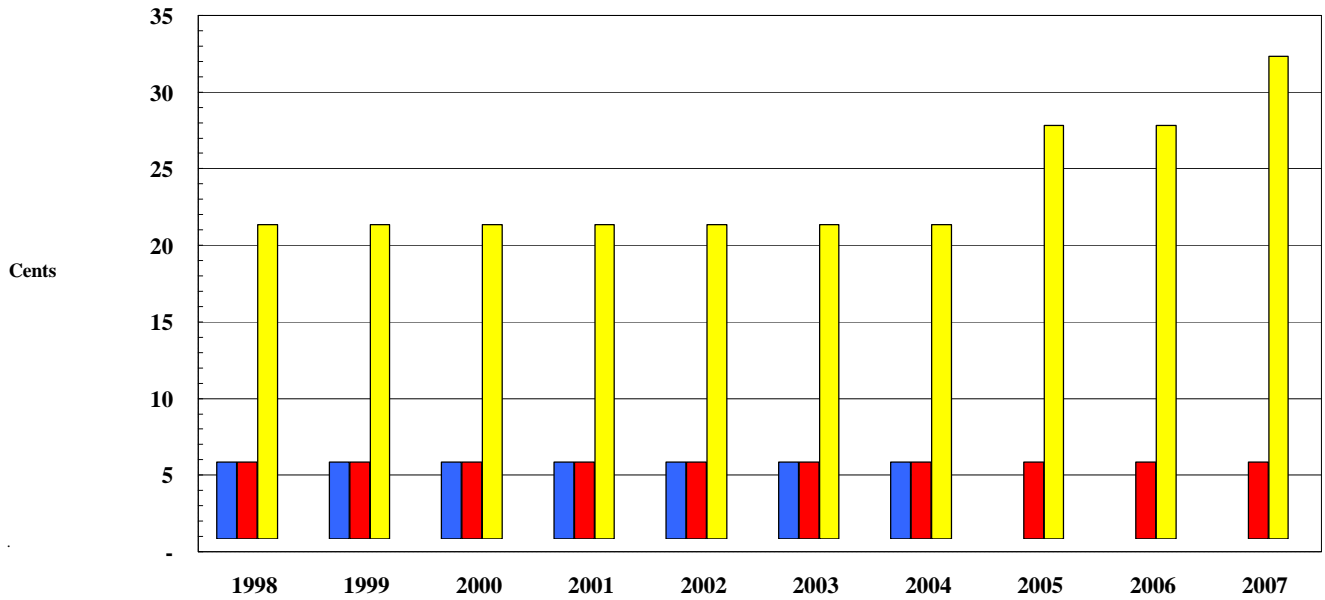
DIVISION OF HIGHWAYS



FUEL AND PRIVILEGE TAX RATES  
1998 TO 2007

Fiscal Year		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Excise Motor Fuel(1) (cents per gallon)		5	5	5	5	5	5	5	-	-	-
Automobile Privilege(2) (cents per dollar)		5	5	5	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1) (cents per gallon)		20.5	20.5	20.5	20.5	20.5	20.5	20.5	27.0	27.0	31.5

- (1) On January 1, 2004, the gasoline and special fuels excise tax was repealed, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate of 11 cents per invoiced gallon as of January 1, 2007.
- (2) A tax equal to five percent of the value of said motor vehicle at the time of this certification.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Revenue Notes	Total Primary Government	Percentage of Personal Income*	Per Capita*
2007	\$ 429,845	\$ 109,160	\$ 539,005	1.06%	\$ 296.41
2006	447,995	-	447,995	0.93%	246.95
2005	467,915	-	467,915	1.02%	258.39
2004	494,430	-	494,430	1.13%	273.37
2003	517,500	-	517,500	1.19%	286.84
2002	539,540	-	539,540	1.29%	299.51
2001	451,025	-	451,025	1.14%	249.53
2000	361,690	-	361,690	0.96%	199.63
1999	279,860	-	279,860	0.76%	154.14
1998	88,780	-	88,780	0.25%	48.80

\* These ratios are calculated using personal income and population for the prior calendar year. See page 63 for personal income and population data.

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

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

<b>Calendar Year</b>	<b>Total Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>	<b>Median Age</b>
2006	1,818,470	\$ 51,039,000	\$ 28,067	4.9%	40.7
2005	1,814,083	47,925,584	26,419	5.0%	40.7
2004	1,810,906	45,819,047	25,302	5.3%	40.2
2003	1,808,660	43,841,262	24,240	6.0%	39.9
2002	1,804,146	43,311,515	24,007	5.9%	39.5
2001	1,801,411	41,902,494	23,261	5.2%	39.3
2000	1,807,528	39,582,040	21,898	5.5%	39.0
1999	1,811,799	37,557,062	20,729	6.3%	38.9
1998	1,815,609	36,721,626	20,226	6.5%	38.5
1997	1,819,113	35,004,858	19,243	6.8%	38.1

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

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

**Principal Employers,  
Current Year and Nine Years Ago**

	Largest Employer Rank									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Wal-Mart Associates, Inc.	1	1	1	1	1	1	1	1	1	1
West Virginia University Hospitals/United Hospitals	2	2	3	3	2	2	2	-	10	8
Charleston Area Medical Center, Inc.	3	3	2	2	3	3	3	3	2	3
Kroger	4	4	4	4	4	5	6	4	3	4
American Electric Power ( Formerly Appalachian Power Company)	5	6	6	7	-	9	-	10	-	7
Eldercare Resources Corportaion	6	-	-	-	-	-	-	-	-	-
Lowe's Home Centers, Inc.	7	7	-	-	-	-	-	-	-	-
CSX/CSX Hotels Inc. (The Greenbrier and railroad)	8	5	5	5	6	6	4	6	7	-
Pilgrim's Pride Corporation of West Virginia	9	-	-	-	-	-	-	-	-	-
St. Mary's Hospital	10	10	-	-	10	-	-	-	-	-
Consolidation Coal Company	-	8	8	-	-	-	-	-	-	-
Verizon (Formerly Bell Atlantic)	-	9	9	9	8	8	8	8	8	-
E I DuPont De Nemours & Company	-	-	7	8	7	7	7	5	6	5
ISG Weirton Inc. (Formerly Weirton Steel Corporation)	-	-	10	6	5	4	5	2	4	2
Union Carbide Corporation/Dow Corporation	-	-	-	-	-	-	10	9	9	6
Hospital Corporation of America, Inc.	-	-	-	-	-	-	-	7	5	-
Century Aluminum of West Virginia (Ravenswood Aluminum)	-	-	-	-	-	-	-	-	-	10
Rite Aid of West Virginia, Inc.	-	-	-	-	-	-	-	-	-	9
Allegheny Energy Service Corporation	-	-	-	10	9	10	9	-	-	-

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research.

Note: Due to confidentiality issues, the number of people employed is not available. The categories presented are intended to provide alternative information regarding the principal employers in the state of West Virginia.

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

**Employees by Program  
Last Ten Fiscal Years**

<u>Program</u>	<u>Employees as of June 30</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Maintenance	3,668	3,619	3,571	3,523	3,616	3,604	3,504	3,472	3,327	3,340
Construction	1,156	1,083	1,035	1,042	1,033	1,033	1,007	981	961	907
General and administration	337	346	369	341	367	367	358	355	332	313
<b>Total</b>	<b>5,161</b>	<b>5,048</b>	<b>4,975</b>	<b>4,906</b>	<b>5,016</b>	<b>5,004</b>	<b>4,869</b>	<b>4,808</b>	<b>4,620</b>	<b>4,560</b>

Source: Division of Highways Budget Office.

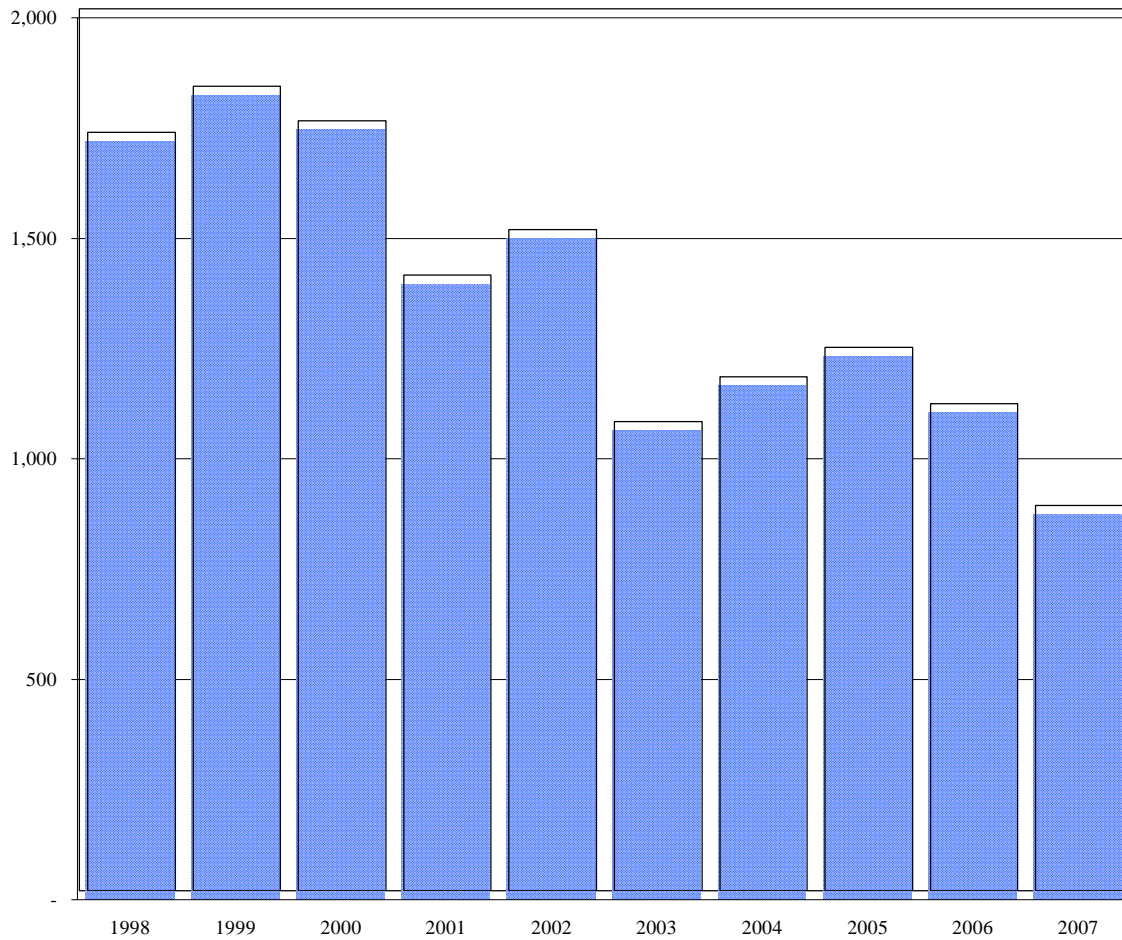
DIVISION OF HIGHWAYS



HIGHWAY CONSTRUCTION AND IMPROVEMENT  
TOTAL PROJECTS AUTHORIZED  
1998 TO 2007

Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total Projects
Projects	1,720	1,825	1,746	1,396	1,499	1,064	1,165	1,232	1,105	874	13,626

Number of  
Projects



**DIVISION OF HIGHWAYS**



**HIGHWAY CONSTRUCTION AND IMPROVEMENT**

**TOTAL PROJECTS AUTHORIZED  
1998 TO 2007**

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Bond	0	3	5	0	0	1	0	0	0	0
Interstate Construction	0	0	8	2	9	4	5	4	9	10
Interstate Renovation	27	35	41	20	23	26	29	25	15	22
Non-Interstate Other	78	73	58	44	62	68	65	68	62	4
Appalachian Development	0	22	24	22	25	14	13	12	25	19
Timber Bridge	6	0	0	0	0	0	0	0	0	0
Other Bridge	42	44	58	14	62	36	31	40	33	31
Miscellaneous	69	103	132	78	172	149	208	200	123	137
<b>Total</b>	<b>222</b>	<b>280</b>	<b>326</b>	<b>180</b>	<b>353</b>	<b>298</b>	<b>351</b>	<b>349</b>	<b>267</b>	<b>223</b>

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Maintenance	716	574	615	522	448	335	424	445	418	321
Bridge Replacement and Renovation	93	61	65	50	73	48	29	54	41	32
Miscellaneous Bridge Work	47	77	59	44	44	36	20	35	40	30
Industrial Access Roads	12	11	15	6	15	7	5	10	7	6
Turnpike Refund	0	0	0	0	0	0	0	0	0	0
Bond	26	312	209	67	21	11	0	0	0	0
Roadway Renovation and Improvement	604	510	457	527	545	329	336	339	332	262
<b>Total</b>	<b>1498</b>	<b>1545</b>	<b>1420</b>	<b>1216</b>	<b>1146</b>	<b>766</b>	<b>814</b>	<b>883</b>	<b>838</b>	<b>651</b>
<b>Grand Total</b>	<b>1720</b>	<b>1825</b>	<b>1746</b>	<b>1396</b>	<b>1499</b>	<b>1064</b>	<b>1165</b>	<b>1232</b>	<b>1105</b>	<b>874</b>

**10 YEAR TOTAL AUTHORIZED PROJECTS = 13,626**



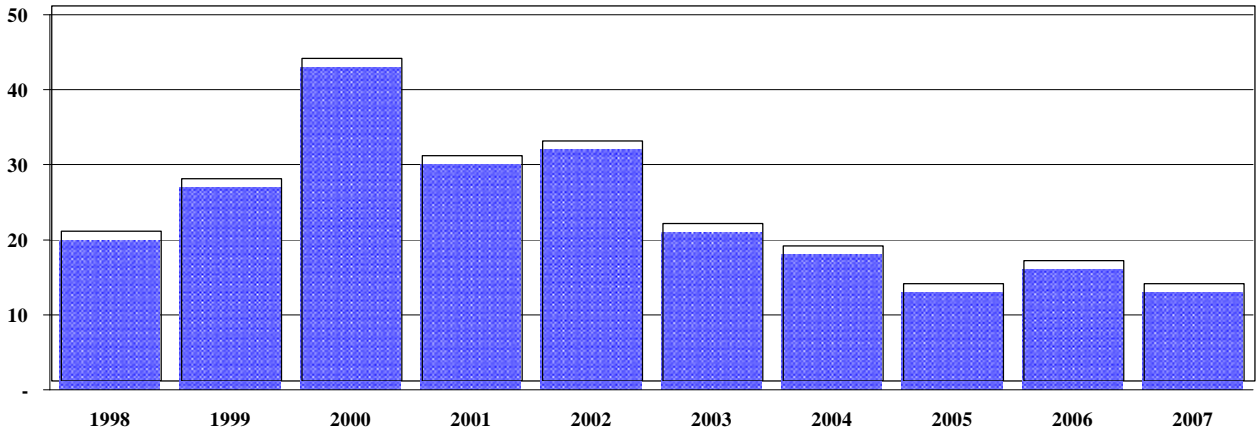
DIVISION OF HIGHWAYS



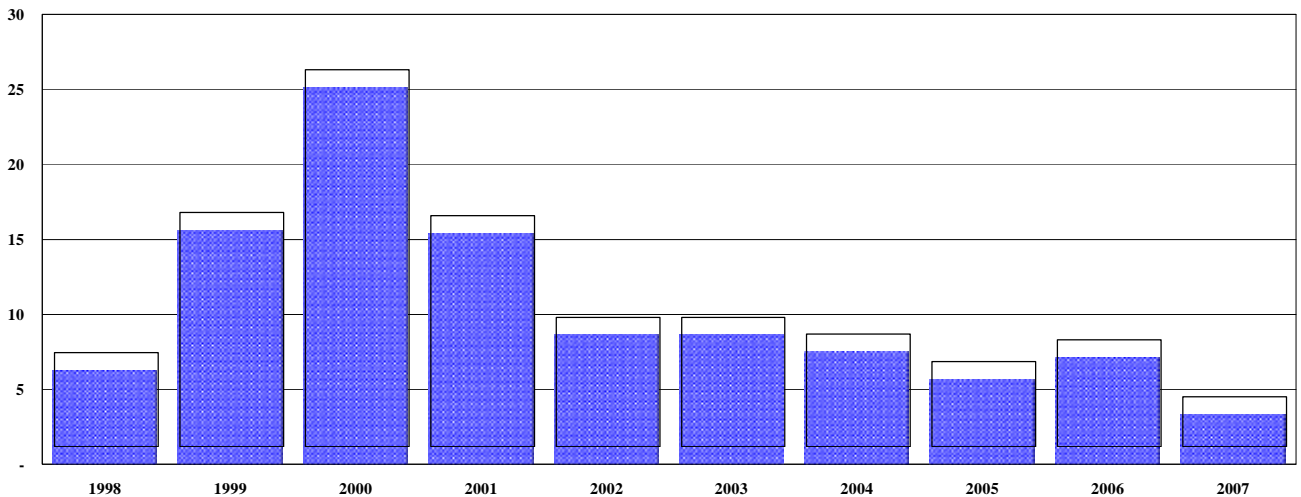
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY  
1998 TO 2007

Fiscal Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number of Projects	20	27	43	30	32	21	18	13	16	13
Number of Miles	6.27	15.60	25.15	15.42	8.60	8.62	7.49	5.69	7.13	3.34

Number of Projects



Number of Miles



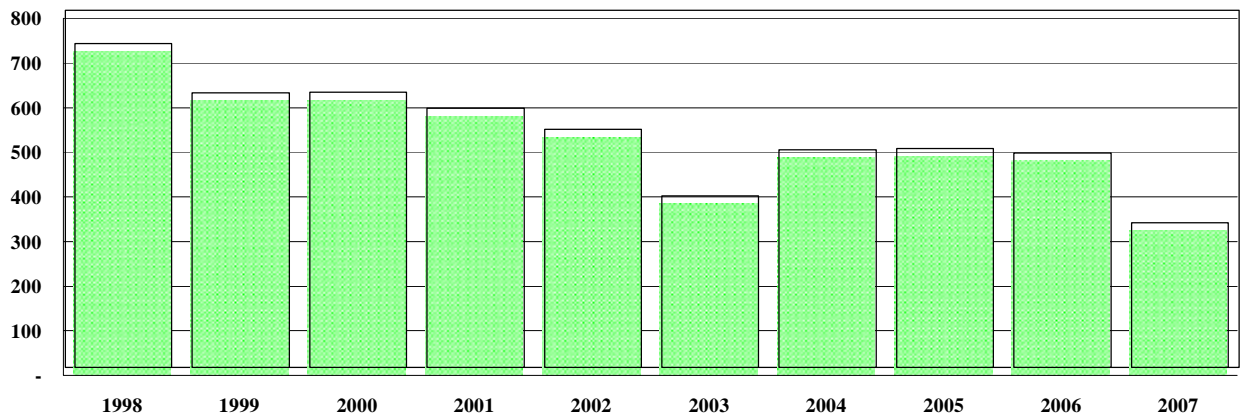


**DIVISION OF HIGHWAYS**

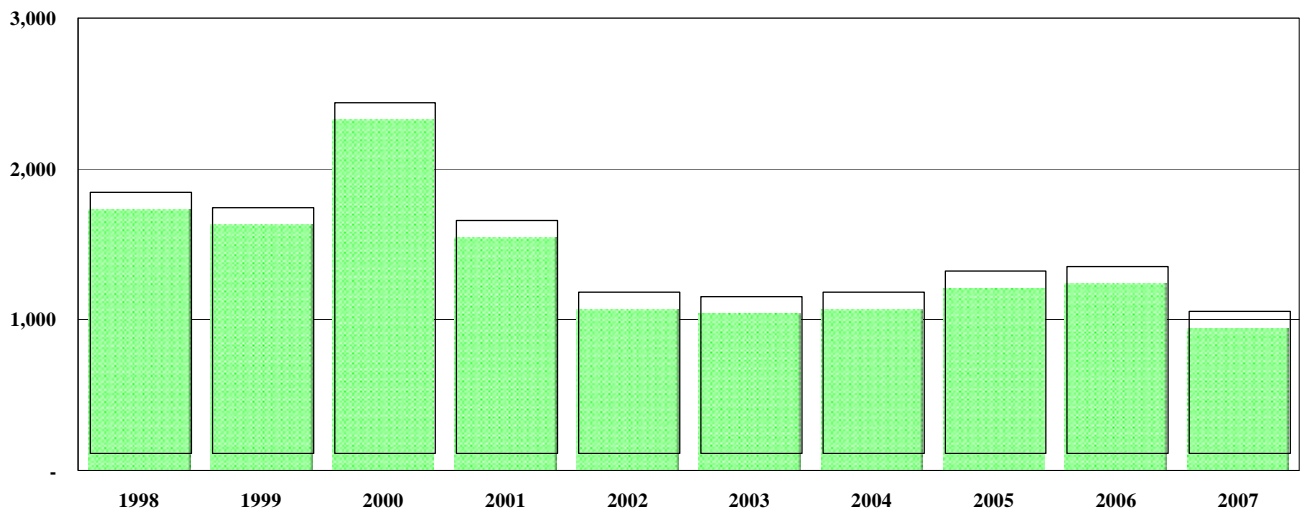
**ROADWAY RESURFACING PROJECTS  
1998 TO 2007**

<b>Fiscal Year</b>	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Number of Projects</b>	725	615	616	580	534	384	488	490	481	324
<b>Number of Miles</b>	1,730	1,629	2,325	1,545	1,071	1,040	1,070	1,208	1,239	944

Number of  
Projects



Number of  
Miles



DIVISION OF HIGHWAYS

***TOTAL HIGHWAY MILEAGE BY CATEGORY***

<u><i>Total Road System</i></u>	
Interstate Highway	468
U.S. Routes	1,806
W.V. Routes	3,642
County Routes	28,888
Other	<u>1,112</u>
Total Miles	35,916

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

<u><i>Federal Aid Routes</i></u>		<u>Rural Miles</u>	<u>Urban Miles</u>
<u>Interstate Highways (Part of National Highway System) *</u>	311 **	157 ***	
<p>Interstate Highways are multi-lane, fully access-controlled routes that serve the national defense, and connect the nation's principal metropolitan areas, cities, and/or industrial centers.</p> <p>** Includes 4 miles of one way connecting ramps *** Includes 1 mile of one way connecting ramps</p>			
<u>Other National Highway System</u>	1,037	216	
<p>Other major routes, including most principal arterials that are the most important to interstate travel and national defense, roads that connect with other modes of transportation, and roads essential for international commerce.</p>			
<u>Other Federal-Aid Highways</u>	7,096	1,154	
<p>All other roads on which federal Highway funds may be expended.</p>			
Sub-total miles	<u>8,444</u>	<u>1,527</u>	
Total Miles	9,971		