WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

COMPREHENSIVE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2008

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2008

PREPARED BY
FINANCE SECTION

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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS

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WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

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

Joe Manchin III
Governor

December 31, 2008

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, 2008. 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, 2008. 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, 2008 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 35,968 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 in past years, consumption decreased in FY 2008. Continued declines 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.

ECONOMIC CONDITIONS AND OUTLOOK

The seasonally adjusted unemployment rate in West Virginia was 4.7% for October 2008 as compared to the national rate of 6.5%. During the period of October 2007 to October 2008 nonfarm payroll employment increased by 1,500 jobs. According to the *West Virginia Outlook 2009*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, "West Virginia is forecast to follow the national economy into the downturn, with little growth in 2008 and job losses in 2009. However, in percentage terms, West Virginia's job losses are not as large as those expected for the U.S. This stems from relatively robust performance in natural resources and mining in 2008 and the fact that West Virginia is likely to be somewhat less impacted by the housing correction and financial meltdown than is the nation."

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, 2008. All data is presented in thousands of dollars.

The overall increase in tax and fee revenues and federal aid reimbursement in FY2008 was insignificant. Gas tax revenue increased primarily because the variable rate component of the tax rose again in January 2008. Special fees and permits increased due to additional requests for hauling permits. Road maintenance expenditures rose dramatically due to significant increase in paving and a budgeted increase in annual plan expenditures.

			Change from Prior Year	
	Amount	Percent of Total	Amount	Percent
Gasoline and motor carrier taxes and wholesale	$395,641	35%	$31,091	9%
Automobile privilege taxes	169,095	15%	(2,334)	(1%)
Motor vehicle registration and licenses	86,166	8%	(674)	(1%)
Special fees and permits	5,954	0%	691	13%
Federal aid	398,223	35%	5,690	1%
Investments and interest income	9,691	1%	39	0%
Payments from Primary Government	18,843	2%	18,843	100%
Miscellaneous	39,285	4%	(1,300)	(3%)
Total revenues	$1,122,898	100%	$52,046	5%
Road construction and other road operations	581,640	51%	7,545	1%
Road maintenance	400,221	35%	79,953	25%
Support and administrative operations	91,475	8%	666	1%
Debt Service	64,743	6%	23,151	56%
Total Expenditures	$1,138,079	100%	$111,315	11%

The increase in road construction expenditures for the year was only minimal and is reflective of the agency’s ongoing efforts to remain fiscally constrained, while emphasizing the maintenance and preservation of the existing system. The limited increase in construction expenditures was more than offset by dramatic run-ups in the cost of materials during the year. As a result, the agency’s construction program was scaled back despite higher spending levels.

At June 30, 2008 the outstanding principal balance of long-term general obligation bonds was $401,190,000. 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 2008-2012.

At June 30, 2008 the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was $98,875,000. The notes were issued in 2006 and 2007 as a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. Under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year.

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 133 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.

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, of which over one third are either functionally or structurally obsolete. The Division's bridge program, enhanced by a state-funded program that started in 1988 for small bridges, has been highly successful in correcting these problems. Since July 1, 1989 some 3,552 bridges have been repaired or replaced at a cost of more than $2.1 billion. Other accomplishments during the fiscal year ended June 30, 2008 include the resurfacing of approximately 1,555 miles of roadway at a cost of $195 million.

operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately $16.4 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 sixteen consecutive fiscal years (1992-2007). 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, 2007.

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 FY2008 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.

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

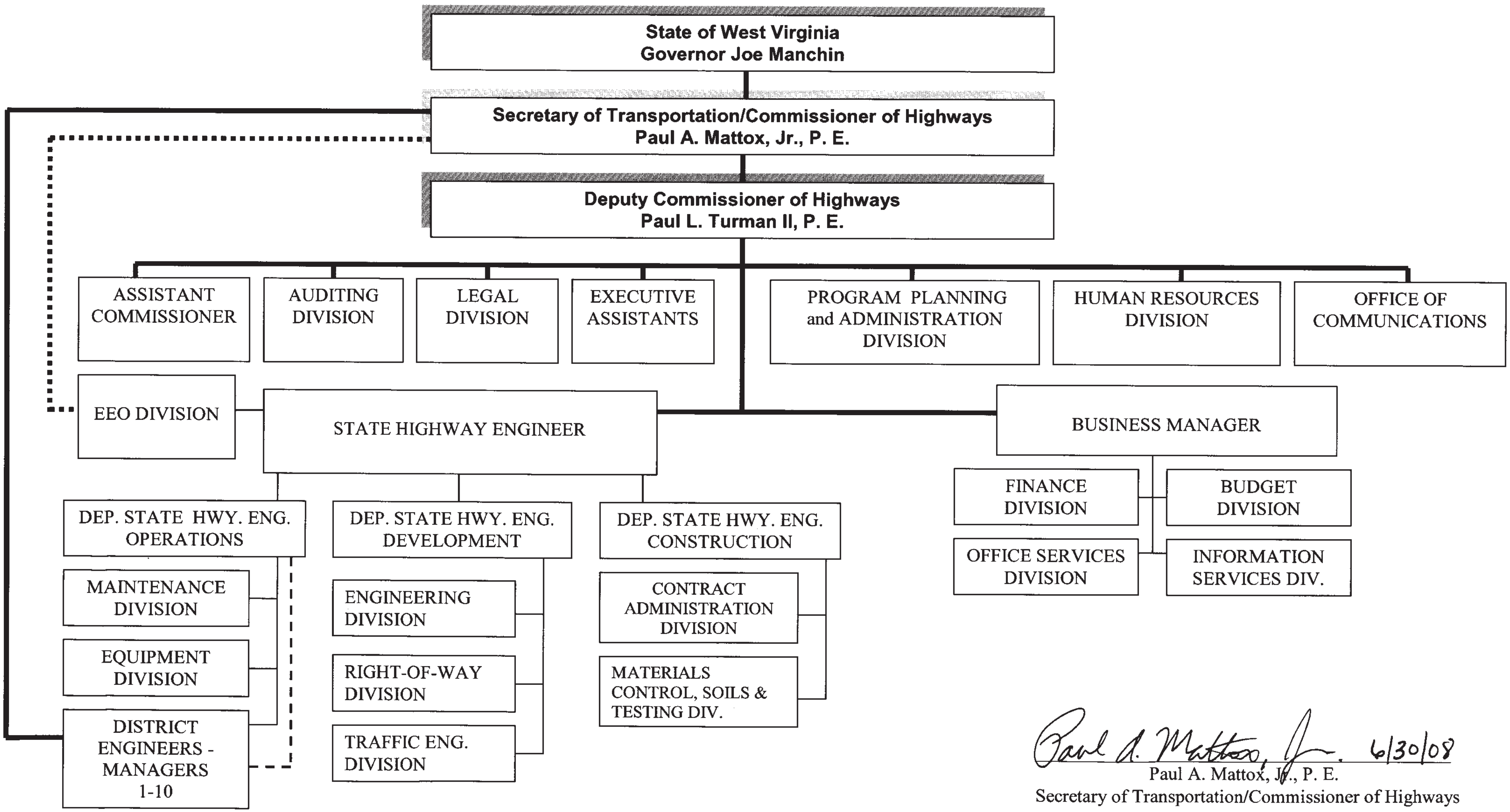
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

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



Paul A. Mattox, Jr. 6/30/08

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
LIST OF PRINCIPAL OFFICIALS
June 30, 2008

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	Director, Contract Administration Division
Greg Bailey	Director, Engineering Division
Drema Smith	Director, Equal Employment Oportunity 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
Rob Pennington	Director, Program Planning & Administration Division
David Jack	Director, Right of Way Division
Barry Warhoftig	Director, Traffic Engineering Division
Wilson Braley	Regional Operations Engineer
Eugene Tuckwiller	Regional Operations Engineer
Travis Ray	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	Steven R. Cole/Acting	Lewisburg
District 10	John McBrayer	Princeton

FINANCIAL SECTION

WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

#8 Stonecrest Drive
Huntington, WV 25701

HAYFLICH & STEINBERG

Certified Public Accountants

Phone - 304/697-5700
FAX - 304/697-5704

www.hayflich.net

INDEPENDENT AUDITORS' REPORT

Joint Committee on Government and Finance
West Virginia Legislature

We have audited the accompanying financial statements of the governmental activities and each major fund, of the West Virginia Department of Transportation, Division of Highways, as of and for the year ended June 30, 2008, which collectively comprise the West Virginia Department of Transportation, Division of Highway's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the West Virginia Department of Transportation, Division of Highways' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the West Virginia Department of Transportation, Division of Highways are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the West Virginia Department of Transportation and of the State of West Virginia, that is attributable to the transactions of the Division of Highways. As a result, the financial statements 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, 2008 and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways, as of June 30, 2008, and the respective changes in financial position thereof and the respective budgetary comparison for the State Road (General) Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1 and 9 to the financial statements, effective July 1, 2007, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

In accordance with *Government Auditing Standards,* we have also issued a report dated November 25, 2008 on our consideration of the West Virginia Department of Transportation, Division of Highways' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Hayflich & Steinberg, CPA's, PLLC

November 25, 2008

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, 2008. 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 $7.2 billion as of the close of fiscal year 2008.

Changes in Net Assets - During the year the Divisions' Net Assets increased $290 million or 4.20%. This percentage of increase is a slight decline from the prior year, when Net Assets increased $281 million or 4.24%.

Revenues and Expenses - Total revenues increased by $52 million or 4.86%. Total expenses increased $86 million or 10.95%. 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 2008, the Division's governmental funds reported combined total fund equity of $367 million, a decrease of $21 million in comparison with the prior year. Of this total amount, $334 million represents the "unreserved fund balances" with substantially all of that in the general fund. This is approximately 29.34% 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 $31 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, decreased by $11 million decreasing debt by 7.80% during the current fiscal year.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide Statements

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

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, 2008 and 2007 (amounts in thousands).

Net Assets as of June 30

	2008	2007	% Change
Total current assets	$ 451,304	$ 469,570	-3.89%
Capital assets, net of accumulated depreciation	7,402,339	7,162,668	3.35%
Other non-current assets	2,468	2,830	-12.79%
Total assets	7,856,111	7,635,068	2.90%
Total current liabilities	142,900	145,901	-2.06%
Long term liabilities	520,712	586,301	-11.19%
Total liabilities	663,612	732,202	-9.37%
Invested in capital assets, net of related debt	6,886,996	6,592,210	4.47%
Restricted	17,892	13,975	28.03%
Unrestricted	287,611	296,681	-3.06%
Total net assets	$ 7,192,499	$ 6,902,866	4.20%

The largest component (95.75%) 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 have constraints as to how these funds may be used. Enabling legislation directs the use of these funds.

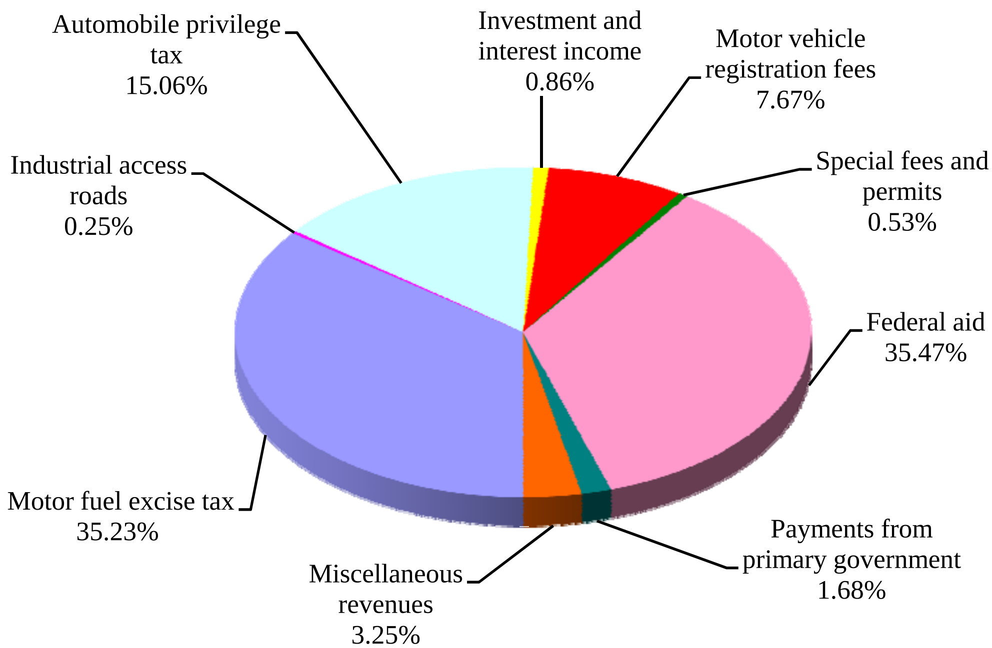
Condensed Statement of Activities

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):

	2008	2007	% Change
Revenues			
Taxes	$ 564,736	$ 535,979	5.37%
Investment and interest income	9,691	9,652	0.40%
Payments from primary government	18,843		100.00%
Miscellaneous revenues	36,479	37,459	-2.62%
Total general revenues	629,749	583,090	8.00%
Capital grants and contributions	401,029	395,659	1.36%
Charges for service	92,120	92,103	0.02%
Total program revenues	493,149	487,762	1.10%
Total revenues	1,122,898	1,070,852	4.86%
Expenses			
Road maintenance	410,646	338,550	21.30%
Other road operations	351,894	365,796	-3.80%
General and administration	86,912	59,358	46.42%
Interest on long-term debt	23,692	22,977	3.11%
Unallocated depreciation	3,262	3,251	0.34%
Total expenses	876,406	789,932	10.95%
Change in net assets before cumulative effect	246,492	280,920	-12.26%
Cumulative effect of adoption of accounting principle	43,141		100.00%
Net assets, beginning	6,902,866	6,621,946	4.24%
Net assets, ending	$ 7,192,499	$ 6,902,866	4.20%

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 $290 million or 4.20% percent.

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



Total revenues increased by approximately $52 million. Total tax revenues increased by approximately $29 million. Federal aid revenue increased by approximately $6 million or (1.45%). The following summarizes revenues for the years ended June 30, 2008 and June 30, 2007 (amounts in thousands):

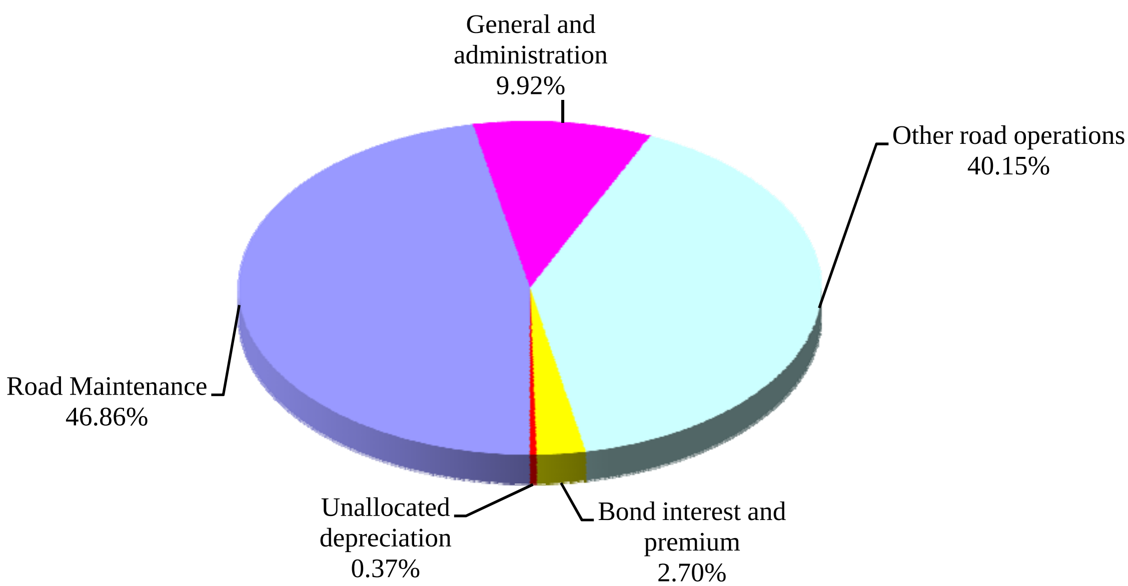
	2008	2007	Increase (decrease)	% Increase (decrease)
Motor fuel excise tax	$ 395,641	$ 364,550	$ 31,091	8.53%
Industrial access roads	2,806	3,126	(320)	-10.24%
Automobile privilege tax	169,095	171,429	(2,334)	-1.36%
Motor vehicle registration fees	86,166	86,840	(674)	-0.78%
Special fees and permits	5,954	5,263	691	13.13%
Federal aid	398,223	392,533	5,690	1.45%
Investment and interest income	9,691	9,652	39	0.40%
Payments from primary government	18,843	0	18,843	100.00%
Miscellaneous revenues	36,479	37,459	(980)	-2.62%
	$ 1,122,898	$ 1,070,852	$ 52,046	4.86%

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 2004 through fiscal year 2008, actual cash revenues exceeded estimates by only 1.54%. 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 2009, Motor Fuel Tax revenues are projected to be approximately 6.37% below FY 2008 level due to lower fuel consumption rates; the other revenue sources will remain relatively flat. Although the agency will be able to increase its budgets somewhat, through the use of fund equity, 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.

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 2008 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 $86 million 10.95%. The following summarizes expenditures for the years ended June 30, 2008 and June 30, 2007 (amounts in thousands):

	2008	2007	Increase (decrease)	% Increase (decrease)
Road maintenance	$ 410,646	$ 338,550	$ 72,096	21.30%
Other road operations	351,894	365,796	(13,902)	-3.80%
General and administration	86,912	59,358	27,554	46.42%
Interest on long-term debt	23,692	22,977	715	3.11%
Unallocated depreciation	3,262	3,251	11	0.34%
	$ 876,406	$ 789,932	$ 86,474	10.95%

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 (SRIC) that is required in a given year. In FY 2008, the agency implemented its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, and patching maintenance activities. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

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

FINANCIAL ANALYSIS OF THE DIVISION'S MAJOR FUNDS

At June 30, 2008, the Division reported fund balances of $367 million. Of this total amount, $334 million, 91.00%, 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 2008 fiscal year, unreserved fund balance of the General Fund was $320 million and reserved fund balance was $33 million. The total General Fund balance increased $47 million during the year primarily due to unexpected increases in Motor Fuel Tax revenue.

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, 2008 the capital projects balance of approximately $15 million represented unexpended note funds associated with the 2006A note issue.

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 FY 2008 State Motor Fuel Tax revenues were substantially higher than FY 2007 collections, that increase was driven by the increase in the variable (wholesale) component of the tax rate. Due to high motor fuel prices and the faltering economy, motor fuel consumption actually decreased as motorists drove fewer miles and purchased vehicles that were more fuel-efficient. As fuel consumption continues to decline, it is expected to have a significant impact on revenue collections unless there is a corresponding change to the tax rates or structure. Privilege Tax collections were lower than in FY 2007, and that downward trend is expected to continue in FY 2009 as motorists buy less expensive vehicles or keep their current vehicles longer. Tax and fee revenues collections increased by approximately $28 million in 2008: they increased $34 million during the previous year. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	2008	2007	Change	%Change
Motor fuel excise and wholesale fuel	$ 395,641	$ 364,550	$ 31,091	8.53%
Motor vehicle registration	86,166	86,840	(674)	-0.78%
Privilege tax	169,095	171,429	(2,334)	-1.36%
	$ 650,902	$ 622,819	$ 28,083	4.51%

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, 2008, the rate rose from 11 cents to 11.7 cents per invoiced gallon.

Automobile privilege tax collections were positively impacted from 2002 through 2008 by low interest rates and significant incentives offered by automobile manufacturers, and the desire of businesses and individuals to switch to more fuel-efficient vehicles. The automobile privilege taxes decreased $2 million in 2008.

The Division's federal revenue for budgetary purposes for fiscal year 2008 was $357 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):

	2008	2007	Change	%Change
Federal reimbursement - budgeted funds	$ 381,948	$ 386,875	$ (4,927)	-1.27%
Federal Reimbursement – Surface Transportation	14,745	1,207	13,538	1,222%
Federal reimbursement - emergency funds	1,530	4,451	(2,921)	-65.63%
Total federal aid	$ 398,223	$ 392,533	$ 5,690	1.45%

Although it is anticipated that state 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 2009 budget reflects a budgeted decrease in fund balance of approximately $66 million. While that amount seems large, it still produces an ending fund balance that is adequate to ensure the soundness of the Division. If revenues are significantly less than estimated, Management is confident that adequate discretionary expenditure items can be reduced to permit the Division to continue to operate in a fiscally sound manner.

The Federal Highway Administration (FHWA) anticipates a small reduction in federal funding in FFY 2009, the last year of SAFETEA-LU. That reduction is not expected to have any significant impact on the Division's FY 2009 budget. The next six-year funding authorization is not expected to be enacted prior to the start of FFY 2010. Consequently, the Division expects to receive its obligation authority through continuing resolutions. This will not have any immediate impact on budgets but could eventually lead to a reduction in expenditures due to the Division's reduced funding authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the Division had invested $7.4 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled $290 million.

The $240 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 $270 million in depreciation of the infrastructure. The Division expended $535 million dollars during the year ended June 30, 2008 for additions to capital assets. Of this amount, $507 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 $390 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 and Grant Counties, Corridor D in Wood County, upgrade of WV 10 in Logan County, widening of I-64 in Putnam County, 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, Fairmont Connector, Mon/Fayette Expressway, and continued environmental studies on various projects in process.

Long-term Debt

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. All bonds authorized under prior constitutional amendments have been issued. At June 30, 2008, the Division had $401 million in outstanding bonds. The amount outstanding decreased by $29 million (6.67%) due to net principal payments.

The Division has also been authorized to issue revenue notes in the amount of $200 million by constitutional amendment. The Division issued revenue notes in the amount of $76 million in October 2006 and $33 million in April 2007. It is anticipated that another estimated $75 million will be issued during fiscal year 2009. These notes will be revenue notes and the debt service payments will be funded through federal aid revenue. At June 30, 2008, the Division had $99 million in outstanding revenue notes. The amount decreased by $10 million (9.42%) due to net principal payments.

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: Moody's: S&P:	AAA Aaa AAA	$ 36,025
Safe Roads 99A - All Bonds maturing on or before June 1, 2017	Not Insured	Fitch: Moody's: S&P:	AA- Aa3 AA-	2,290
Safe Roads 01A - Bonds maturing between June 1, 2007 to 2013	Insured by FSA	Fitch: Moody's: S&P:	AAA Aaa AAA	47,360
Safe Roads 05A - Bonds maturing on or before June 1, 2025.	Insured by FSA	Fitch: Moody's: S&P:	AAA Aaa AAA	315,515
Surface Transportation Improvements Special Obligation Notes (Garvee 2006A) – Notes maturing on or before June 1, 2016	Not Insured - notes maturing Sept. 1, 2008 Insured by FSA – notes maturing after Sept. 1, 2008	Fitch: Moody's: S&P:	AAA Aaa AAA	68,945
Surface Transportation Improvements Special Obligation Notes (Garvee 2007A) – Notes Maturing on or before June 1, 2016	Not Insured - notes maturing Sept. 1, 2008 Insured by FSA – notes maturing after Sept. 1, 2008	Fitch: Moody's: S&P:	AAA Aaa AAA	29,930
				$ 500,065

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, 2008
(amounts expressed in thousands)

		Governmental Activities
ASSETS		
Current assets		
Cash and cash equivalents	$	240,964
Restricted cash and cash equivalents		57
Accounts receivable, net		110,960
Taxes receivable		63,044
Due from other State of West Virginia agencies		3,239
Inventories		33,040
Total current assets		451,304
Non-current assets		
Capital assets, net of accumulated depreciation		
Land - non-infrastructure		15,858
Land improvements		5,075
Land Improvements - work in progress		562
Buildings		64,194
Buildings - work in progress		5,493
Furniture and fixtures		426
Rolling stock		58,754
Scientific equipment		551
Shop equipment		61
Roads		3,611,424
Bridges		1,403,038
Land - infrastructure		876,642
Construction in progress		1,360,261
Total capital assets		7,402,339
Other non-current assets		2,468
Total assets		7,856,111
LIABILITIES		
Current liabilities		
Accounts payable		53,318
Retainages payable		8,052
Accrued payroll and related liabilities		19,603
Deferred Revenue		502
Due to other State of West Virginia agencies		2,908
Accrued interest payable		3,130
Current maturities of long term obligations		55,387
Total current liabilities		142,900
Non-current liabilities		
Claims and judgements		12,015
Compensated absences		17,335
Other Post Employment Benefits Liability		5,071
Long - term debt obligations		486,291
Total non-current liabilities		520,712
Total liabilities		663,612
NET ASSETS		
Invested in capital assets, net of related debt		6,886,996
Unrestricted		287,611
Restricted		
Coal Resource		7,937
Waste Tire		2,936
Industrial Access		7,019
Total net assets	$	7,192,499

The Accompanying notes are an integral part of these financial statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF ACTIVITES
FOR THE YEAR ENDED JUNE 30, 2008

(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Net Revenue (Expenses) and Changes in Net Assets
Government activities				
Road maintenance				
Expressway, trunkline & feeder & SLS	$ 282,337			$ (282,337)
Contract paving & secondary roads	92,331			(92,331)
Small bridge repair & replacement	17,402			(17,402)
Litter control program	1,684			(1,684)
Depreciation	16,892			(16,892)
Other road operations				
Interstate highways	11,735		$ 80,203	68,468
Appalachian highways	3,276		80,111	76,835
Other federal aid programs	61,495		237,909	176,414
Non federal aid improvements	2,692			(2,692)
Industrial access roads	2,891		2,806	(85)
Depreciation	269,805			(269,805)
General and administration				
Support and administrative operations	50,720	$ 5,954		(44,766)
Claims	7,308			(7,308)
Costs associated with DMV	28,884	86,166		57,282
Interest on long-term debt	23,692			(23,692)
Unallocated depreciation	3,262			(3,262)
	$ 876,406	$ 92,120	$ 401,029	$ (383,257)
General revenues				
Taxes:				
Gasoline and motor carrier				395,641
Automobile privilege				169,095
Investment and interest income				9,691
Payments from Primary Government				18,843
Miscellaneous revenues				36,479
Total general revenues				629,749
Change in net assets before cumulative effect				246,492
Cumulative effect of adoption of accounting principle				43,141
Change in net assets				289,633
Net assets, beginning				6,902,866
Net assets, ending				$ 7,192,499

The accompanying notes are an integral part of these financial statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2008

(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
ASSETS			
Assets			
Cash and cash equivalents	$ 226,059	$ 14,962	$ 241,021
Receivables	110,960	-	110,960
Taxes receivable	63,044	-	63,044
Due from other funds	5,446	-	5,446
Due from other State of West Virginia agencies	3,239	-	3,239
Inventories	33,040	-	33,040
Total assets	$ 441,788	$ 14,962	$ 456,750
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 52,372	$ 946	$ 53,318
Retainages payable	8,052	-	8,052
Accrued payroll and related liabilities	19,603	-	19,603
Deferred Revenue	502	-	502
Due to other funds	5,281	165	5,446
Due to other State of West Virginia agencies	2,908	-	2,908
Total liabilities	88,718	1,111	89,829
Fund balances			
Reserved for inventories	33,040	-	33,040
Unreserved, undesignated	320,030	13,851	333,881
Total fund balances	353,070	13,851	366,921
Total liabilities and fund balances	$ 441,788	$ 14,962	$ 456,750

The accompanying notes are an integral part of the financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008
(amounts expressed in thousands)

Total fund balances - governmental funds		$ 366,921
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	$ 15,858	
Land improvements- non infrastructure	5,075	
Land improvements- work in progress	562	
Buildings	64,194	
Buildings - work in progress	5,493	
Furniture and Fixtures	426	
Rolling Stock and Shop Equipment	58,754	
Scientific Equipment	551	
Shop Equipment	61	
Roads	3,611,424	
Bridges	1,403,038	
Infrastructure Land	876,642	
Work in progress	1,360,261	7,402,339
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.		2,468
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	(3,130)	
Claims and judgments	(12,729)	
Compensated absences	(34,176)	
General obligation bonds and revenue notes	(529,194)	(579,229)
Net assets of governmental activities		$ 7,192,499

The accompanying notes are an integral part of these financial statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
Revenues			
Taxes			
Gasoline and motor carrier	$ 395,641		$ 395,641
Automobile privilege	169,095		169,095
Industrial access roads	2,806		2,806
License, fees and permits			
Motor vehicle registrations and licenses	86,166		86,166
Special fees and permits	5,954		5,954
Federal aid			
Interstate highways	80,203		80,203
Appalachian highways	80,111		80,111
Other federal aid programs	223,164	$ 14,745	237,909
Investment and interest income, net of arbitrage rebate	7,623	2,069	9,692
Miscellaneous revenues	36,479		36,479
	1,087,242	16,814	1,104,056
Expenditures			
Current			
Road maintenance			
Expressway, trunkline and feeder, state and local services	283,726	-	283,726
Contract paving and secondary roads	92,331	-	92,331
Small bridge repair and replacement	22,480	-	22,480
Litter control program	1,684	-	1,684
Support and administrative operations	61,962	-	61,962
Division of Motor Vehicles operations	28,884	-	28,884
Claims	629	-	629
Capital outlay and other road operations			
Road construction and other road operations			
Interstate highways	95,599	-	95,599
Appalachian highways	110,006	-	110,006
Other federal aid programs	288,117	70,236	358,353
Nonfederal aid construction and road operations	14,791	-	14,791
Industrial access roads	2,891	-	2,891
Debt service			
Principal	28,655	10,285	38,940
Interest	21,343	4,460	25,803
	1,053,098	84,981	1,138,079
Excess (deficiency) of revenues over expenditures	34,144	(68,167)	(34,023)
Other financing sources (uses)			
Transfers from Primary Government	12,931	-	12,931
Net change in fund balances	47,075	(68,167)	(21,092)
Fund balances, beginning of year	305,995	82,018	388,013
Fund balances, end of year	$ 353,070	$ 13,851	$ 366,921

The accompanying notes are an integral part of the 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, 2008

(amounts expressed in thousands)

Net change in fund balances - total governmental funds	$	(21,092)
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 $ 530,364 exceeded depreciation of ($ 289,959) in the current period.		240,403
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.		(733)
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 repayments exceeded proceeds.		38,940
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 absenses of $ 36,682 , accretion of bond premiums of $ 2,324 , an decrease in interest payable of $ 149 , exceeded the increase in claims ($6,678) and the amortization of bond issuance cost of ($362).		32,115
Change in net assets of governmental activities	$	289,633

The accompanying notes are an integral part of the 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
FOR THE YEAR ENDED JUNE 30, 2008

(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues					
Taxes					
Gasoline and motor carrier	$ 360,000	$ 45,800	$ 405,800	$ 404,223	$ (1,577)
Automobile privilege	167,999	-	167,999	169,095	1,096
Motor vehicle registrations and licenses	88,835	-	88,835	86,396	(2,439)
Revenue Transfer to Industrial Access Roads	(3,000)	-	(3,000)	(3,352)	(352)
Federal aid	497,300	4,243	501,543	357,152	(144,391)
Miscellaneous revenues	16,832	-	16,832	40,306	23,474
	1,127,966	50,043	1,178,009	1,053,820	(124,189)
Expenditures					
Road construction and other road operations					
Interstate highways	100,000	-	100,000	93,430	6,570
Appalachian highways	150,000	-	150,000	110,119	39,881
Other federal aid programs	350,700	-	350,700	276,442	74,258
Nonfederal aid construction	20,000	10,000	30,000	11,587	18,413
Road maintenance					
Maintenance	260,288	37,728	298,016	282,091	15,925
Contract paving and secondary roads	50,000	50,000	100,000	87,784	12,216
Small bridge repair and replacement	30,000	10,000	40,000	22,136	17,864
Litter control program	1,681	-	1,681	1,681	-
Support and administrative operations					
General operations	47,798	-	47,798	36,363	11,435
Equipment revolving	15,000	-	15,000	11,431	3,569
Inventory revolving	2,000	-	2,000	(1,795)	3,795
Debt service	50,000	-	50,000	49,255	745
PSC Weight Enforcement	-	-	-	-	-
Division of Motor Vehicles operations	34,486	-	34,486	30,516	3,970
Claims - DOH and DMV	630	-	630	629	1
	1,112,583	107,728	1,220,311	1,011,669	208,642
Excess (deficiency) of revenues over expenditures	15,383	(57,685)	(42,302)	42,151	84,453
Fund balance, beginning of year	107,425	(29,738)	77,687	165,480	87,793
Fund balance, end of year	$ 122,808	$ (87,423)	$ 35,385	$ 207,631	$ 172,246

The accompanying notes are an integral part of the financial statements.

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, 2008 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.

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 $17,892 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, 2008, has been reported only in the government-wide financial statements.

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, 2008 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.

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 in accordance with accounting principles generally accepted in the United States of America are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these funds have not been reported in the Division's Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund. A reconciliation of the excess of revenues over expenditures and other financing uses for the year ended June 30, 2008, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	$	42,151
Basis of accounting differences (budgetary to GAAP)		(8,708)
Unbudgeted funds		701
Excess of revenues over expenditures - GAAP basis	$	34,144

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.

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

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: 3 - 20 years

Scientific equipment: 3 - 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.

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. During 2008, the legislature passed a bill allowing regular full time employees hired before July 1, 2001, having accumulated at least 65 days of sick leave, to be paid, at their option, for a portion of their unused sick leave, not to exceed the number of sick leave days that would reduce the employee's sick leave balance to less than fifty days. The employee shall be paid at a rate equal to one quarter of their usual rate of daily pay during that calendar year. Expenditures for compensated absences are recognized as incurred in the governmental fund financial statements. The government-wide financial statements present the cost of accumulated compensated absences as a liability.

POSTEMPLOYMENT BENEFITS - 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. Effective July 1, 2007, The Division, adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement provided standards for the measurement, recognition and display of other postemployment benefit expenditures, assets, and liabilities (see Note 9).

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECENT STATEMENTS ISSUED BY THE GASB -

- 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. 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.

- The GASB has issued Statement No. 53. *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments can be used as effective risk management or investment tools. Derivative instruments can also expose governments to significant risks and liabilities. The Division has not yet determined the effect that the adoption of GASB Statement No. 53 may have on the financial statements

(amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS

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

	Amortized Cost	Estimated Fair Value
Cash on deposit with State Treasurer	$ 18,708	$ 18,708
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool	106,966	106,966
Cash on deposit with State Treasurer invested in BTI WV Short Term Bond Pool	99,867	99,867
Cash on deposit with BTI – (Garvee 2006A)	14,763	14,763
Cash on deposit with Huntington Bank (Restricted)	57	57
Cash in transit	660	660
	$ 241,021	$ 241,021

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. Two of BTI's pools, the WV Money Market and WV Government Money Market Pools have been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, six are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, Loan Pool, School Fund Account, and Division of Highways Account.

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and 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 WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating * Moody's	Credit Rating * S&P	Carrying Value	Percent of Pool Assets
Commercial paper	P1	A-1	$ 658,879	27.94%
Corporate bonds and notes	Aaa	AAA	40,000	1.70
	Aa1	AA	71,000	3.01
	Aa2	A	27,000	1.14
	Aa3	AA	20,000	0.85
Total corporate bonds and notes			158,000	6.70
U.S. agency bonds	Aaa	AAA	254,019	10.77
U.S. Treasury bills *	Aaa	AAA	406,426	17.23
Negotiable Certificates of deposit	P1	A-1	147,001	6.23
U.S. agency discount notes	P1	A-1	212,924	9.03
Money market funds	Aaa	AAA	150,058	6.36
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	62,265	2.64
U.S. agency notes	Aaa	AAA	308,898	13.10
Total repurchase agreements			371,163	15.74
			$ 2,358,470	100.00%

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

The Division's ownership represents 4.54% of these amounts held by BTI.

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value	Percent of Pool Assets
Commercial Paper	P1	A-1	$ 7,971	2.25%
Corporate asset backed securities	Aaa	AAA	48,663	13.75
	Aaa	NR*	2,179	0.62
	NR*	AAA	1,135	0.32
	Aa3	AA	192	.06
Total corporate asset backed securities			52,169	14.75
Corporate bonds and notes	Aaa	AAA	13,146	3.72
	Aa1	AA	12,613	3.56
	Aa2	AA	20,860	5.89
	Aa2	A	1,061	0.30
	Aa3	AA	11,488	3.25
	Aa3	A	4,548	1.28
	A1	AA	4,305	1.22
	A1	A	8,361	2.36
	A2	AA	847	0.24
	A2	A	26,585	7.51
	A3	A	10,917	3.08
	Baa1	AA-	593	0.17
	Baa1	A-	2,028	0.57
	Baa3	BB+	645	0.18
Total corporate bonds and notes			117,997	33.33
U.S. agency bonds	Aaa	AAA	71,840	20.29
U.S. Treasury notes**	Aaa	AAA	81,875	23.13
U.S. agency mortgage backed securities***	Aaa	AAA	5,345	1.51
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	16,782	4.74
			$ 353,979	100.00%

*NR = Not Rated

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

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The Division's ownership represents 28.21% 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):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets
Money market funds	Aaa	AAA	$ 12	0.08%
Repurchase agreements (underlying securities):				
U.S. agency mortgage backed securities *	Aaa	AAA	14,751	99.92
			$ 14,763	100.00%

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

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

Interest rate risk

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

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

Security Type	Carrying Value	WAM (Days)
Repurchase agreements	$ 371,163	1
U.S. Treasury bills	406,426	31
Commercial paper	658,879	29
Certificates of deposit	147,001	95
U.S. agency discount notes	212,924	84
Corporate bonds and notes	158,000	21
U.S. agency bonds/notes	254,019	111
Money market fund	150,058	1
	$ 2,358,470	40

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	$ 16,782	1
U.S. Treasury bonds/notes	81,875	744
Corporate notes	117,997	675
Corporate asset backed securities	52,169	341
U.S. agency bonds/notes	71,840	1,231
U.S. agency mortgage backed securities	5,345	570
Commercial paper	7,971	50
	$ 353,979	707

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	$ 14,751	610
Money market funds	12	1
	$ 14,763	610

(amounts expressed in thousands)

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 or one corporate issue.

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

Securities Lending

At June 30, 2008, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. Of the collateral held, $275,442,843 was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Collateral Fund. For securities loaned at June 30, 2008, the BTI has no credit risk exposure to borrowers because the amount the BTI owes the borrowers exceeds the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions. Neither the BTI nor Mellon matches maturities of investments made with cash collateral to maturities of securities loaned.

	Fair Value of Securities on Loan	Collateral Held
WV Money Market Pool	$ 370,567,790	$ 376,583,793
WV Government Money Market Pool	21,233,734	21,629,197
WV Short Term Bond Pool	105,587,300	106,684,760
	$ 497,388,824	$ 504,897,750

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

(amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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, 2008 these funds were invested with Huntington Bank in the Huntington Treasury Money Market IV and VII. The following table provides information on the credit ratings of this investment.

Security Type	Moody's	S&P	Carrying Value	Percentage of Assets
Huntington Treasury Money Market IV & VII	Aaa	AAA	$ 57	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 and VII.

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, 2008, $57 of the Division's investments were invested in the Huntington Treasury Money Market IV and VII.

Interest rate risk

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

		Investment Maturity in Years			
Security Type	Carrying Value	Less than 1	1-5	6-10	More than 10
Huntington Treasury Money Market IV & VII	$ 57	$ 57	-	-	-

Foreign Currency Risk

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

(amounts expressed in thousands)

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2008 consisted of the following:

Federal aid billed and not paid	$ 11,504
Federal aid earned but not billed	83,921
Total federal aid receivable	95,425
Other receivables	16,027
Combined total receivables	111,452
Less: allowance for uncollectibles	(492)
Net accounts receivable	$ 110,960

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

NOTE 4: TAXES RECEIVABLE

Taxes receivable at June 30, 2008 consisted of the following:

Automobile privilege taxes	$ 26,209
Motor fuel excise taxes	32,569
Registration fees	4,266
Total taxes receivable	$ 63,044

(amounts expressed in thousands)

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

Amounts due from other State of West Virginia agencies at June 30, 2008 consisted of the following:

The Department of Motor Vehicles	$ 2,666
Other agencies	573
Total amounts due from other State of West Virginia agencies	$ 3,239

Amounts due to other State of West Virginia agencies at June 30, 2008 consisted of the following:

Public Employees Insurance Agency	$ 1,647
Public Employee's Retirement	1,232
Department of Administration	3
Other agencies	26
Total amounts due to other State of West Virginia agencies	$ 2,908

NOTE 6: INVENTORIES

Inventories at June 30, 2008 consisted of the following:

Materials and supplies	$ 20,735
Equipment repair parts	8,281
Gas and lubrication supplies	4,024
Total inventories	$ 33,040

(amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated:				
Land - non infrastructure	$ 15,403	$ 455	$ -	$ 15,858
Land - infrastructure	844,674	31,968	-	876,642
Construction-in-progress - buildings	2,041	5,552	2,100	5,493
Construction-in-progress - land improvements	598	1,624	1,660	562
Construction-in-progress - roads	810,743	331,471	238,284	903,930
Construction-in-progress - bridges	465,536	143,538	152,743	456,331
Total capital assets not being depreciated	2,138,995	514,608	394,787	2,258,816
Capital assets being depreciated:				
Buildings	99,631	1,755	268	101,118
Furniture and fixtures	3,745	275	37	3,983
Land improvements - non infrastructure	6,725	1,024	40	7,709
Rolling stock	200,388	17,387	8,946	208,829
Shop equipment	3,040	-	-	3,040
Scientific equipment	2,382	36	27	2,391
Infrastructure - roads	6,874,182	237,323	-	7,111,505
Infrastructure - bridges	1,612,300	152,743	-	1,765,043
Total capital assets being depreciated	8,802,393	410,543	9,318	9,203,618
Less accumulated depreciation:				
Buildings	34,436	2,754	266	36,924
Furniture and fixtures	3,422	172	37	3,557
Land improvements - non infrastructure	2,321	336	23	2,634
Rolling stock	141,528	16,785	8,238	150,075
Shop equipment	2,970	9	-	2,979
Scientific equipment	1,762	98	20	1,840
Infrastructure - roads	3,266,045	234,036	-	3,500,081
Infrastructure - bridges	326,236	35,769	-	362,005
Total accumulated depreciation	3,778,720	289,959	8,584	4,060,095
Total capital assets being depreciated, net	5,023,673	120,584	734	5,143,523
Governmental activities capital assets, net	$ 7,162,668	$ 635,192	$ 395,521	$ 7,402,339

Current year depreciation totaling $286,697 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining $3,262 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.

(amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS (Continued)

A summary of depreciation on each capital asset type follows:

Asset Type	Depreciation
Buildings and improvements	$ 2,754
Furniture and fixtures	172
Land improvements	336
Total unallocated	3,262
Rolling stock	16,785
Shop equipment	9
Scientific equipment	98
Total road maintenance	16,892
Infrastructure - roads	234,036
Infrastructure - bridges	35,769
Total other road operations	269,805
Total depreciation expense	$ 289,959

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, 2008, retainages payable on contracts had been reduced by these amounts on deposit in such accounts by approximately $330.

(amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2008, 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	$ 51,510	$ -	$ 15,485	$ 36,025
Safe road bonds	1999	4.30% - 5.75%	06/01/2017	4,470	-	2,180	2,290
Safe road bonds	2001	3.50% - 5.50%	06/01/2013	57,490	-	10,130	47,360
Safe road bonds	2005	3.00% - 5.00%	06/01/2025	316,375	-	860	315,515
Total general obligation bonds				429,845	-	28,655	401,190
Bond premium				28,014	-	1,941	26,073
Total general obligation bonds payable net of premium				457,859	-	30,596	427,263
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Garvee 2006A)	2006	3.75% - 5.00%	06/01/2016	75,970	-	7,025	68,945
Surface transportation improvements special notes (Garvee 2007A)	2007	4.00% - 5.00%	06/01/2016	33,190	-	3,260	29,930
Total revenue notes payable				109,160	-	10,285	98,875
Bond premium				3,439	-	383	3,056
Total general obligation notes payable net of premium				112,599	-	10,668	101,931
Claims and judgments				6,050	7,308	629	12,729
Compensated absences				70,858	7,273	43,955	34,176
Total long-term obligations				$ 647,366	$ 14,581	$ 85,848	$ 576,099

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 $25,803 for the year ended June 30, 2008. Total debt service costs, exclusive of coupon redemption costs, for each of the next five years and thereafter, on general obligation bonds payable and revenue notes payable liquidated through debt service funds, are as follows:

	2009	2010	2011	2012	2013	2014-2018	2019-2023	2024-2028	Total
General obligation bonds payable from tax revenue:									
Safe road bonds	$ 49,996	$ 49,995	$ 49,993	$ 49,995	$ 38,618	$ 157,967	$ 117,576	$ 47,031	$ 561,171
Less: interest	19,911	18,405	16,828	15,130	13,388	48,277	24,736	3,306	159,981
Total principal	30,085	31,590	33,165	34,865	25,230	109,690	92,840	43,725	401,190
Bond premium	1,886	1,633	1,586	1,546	1,494	7,470	7,470	2,988	26,073
Total principal and bond premium	31,971	33,223	34,751	36,411	26,724	117,160	100,310	46,713	427,263
Revenue notes payable from federal aid revenue:									
Surface transportation special obligation notes	14,749	14,745	14,749	14,750	14,748	44,233	-	-	117,974
Less: interest	4,199	3,740	3,244	2,750	2,223	2,943	-	-	19,099
Total principal	10,550	11,005	11,505	12,000	12,525	41,290	-	-	98,875
Bond premium	382	382	382	382	382	1,146	-	-	3,056
Total principal and note premium	$ 10,932	$ 11,387	$ 11,887	$ 12,382	$ 12,907	$ 42,436	$ -	$ -	$ 101,931

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:

	Compensated Absences	Other Post Employment Benefits Liability	Claims and Judgments	General Obligation Bonds and Revenue Notes and Premium	Total
Short-term liability	$ 11,770	$ -	$ 714	$ 42,903	$ 55,387
Long-term liability	17,335	5,071	12,015	486,291	520,712
	$ 29,105	$ 5,071	$ 12,729	$ 529,194	$ 576,099

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 $75,000 of additional Garvee notes will be issued during the fiscal year ending June 30, 2009.

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.

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2006
Estimated claims liability, July 1	$ 6,050	$ 9,194	$ 6,197
Additions for claims incurred during the year	714	630	3,094
Changes in estimates for claims of prior periods	6,595	(3,630)	300
Payments on claims	(630)	(144)	(397)
Estimated claims liability, June 30	$ 12,729	$ 6,050	$ 9,194

At June 30, 2008, approximately $8,845 of tort claims and $16,888 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 $12,729, 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 $714. During the normal course of operations, the Division may become subject to other litigation. No provision has been made in the financial statements for liabilities, if any, from such litigation.

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

The Division participates in the West Virginia Other Postemployment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF), a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan, established in accordance with GASB Statement No. 45, provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304 or by calling 1-888-680-7342.

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

The Code requires the RHBTF to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The OPEB Plan costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2008, the noncurrent liability related to OPEB cost was $5,071. For the year ended June 30, 2008, the Division recorded a cumulative effect of the adoption of this accounting principle of $43,141, an amount equal to the June 30, 2007 liability previously recorded in accordance with GASB Statement No. 16. The Division received on-behalf payments from the WVPEIA in the amount of $5,912. These amounts were transferred to the OPEB Plan. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was $22,605 and $11,622 respectively during 2008. As of the year end there were 490 retirees receiving these benefits.

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, 2008 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, 2008 the Division incurred payroll related expenditures of approximately $30,168 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately $16,912 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, 2008 the Division paid approximately $8,946 to BrickStreet Insurance Company for coverage.

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 $717,249 at June 30, 2008.

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.

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2008, there were approximately 460 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion that any liability resulting from these claims would have no adverse effect on the financial position of the Division.

NOTE 12: RETIREMENT PLAN

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

FUNDING POLICY - The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 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, 2008, 2007, and 2006 were $16,912, $16,653, and $16,559, respectively, equal to the required contributions for each year.

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. 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. BrickStreet Insurance, a private mutual insurance company, provided coverage for work related accidents.

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 EVENT

The Division of Highways is expected to issue revenue notes in the amount of $75 million sometime in FY 2009. Issuance, originally planned for late September 2008, has been delayed due to the current turmoil on Wall Street. As soon as the bond market settles, the notes will be offered for purchase. 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 Obligations Notes.

STATISTICAL SECTION

WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

Statistical Section Contents

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

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.

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,
DIVISION OF HIGHWAYS

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

	Fiscal Year						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
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	$6,886,996
Restricted				10,843	8,512	13,975	17,892
Unrestricted	85,275	83,768	111,234	123,684	138,096	296,681	287,611
Total governmental activities net assets	$ 5,283,667	$ 5,840,183	$ 6,091,495	$ 6,327,556	$ 6,621,946	$ 6,902,866	$7,192,499

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 Seven Fiscal Years
(amounts expressed in thousands)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Revenues							
Governmental activities:							
General Revenues							
Motor fuel excise tax	$ 300,964	$ 296,842	$ 303,934	$ 320,891	$ 330,538	$ 364,550	$ 395,641
Automobile privilege tax	180,472	169,431	173,225	178,763	170,484	171,429	169,095
Investment and interest income	8,148	3,655	1,542	1,906	4,701	9,652	9,691
Payments from primary government							18,843
Miscellaneous revenues	15,062	18,793	15,165	25,589	53,255	37,459	36,479
Total General Revenues	504,646	488,721	493,866	527,149	558,978	583,090	629,749
Program Revenues							
Capital grants and contributions:							
Federal aid	433,156	407,664	424,647	440,579	429,583	392,533	398,223.00
Industrial access roads	3,914	1,891	3,465	2,351	3,016	3,126	2,806.00
Charges for services:							
Motor vehicle registration fees	87,380	85,880	81,577	86,466	87,534	86,840	86,166.00
Special fees and permits	4,173	3,965	4,461	4,554	4,290	5,263	5,954.00
Total Program Revenues	528,623	499,400	514,150	533,950	524,423	487,762	493,149.00
Total governmental revenues	$ 1,033,269	$ 988,121	$ 1,008,016	$ 1,061,099	$ 1,083,401	1,070,852	1,122,898.00
Expenses							
Governmental activities:							
Road maintenance							
Expressway, trunkline & feeder & SLS	$ 228,449	$ 237,026	$ 240,584	$ 247,711	$ 236,326	$ 262,684	$ 282,337
Contract paving & secondary roads	41,536	43,417	36,451	46,090	48,345	42,785	92,331
Small bridge repair & replacement	25,259	21,580	12,022	12,559	14,135	14,002	17,402
Litter control program	1,595	1,492	1,637	1,688	1,744	1,663	1,684
Depreciation	747	12,406	11,631	14,351	15,925	17,416	16,892
Other road operations							
Interstate highways	54,614	3,152	6,256	16,662	4,479	11,514	11,735
Appalachian highways	126,317	0	2,548	462	4,434	3,994	3,276
Other federal aid programs	199,802	83,240	107,142	116,383	92,941	82,182	61,495
Non federal aid improvements	41,966	12,688	12,096	6,356	10,257	9,407	2,692
Industrial Access Roads	2,224	523	1,967	1,822	5,475	1,407	2,891
Depreciation	224,441	229,928	234,636	241,146	249,288	257,292	269,805
General and administration							
Support and administrative operations	53,183	40,964	21,302	66,966	43,609	27,108	50,720
Claims	610	2,461	2,716	(2,504)	3,394	(3,000)	7,308
Costs associated with DMV	32,029	34,194	35,145	34,544	34,346	35,250	28,884
Interest on long-term debt	28,168	27,434	26,525	18,112	21,283	22,977	23,692
Unallocated depreciation	14,022	2,096	4,046	2,690	3,030	3,251	3,262
Total governmental expenses	$ 1,074,962	$ 752,601	$ 756,704	$ 825,038	$ 789,011	$ 789,932	$ 876,406
Change in net assets	$ (41,693)	$ 235,520	$ 251,312	$ 236,061	$ 294,390	$ 280,920	$ 246,492
Effect of adoption of accounting principle							43,141
Net assets, beginning	$ 5,325,360	$ 5,604,663	$ 5,840,183	$ 6,091,495	$ 6,327,556	$ 6,621,946	$ 6,902,866
Net assets, ending	$ 5,283,667	$ 5,840,183	$ 6,091,495	$ 6,327,556	$ 6,621,946	$ 6,902,866	$ 7,192,499

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

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

	2002	2003	2004	2005	2006	2007	2008
Revenues							
Taxes							
Gasoline and motor carrier	$ 300,964	$ 296,842	$ 303,934	$ 320,891	$ 330,538	$ 364,550	$ 395,641
Automobile privilege	180,472	169,431	173,225	178,763	170,484	171,429	169,095
Industrial access roads	3,914	1,891	3,465	2,351	3,016	3,126	2,806
License, fees and permits							
Motor vehicle registrations and licenses	87,380	85,880	81,577	86,466	87,534	86,840	86,166
Special fees and permits	4,173	3,965	4,461	4,554	4,290	5,263	5,954
Federal aid							
Interstate highways	55,825	44,372	51,239	64,114	53,359	56,801	80,203
Appalachian highways	161,088	168,789	126,286	101,247	104,228	93,552	80,111
Other federal aid programs	216,243	194,503	247,122	275,218	271,996	242,180	237,909
Investment and interest income, net of arbitrage rebate	8,148	3,655	1,542	1,906	4,701	9,652	9,692
Miscellaneous revenues	15,062	18,846	15,165	25,589	53,255	37,459	36,479
Total Revenues	1,033,269	988,174	1,008,016	1,061,099	1,083,401	1,070,852	1,104,056
Expenditures							
Current							
Road maintenance							
Expressway, trunkline and feeder, sls	228,456	238,591	246,648	247,456	238,425	258,720	283,726
Contract paving and secondary roads	41,536	43,417	36,451	46,090	48,345	42,785	92,331
Small bridge repair and replacement	25,603	28,749	19,492	18,699	22,099	17,100	22,480
Litter control program	1,595	1,492	1,637	1,688	1,744	1,663	1,684
Support and administrative operations	70,927	57,655	51,038	56,242	75,050	55,911	61,962
Division of Motor Vehicles operations	32,029	34,194	35,145	34,544	34,346	34,754	28,884
Claims	15	595	561	416	397	144	629
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	95,599
Appalachian highways	198,175	194,507	154,471	125,231	156,141	132,747	110,006
Other federal aid programs	295,131	262,481	318,032	350,464	354,562	348,650	358,353
Nonfederal aid construction and road op.	87,140	65,658	41,810	31,725	20,825	20,365	14,791
Industrial access roads	2,224	523	1,967	1,822	5,475	1,407	2,891
Debt service							
Principal	21,485	22,040	23,070	28,060	19,920	18,150	38,940
Interest	29,305	27,979	26,952	18,941	23,098	23,442	25,803
Total Expenditures	1,101,613	1,032,614	1,017,266	1,036,408	1,069,833	1,026,764	1,138,079
Excess (deficiency) of revenues over expenditures	(68,344)	(44,440)	(9,250)	24,691	13,568	44,088	(34,023)
Other financing sources (uses)							
Proceeds from issuance of debt	114,172	-	-	-	-	112,097	
Transfers in	35,991	-	-	15	-	-	12,931
Transfers out	(35,991)	-	-	(15)	-	-	
Refunding bonds issued	-	-	-	321,405	-	-	
Payment to refunded bond escrow agent	-	-	-	(321,405)	-	-	
Total other financing sources (uses)	114,172	-	-	-	-	112,097	12,931
Net change in fund balance	$ 45,828	$ (44,440)	$ (9,250)	$ 24,691	$ 13,568	$ 156,185	(21,092)
Debt Service as a percentage of noncapital expenditures	6%	10%	9%	8%	8%	8%	11%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

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

	Fiscal Year						
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
General Fund							
Reserved for inventories	$ 30,273	$ 27,461	$ 29,462	$ 31,459	$ 34,592	$ 33,259	$ 33,040
Unreserved	133,303	143,928	164,092	186,801	197,236	272,736	320,030
Total General Fund	$ 163,576	$ 171,389	$ 193,554	$ 218,260	$ 231,828	$ 305,995	$353,070
All Other Governmental Funds							
Reserved, capital projects fund	$ 83,683	$ 31,430	$ 15	$ 0	$ 0	$ 82,018	$ 13,851
Total all funds	$ 247,259	$ 202,819	$ 193,569	$ 218,260	$ 231,828	$ 388,013	$366,921

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

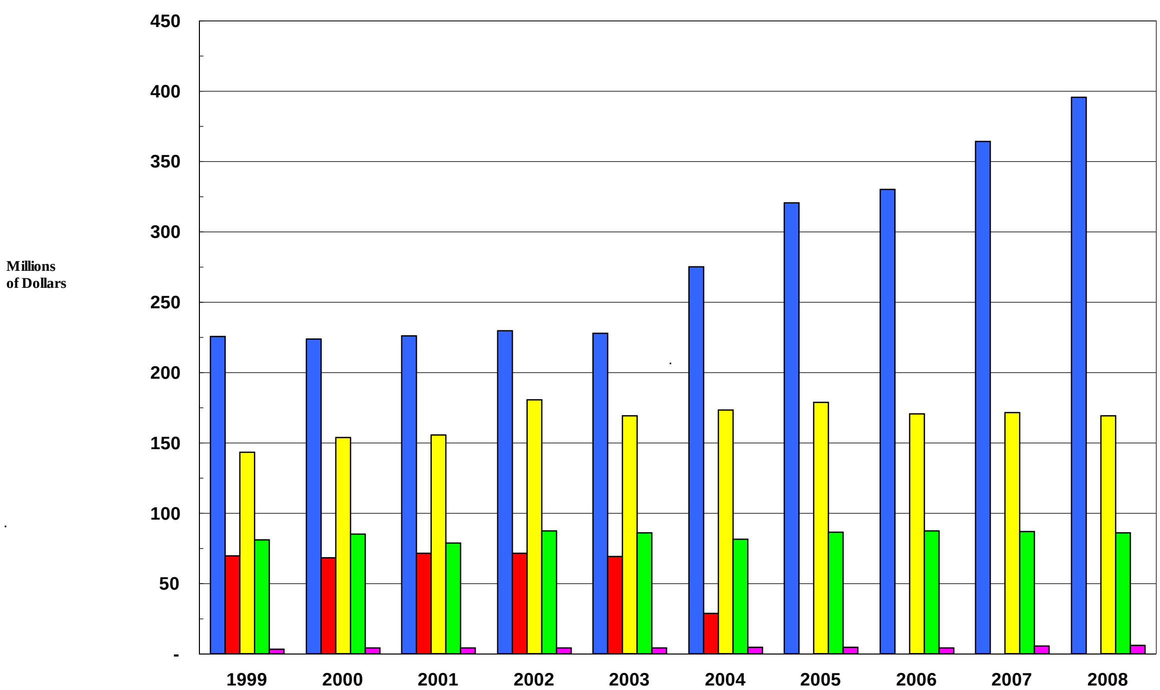
TAX AND LICENSE FEE REVENUE BY SOURCE (1)
1999 to 2008

(Amount expressed in thousands)

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Gasoline/Motor Carrier	$225,761	$224,029	$225,946	$229,650	$227,793	$275,471	$320,891	$330,538	$364,550	$395,641
Motor Fuel	69,405	68,372	71,521	71,314	69,049	28,463	-	-	-	-
Automobile Privilege	143,356	153,927	155,623	180,472	169,431	173,225	178,763	170,484	171,429	169,095
Registration/ License Fees	80,935	85,222	78,745	87,380	85,880	81,577	86,466	87,534	86,840	86,166
Special Fees & Permits	3,215	3,984	4,063	4,173	3,965	4,461	4,554	4,290	5,263	5,954
Total	$522,672	$535,534	$535,898	$572,989	$556,118	$563,197	$590,674	$592,846	$628,082	$656,856

(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 Divisons revenue.

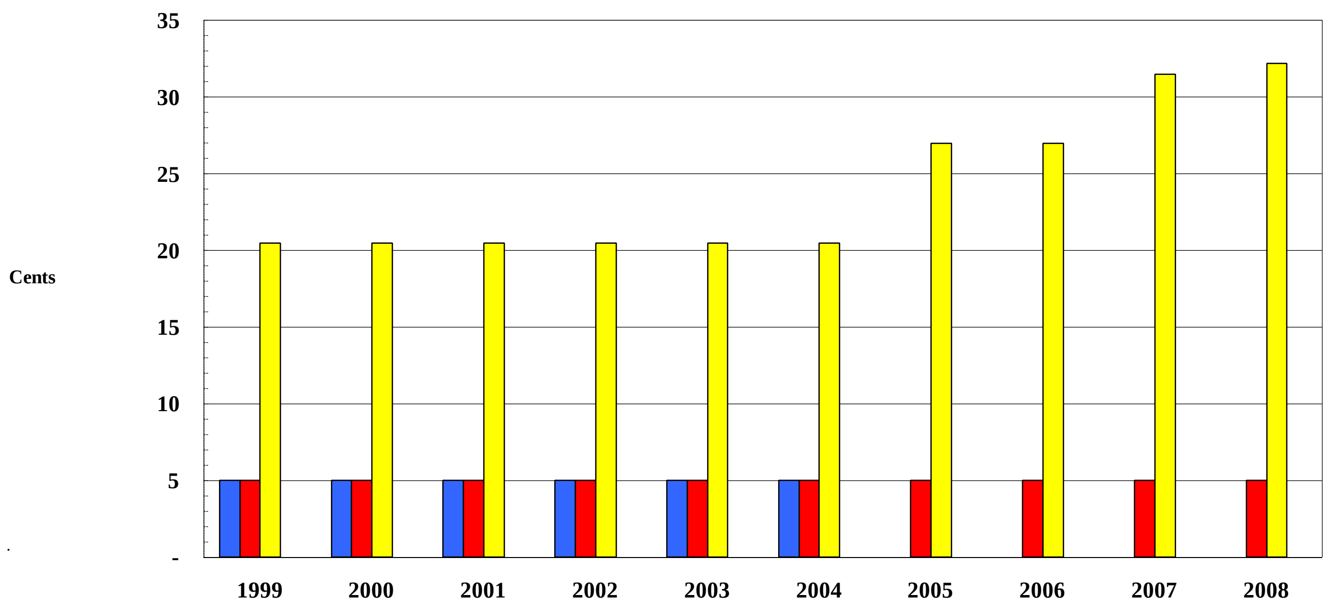


DIVISION OF HIGHWAYS

FUEL AND PRIVILEGE TAX RATES 1999 TO 2008

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Excise Motor Fuel(1) (cents per gallon)	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	27.0	27.0	31.5	32.2

(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 11.7 cents per invoiced gallon as of January 1, 2008.
(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*
2008	$ 401,190	$ 98,875	$ 500,065	0.93%	297.46
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

* These ratios are calculated using personal income and population for the prior calendar year. See page 67 for personal income and population data.

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

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

Calendar Year	Total Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	Median Age
2007	1,812,035	53,522,000	29,537	4.6%	40.5
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

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Wal-Mart Associates, Inc.	1	1	1	1	1	1	1	1	1	1
WV United Healthcare	2	2	2	3	3	2	2	2	-	10
Charleston Area Medical Center, Inc.	3	3	3	2	2	3	3	3	3	2
Kroger	4	4	4	4	4	4	5	6	4	3
CSX/CSX Hotels Inc. (The Greenbrier and railroad)	5	8	5	5	5	6	6	4	6	7
American Electric Power (Formerly Appalachian Power Company)	6	5	6	6	7	-	9	-	10	-
Eldercare Resources Corportaion	7	6	-	-	-	-	-	-	-	-
Lowe's Home Centers, Inc.	8	7	7	-	-	-	-	-	-	-
St. Mary's Hospital	9	10	10	-	-	10	-	-	-	-
Consolidation Coal Company	10	-	8	8	-	-	-	-	-	-
Pilgrim's Pride Corporation of West Virginia	-	9	-	-	-	-	-	-	-	-
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
ISG Weirton Inc. (Formerly Weirton Steel Corporation)	-	-	-	10	6	5	4	5	2	4
Union Carbide Corporation/Dow Corporation	-	-	-	-	-	-	-	10	9	9
Hospital Corporation of America, Inc.	-	-	-	-	-	-	-	-	7	5
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

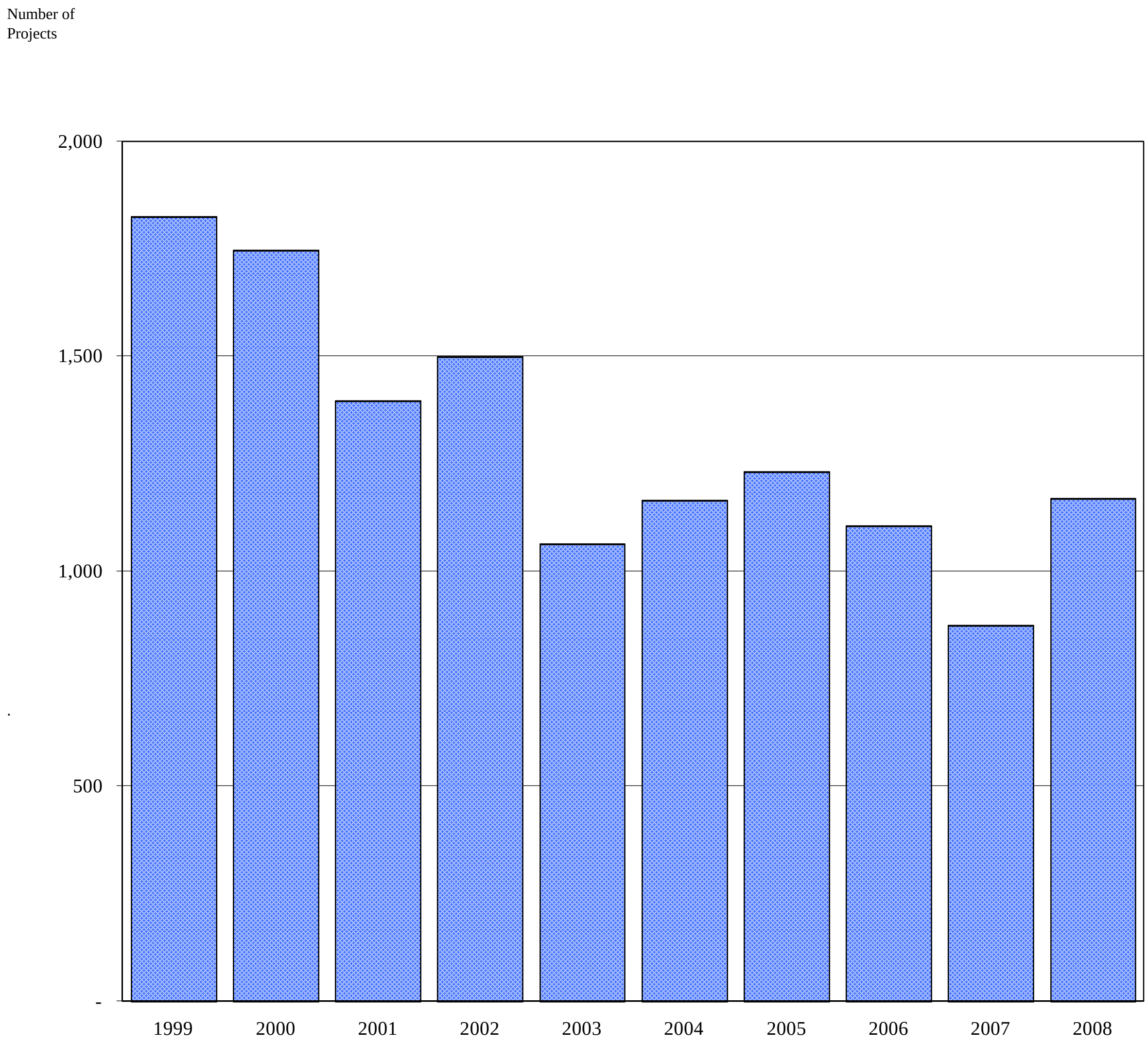
	Employees as of June 30									
Program	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Maintenance	3,619	3,571	3,523	3,616	3,604	3,504	3,472	3,327	3,340	3,372
Construction	1,083	1,035	1,042	1,033	1,033	1,007	981	961	907	888
General and administration	346	369	341	367	367	358	355	332	313	296
Total	5,048	4,975	4,906	5,016	5,004	4,869	4,808	4,620	4,560	4,556

Source: Division of Highways Budget Office.

DIVISION OF HIGHWAYS

HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED
1999 TO 2008

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Total Projects
Projects	1,825	1,746	1,396	1,499	1,064	1,165	1,232	1,105	874	1,169	13,075



DIVISION OF HIGHWAYS

HIGHWAY CONSTRUCTION AND IMPROVEMENT

TOTAL PROJECTS AUTHORIZED
1999 TO 2008

Federal Aid
(Number of Projects)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Bond	3	5	0	0	1	0	0	0	0	0
Interstate Construction	0	8	2	9	4	5	4	9	10	11
Interstate Renovation	35	41	20	23	26	29	25	15	22	18
Non-Interstate Other	73	58	44	62	68	65	68	62	4	3
Appalachian Development	22	24	22	25	14	13	12	25	19	19
Timber Bridge	0	0	0	0	0	0	0	0	0	0
Other Bridge	44	58	14	62	36	31	40	33	31	24
Miscellaneous	103	132	78	172	149	208	200	123	137	125
Total	280	326	180	353	298	351	349	267	223	200

Non-Federal Aid
(Number of Projects)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Maintenance	574	615	522	448	335	424	445	418	321	444
Bridge Replacement and Renovation	61	65	50	73	48	29	54	41	32	48
Miscellaneous Bridge Work	77	59	44	44	36	20	35	40	30	90
Industrial Access Roads	11	15	6	15	7	5	10	7	6	4
Turnpike Refund	0	0	0	0	0	0	0	0	0	0
Bond	312	209	67	21	11	0	0	0	0	0
Roadway Renovation and Improvement	510	457	527	545	329	336	339	332	262	383
Total	1545	1420	1216	1146	766	814	883	838	651	969
Grand Total	1825	1746	1396	1499	1064	1165	1232	1105	874	1169

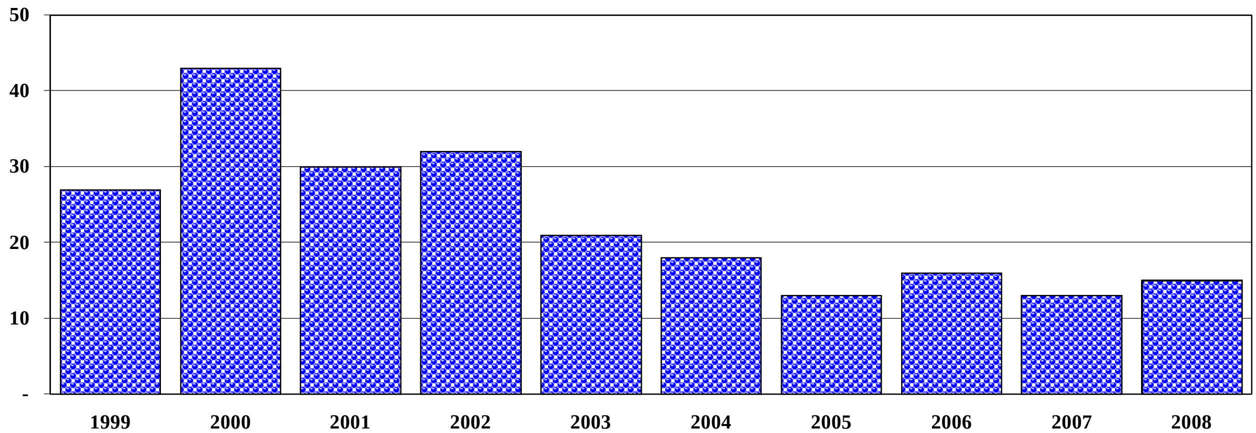
TOTAL AUTHORIZED PROJECTS = 13,075

DIVISION OF HIGHWAYS

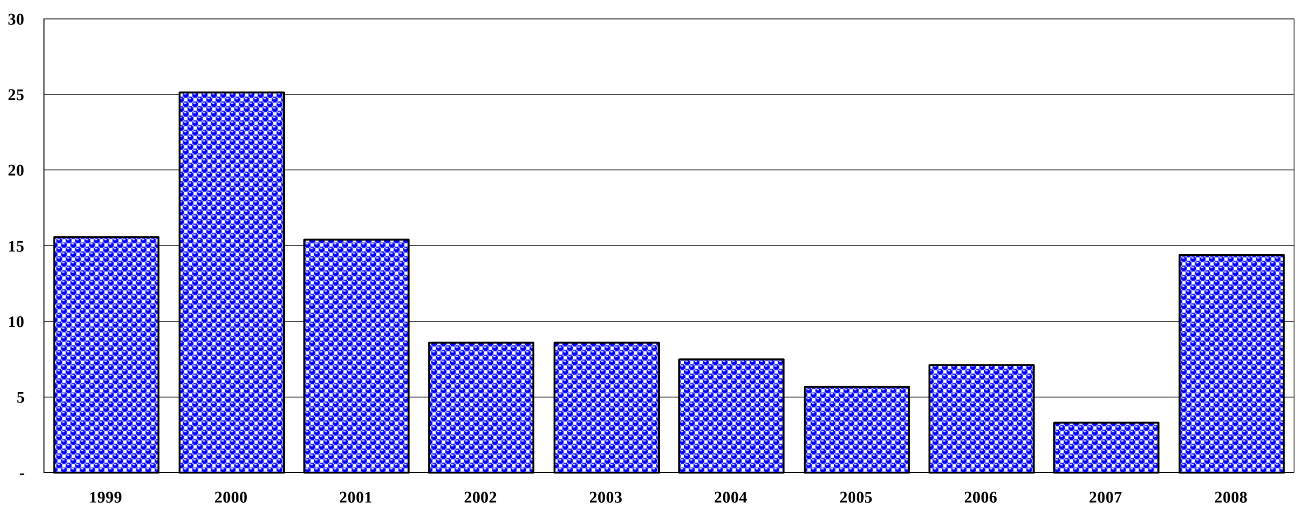
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY
1999 TO 2008

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of Projects	27	43	30	32	21	18	13	16	13	15
Number of Miles	15.60	25.15	15.42	8.60	8.62	7.49	5.69	7.13	3.34	14.39

Number of
Projects



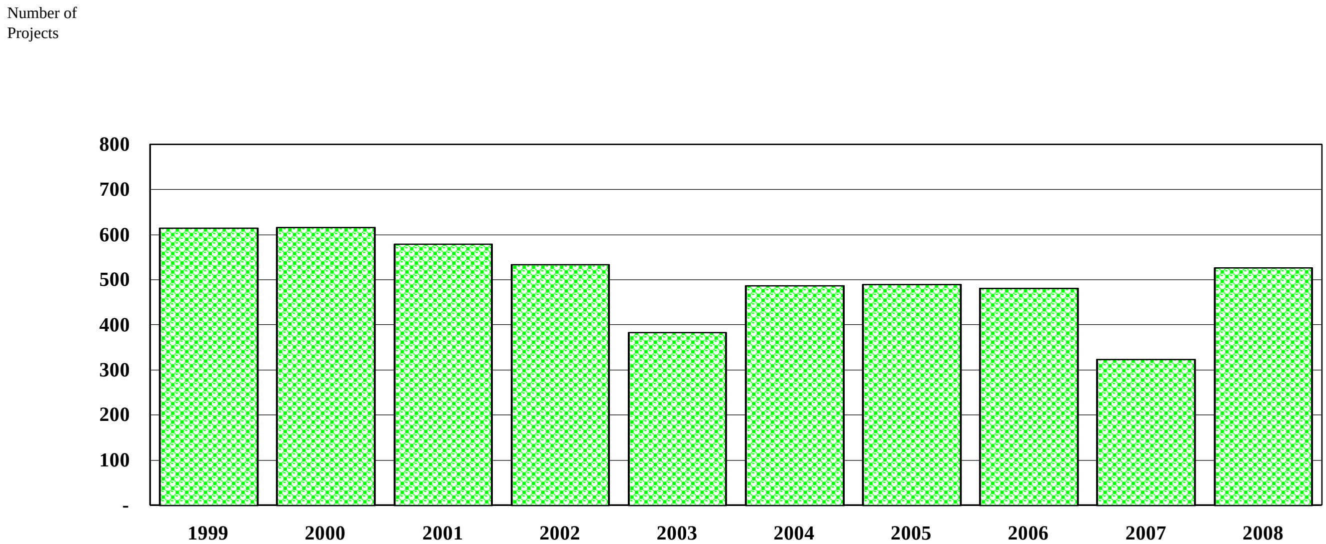
Number of
Miles

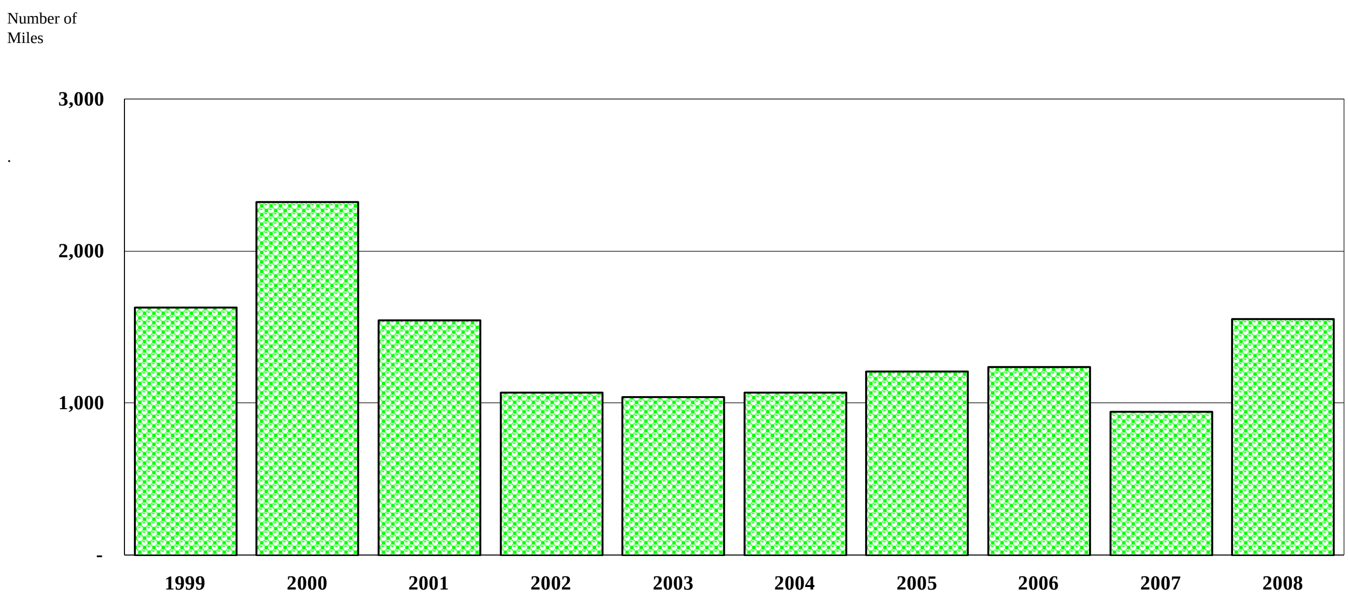


DIVISION OF HIGHWAYS

ROADWAY RESURFACING PROJECTS
1999 TO 2008

Fiscal Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Number of Projects	615	616	580	534	384	488	490	481	324	527
Number of Miles	1,629	2,325	1,545	1,071	1,040	1,070	1,208	1,239	944	1,557





DIVISION OF HIGHWAYS

TOTAL HIGHWAY MILEAGE BY CATEGORY

Total Road System

Interstate Highway	468
U.S. Routes	1,800
W.V. Routes	3,623
County Routes	28,901
Other	1,176
Total Miles	35,968

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

Federal Aid Routes

	Rural Miles	Urban Miles
Interstate Highways (Part of National Highway System) *	311 **	157 ***
Other National Highway System	1,047	199
Other Federal-Aid Highways	7,042	1,187
Sub-total miles	8,400	1,543
Total Miles	9,943	

Interstate Highways (Part of National Highway System) *: Interstate Highways are multi-lane, fully access-controlled routes that serve the national defense, and connect the nation's principal metropolitan areas, cities, and/or industrial centers.

** Includes 4 miles of one way connecting ramps
*** Includes 1 mile of one way connecting ramps

Other National Highway System: 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.

Other Federal-Aid Highways: All other roads on which federal Highway funds may be expended.