

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

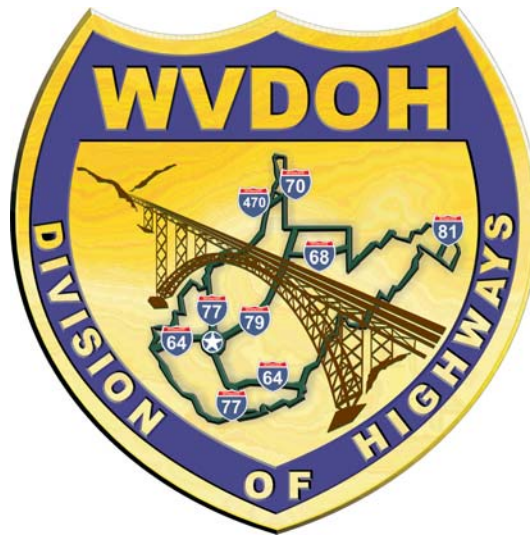
COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2009**

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

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2009**

PREPARED BY  
FINANCE AND ADMINISTRATION DIVISION

Pictures Courtesy of

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

Printed by  
WVDOT Printshop

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

Year Ended June 30, 2009

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

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

**FINANCIAL SECTION**

Independent Auditors' Report	12
Management's Discussion and Analysis	13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	24
Statement of Activities	25
Fund Financial Statements	
Balance Sheet – Governmental Fund	26
Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Assets	27
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities	29

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

Year Ended June 30, 2009

**TABLE OF CONTENTS**

(Continued)

**FINANCIAL SECTION (Continued)**

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (Budgetary Basis) – State Road Fund	30
Notes to the Financial Statements	31

**STATISTICAL SECTION**

Statistical Section Narrative and Table of Contents	56
Net Assets by Component	57
Changes in Net Assets	58
Changes in Fund Balance of Governmental Fund	59
Fund Balance, Governmental Fund	60
Tax and License Fee Revenue by Source	61
Fuel and Privilege Tax Rates	62
Ratios of Outstanding Debt by Type	63
Demographic Statistics of West Virginia	64
Principal Employers	65
Employees by Program	66
Highway Construction and Improvement, Total Projects Authorized	67
Highway Construction and Improvement, Total Projects Authorized by Type	68
Roadway Projects – System Expansion Only	69
Roadway Resurfacing Projects	70
Total Highway Mileage by Category	71





# INTRODUCTORY



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, 2009

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, 2009. The purpose of the report is to provide the Governor, Legislature, Citizens and other interested parties with reliable financial information about the Division.

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

State statute requires that an annual audit of the Division is performed. The accounting firm of Gibbons & Kawash was engaged to perform the audit for the year ended June 30, 2009. 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, 2009 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 36,249 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 sales (privilege) tax on consumer purchases of motor vehicles and reimbursement from federal funding generated from motor fuel purchases. Revenues are affected by state and national economic conditions, world events affecting availability and pricing of motor fuel, and fuel consumption rates for motor vehicles. Although average fuel consumption rates for motor vehicles have remained fairly constant in past years, consumption decreased in FY 2009. 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 8.5% for October 2009 as compared to the national rate of 10.2%. During the period of October 2008 to October 2009 nonfarm payroll employment decreased by 22,300 jobs. According to the *West Virginia Outlook 2010*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, "The West Virginia economy is in the midst of a very severe recession.... The outlook for the state depends on the outlook for the national (and global) economies.... That forecast calls for U.S. real GDP growth to rebound in the second half of 2009, while national employment begins to grow again in 2010. That sets the stage for West Virginia employment to stabilize during the first half of 2010 and for growth to pick up steam during the second half of that year. However, gains are likely to be slow during the remaining years of the forecast. Indeed, the state does not regain 2008 employment levels until 2013." The slow recovery will impact the State Road Fund's revenue sources negatively. Motor Fuel consumption is predicted to be flat for the next several years, and vehicle purchases will continue



to stagnate. Unless the State Road Fund is able to substantially increase its revenues, the long-term forecast is for reduced construction and maintenance, accompanied by a decline in the condition of the state's highway infrastructure and a negative impact on the overall economic condition of the state.

## LONG-TERM FINANCIAL PLANNING

The schedule that follows presents combined summary revenue and expenditure information for the State Road (General) Fund and the Capital Projects Fund for the year ended June 30, 2009. All data is presented in thousands of dollars.

	<u>Amount</u>	Percent of <u>Total</u>	<u>Change from Prior Year</u>	
			<u>Amount</u>	<u>Percent</u>
Motor Fuel Excise Tax	391,903	34%	(3,738)	(1%)
Automobile privilege taxes	141,930	12%	(27,165)	(16%)
Motor vehicle registration and licenses	87,255	8%	1,089	(1%)
Special fees and permits	5,958	1%	4	0%
Federal aid	460,780	40%	62,557	16%
Investments and interest income	1,919	0%	(7,772)	(80%)
Intergovernmental	27,924	2%	9,081	48%
Miscellaneous	31,659	3%	(7,628)	(19%)
<b>Total revenues</b>	<b>\$1,149,328</b>	<b>100%</b>	<b>\$26,428</b>	<b>2%</b>
Road construction and other road operations	647,005	50%	65,365	11%
Road maintenance	471,268	37%	71,047	18%
Support and administrative operations	98,422	8%	6,947	8%
Debt Service	64,750	5%	7	0%
<b>Total Expenditures</b>	<b>\$1,281,445</b>	<b>100%</b>	<b>\$143,366</b>	<b>13%</b>

Due to high motor fuel prices and the faltering economy, motor fuel consumption and revenues decreased in FY 2009 as motorists drove fewer miles and purchased vehicles that were more fuel-efficient. The reeling economy impacted Sales (Privilege) Tax revenues significantly as motorists delayed purchases or bought less expensive vehicles. Road maintenance expenditures rose primarily due to increased costs of materials, such as asphalt and salt. The increase in road construction expenditures for the year was modest and is reflective of the agency's ongoing efforts to remain fiscally constrained, while emphasizing the maintenance and preservation of the existing system. Unfortunately, the cost of construction materials remained abnormally high at

the height of the construction season and more than offset the increased level of expenditures. As a result, the agency's construction program was scaled back despite higher spending levels.

At June 30, 2009 the outstanding principal balance of long-term general obligation bonds was \$371,105,000. 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 2010-2012.

At June 30, 2009 the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was \$165,160,000. The notes were issued in 2006, 2007 and 2009 as a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. Under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal year.

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 66 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 6,700 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 3,830 bridges have been repaired or replaced at a cost of more than \$2.3 billion. Other accomplishments during the fiscal year ended June 30, 2009 include the resurfacing of approximately 430 miles of roadway at a cost of \$121 million.

During the fiscal year ended June 30, 2009, the Division continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately \$23.8 million in new replacement units. The Division is continuing to give priority to replacing equipment involved in its core maintenance functions.

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

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the past seventeen consecutive fiscal years (1992-2008). 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 nine State of West Virginia agencies to receive the Certificate for the year ended June 30, 2008.

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 FY2009 comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and the Division is submitting it to the GFOA for review under this program.

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

Sincerely

A handwritten signature in blue ink that reads "Paul A. Mattox, Jr." in a cursive script.

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, 2008

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



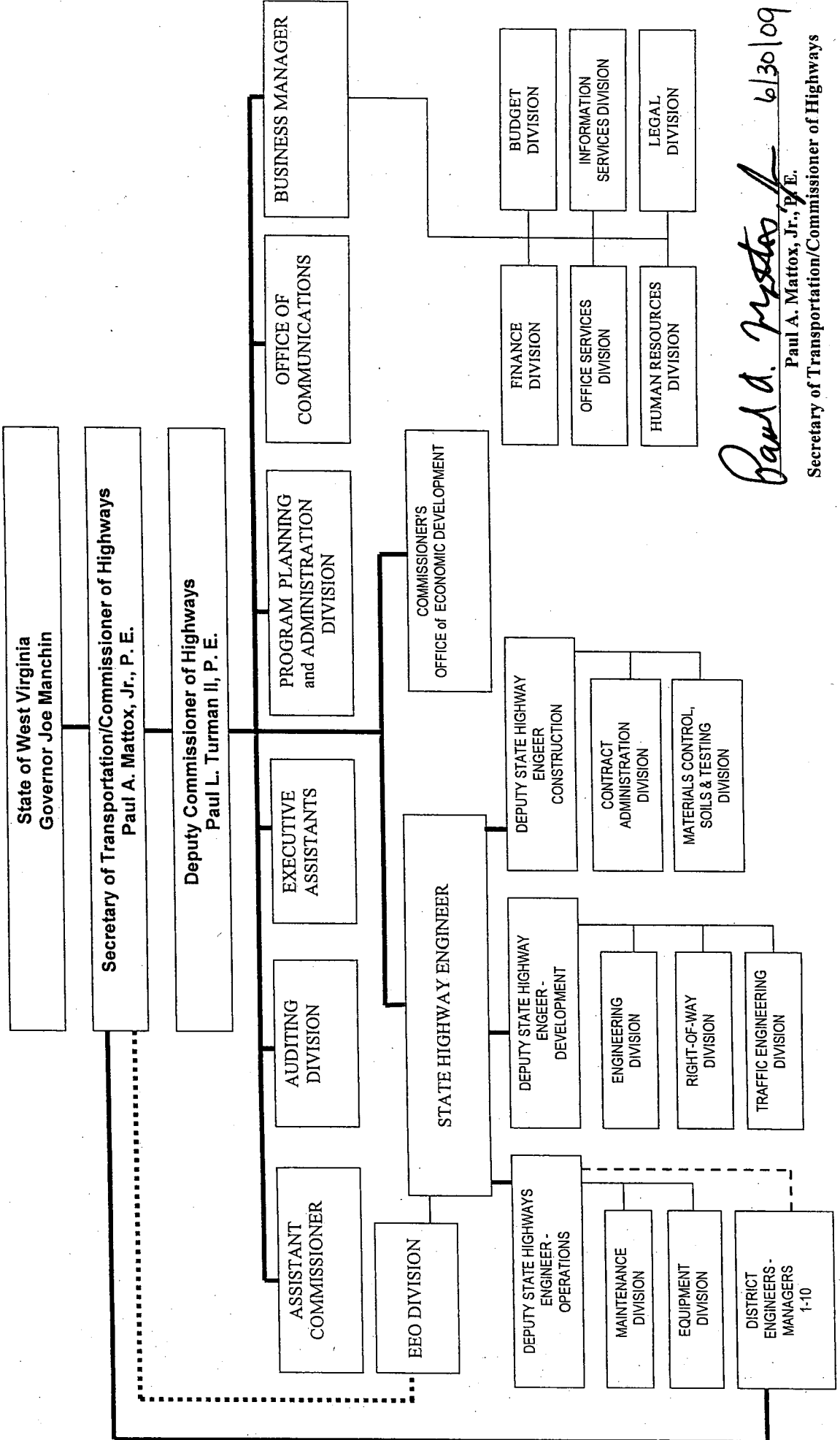
A handwritten signature in black ink, appearing to read "M. L. Post".

President

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

Executive Director

# WEST VIRGINIA DIVISION OF HIGHWAYS



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

6/30/09



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
 DIVISION OF HIGHWAYS  
 LIST OF PRINCIPAL OFFICIALS  
 June 30, 2009

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
Darrell Allen	Deputy State Highway Engineer-Development
Darrell Allen	Deputy State Highway Engineer-Construction
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 Opportunity Division
Robert Andrew	Director, Equipment Division
Fred Thomas	Director, Finance & Administration 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
Elaine Pannell	Acting Director, Office Services Division
Rob Pennington	Director, Program Planning & Administration Division
David Jack	Director, Right of Way Division
Cindy Cramer	Acting 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	John McBrayer/Acting	Charleston
District 2	Keith Chapman	Huntington
District 3	Rusty Roten	Parkersburg
District 4	Greg Phillips	Clarksburg
District 5	Lee Thorne	Burlington
District 6	Bob Whipp	Moundsville
District 7	Ron Hooton	Weston
District 8	Michael Moran	Elkins
District 9	Steven R. Cole	Lewisburg
District 10	Tom Camden/Acting	Princeton

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



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

---

**INDEPENDENT AUDITORS' REPORT**

To the Members of the  
Joint Committee of 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 (the Division), as of and for the year ended June 30, 2009, which collectively comprise the Division's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the Division 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. 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, 2009 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 financial position of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparison of the State Road (General) Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 13 through 22 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.

The introductory and statistical sections listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the West Virginia Department of Transportation, Division of Highways. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and accordingly, we express no opinion on it.

*Gibbons & Kawash*

December 4, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2009. 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 \$7.35 billion as of the close of fiscal year 2009.

*Changes in Net Assets* - During the year the Divisions' Net Assets increased \$160 million or 2.22%. This percentage of increase slowed from the prior year, when Net Assets increased \$290 million or 4.20%.

*Revenues and Expenses* - Total revenues increased by \$26 million or 2.35%. Total expenses increased \$113 million or 12.93%. 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 2009, the Division's governmental funds reported combined total fund equity of \$316 million, a decrease of \$51 million in comparison with the prior year. Of this total amount, \$276 million represents the "unreserved fund balances" with a majority of that in the general fund. This is approximately 21.53% 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 \$32 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, increased by \$70 million increasing debt by 7.25% 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.

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

**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, 2009 and 2008 (amounts in thousands).

**Net Assets as of June 30**

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Total current assets	\$ 388,892	\$ 451,304	-13.83%
Capital assets, net of accumulated depreciation	7,656,377	7,402,339	3.43%
Other non-current assets	<u>2,694</u>	<u>2,468</u>	9.16%
Total assets	8,047,963	7,856,111	2.44%
Total current liabilities	144,717	142,900	1.27%
Long term liabilities	<u>551,139</u>	<u>520,712</u>	5.84%
Total liabilities	695,856	663,612	4.86%
Invested in capital assets, net of related debt	7,144,763	6,886,996	3.74%
Restricted	18,119	17,892	1.27%
Unrestricted	<u>189,225</u>	<u>287,611</u>	-34.21%
Total net assets	<u>\$ 7,352,107</u>	<u>\$ 7,192,499</u>	2.22%

The largest component (97.18%) 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.



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

**Condensed Statement of Activities**

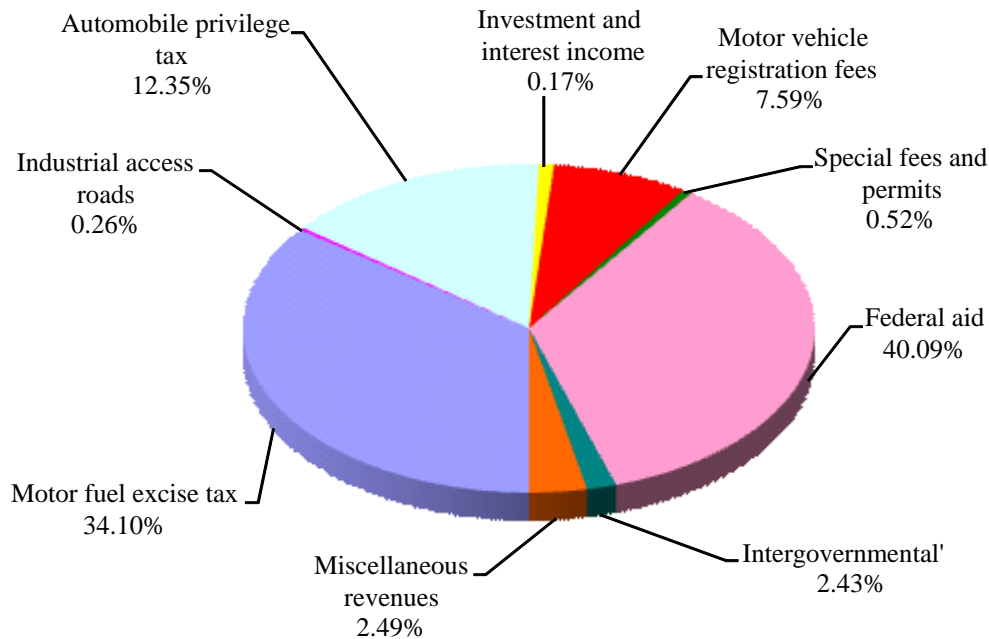
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net assets changed during the fiscal year (amounts in thousands):

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
<b>Revenues</b>			
Taxes	\$ 533,833	\$ 564,736	-5.47%
Investment and interest income	1,919	9,691	-80.20%
Intergovernmental	27,924	18,843	48.19%
Miscellaneous revenues	28,647	36,479	-21.47%
Total general revenues	<u>592,323</u>	<u>629,749</u>	-5.94%
Capital grants and contributions	463,790	401,029	15.65%
Charges for service	<u>93,213</u>	<u>92,120</u>	1.19%
Total program revenues	<u>557,003</u>	<u>493,149</u>	12.95%
Total revenues	<u>1,149,326</u>	<u>1,122,898</u>	2.35%
<b>Expenses</b>			
Road maintenance	464,083	410,646	13.01%
Other road operations	425,687	351,894	20.97%
General and administration	73,854	86,912	-15.02%
Interest on long-term debt	22,730	23,692	-4.06%
Unallocated depreciation	3,364	3,262	3.13%
Total expenses	<u>989,718</u>	<u>876,406</u>	12.93%
Change in net assets before cumulative effect	159,608	246,492	-35.25%
Cumulative effect of adoption of accounting principle	-	43,141	
Net assets, beginning	<u>7,192,499</u>	<u>6,902,866</u>	4.20%
Net assets, ending	<u>\$ 7,352,107</u>	<u>\$ 7,192,499</u>	2.22%

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 \$160 million or 2.22% percent.

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

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



Total revenues increased by approximately \$26 million. Total tax revenues decreased by approximately \$31 million. Federal aid revenue increased by approximately \$63 million or 15.71%. The following summarizes revenues for the years ended June 30, 2009 and June 30, 2008 (amounts in thousands):

	2009	2008	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise tax	\$ 391,903	\$ 395,641	\$ (3,738)	-0.94%
Industrial access roads	3,010	2,806	204	7.27%
Automobile privilege tax	141,930	169,095	(27,165)	-16.06%
Motor vehicle registration fees	87,255	86,166	1,089	1.26%
Special fees and permits	5,958	5,954	4	0.07%
Federal aid	460,780	398,223	62,557	15.71%
Investment and interest income	1,919	9,691	(7,772)	-80.20%
Intergovernmental	27,924	18,843	9,081	48.19%
Miscellaneous revenues	28,647	36,479	(7,832)	-21.47%
	<u>\$ 1,149,326</u>	<u>\$ 1,122,898</u>	<u>\$ 26,428</u>	2.35%

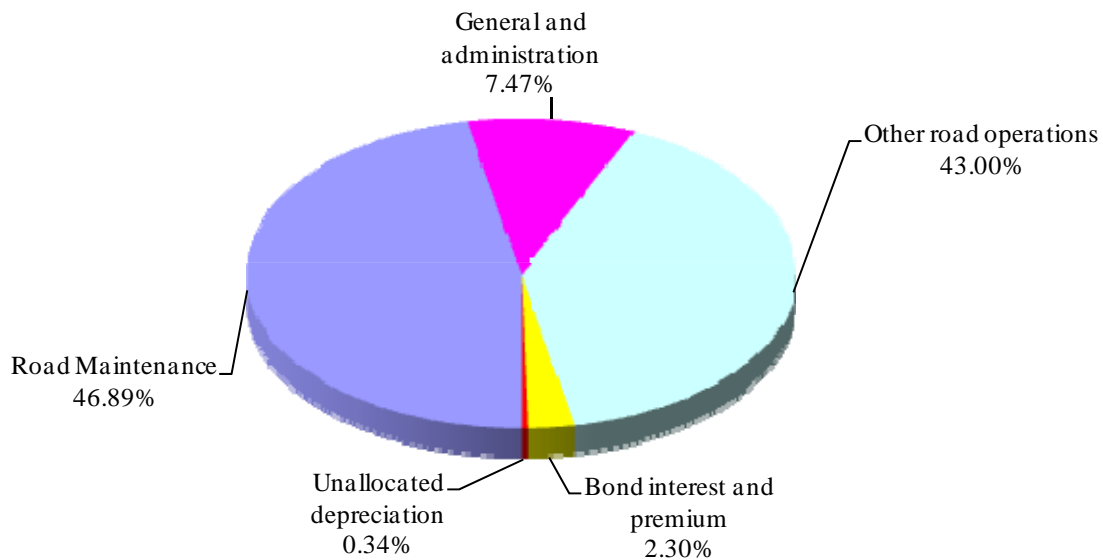
The Division's primary sources of revenue for funding of ongoing administration of the Division, general maintenance and construction of the State Road System and for providing resources to match available Federal funds are derived from fuel taxes, automobile privilege taxes, motor vehicle registration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

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

While tax collections, reported on a cash basis, grew for several fiscal years prior to FY 2009, they dropped precipitously in FY 2009. Privilege Tax collections were \$15.6 million (9.39%) below estimates and \$18.7 million (11.02%) below FY 2008 revenues. Although Motor Fuel Tax revenues exceeded estimates by \$4.5 million (1.19%), they were \$19.68 million (4.87%) below FY 2008 revenues. In FY 2010, Motor Fuel Tax revenues and Registration Fees are projected to be stagnant, and Privilege Tax collections are expected to continue to decline due to the recession. As the result, many programs that are operated by the Division will experience little, if any, real growth in the foreseeable future, and it is possible that some programs will be reduced.

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

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



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

Total expenses increased by approximately \$113 million or 12.93%. The following summarizes expenditures for the years ended June 30, 2009 and June 30, 2008 (amounts in thousands):

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Road maintenance	\$ 464,083	\$ 410,646	\$ 53,437	13.01%
Other road operations	425,687	351,894	73,793	20.97%
General and administration	73,854	86,912	(13,058)	-15.02%
Interest on long-term debt	22,730	23,692	(962)	-4.06%
Unallocated depreciation	3,364	3,262	102	3.13%
	<u>\$ 989,718</u>	<u>\$ 876,406</u>	<u>\$ 113,312</u>	12.93%

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 2009, the agency continued its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, and patching maintenance activities. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

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

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

At June 30, 2009, the Division reported fund balances of approximately \$316 million. Of this total amount, \$276 million, 87.37%, 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 2009 fiscal year, unreserved fund balance of the General Fund was \$219 million and reserved fund balance was \$40 million. The total General Fund balance decreased \$94 million during the year primarily due to decreases in Motor Fuel and Privilege Tax revenue and corresponding increases in fiscal year 2009 expenditures.

#### **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

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

year. The Division sold \$77 million in GARVEE notes during the fiscal year ended June 30, 2009. The current GARVEE note sales are for the construction of portions of the US 35 corridor. At June 30, 2009 the capital projects balance of approximately \$57 million represented unexpended note funds associated with the 2009A 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. Due to high motor fuel prices and the faltering economy, motor fuel consumption and revenues decreased in FY 2009 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 substantially lower than in FY 2008; in turn, FY 2008 collections were lower than in FY 2007. This downward trend is expected to continue in FY 2010 as motorists buy less expensive vehicles or keep their current vehicles longer. Tax and fee revenues collections decreased by approximately \$30 million in 2009; they increased \$28 million during the previous year. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Motor fuel excise and wholesale fuel	\$ 391,903	\$ 395,641	\$ (3,738)	-0.94%
Motor vehicle registration	87,255	86,166	1,089	1.26%
Privilege tax	<u>141,930</u>	<u>169,095</u>	<u>(27,165)</u>	-16.06%
	<u>\$ 621,088</u>	<u>\$ 650,902</u>	<u>\$ (29,814)</u>	-4.58%

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. As the result of passage of HB 218 by the West Virginia legislature, the variable rate remained unchanged in 2009.

The Division's federal revenue, on a cash (budgetary) basis for fiscal year 2009 was \$459.6 million, 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):

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

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	<u>% Increase (Decrease)</u>
Federal reimbursement - Budgeted funds	\$ 441,658	\$ 381,948	\$ 59,710	15.63%
Federal reimbursement - Surface Transportation	14,692	14,745	(53)	-0.36%
Federal reimbursement - Emergency funds	<u>4,430</u>	<u>1,530</u>	<u>2,900</u>	189.54%
 Total Federal Aid	 <u>\$ 460,780</u>	 <u>\$ 398,223</u>	 <u>\$ 62,557</u>	 15.71%

It is anticipated that state revenues will decrease slightly in FY 2010, primarily due to the continued decline in Privilege Tax collections. The Division's revenues are not projected to keep pace with increases in operating costs, and Management has taken steps to maintain a fiscally sound fund equity balance. The FY 2010 budget, exclusive of ARRA projects, which are 100% federally-reimbursed, reflects an approximate \$32 million reduction in expenditures and \$20 million decrease in fund balance. 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 next six-year federal highway 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, 2009, the Division had invested \$7.7 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled \$308 million.

The \$254 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 \$288 million in depreciation of the infrastructure. The Division expended \$702 million dollars during the year ended June 30, 2009 for additions to capital assets. Of this amount, \$663 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 \$813 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, widening of I-79 in Harrison County, upgrade of WV Route 9 in the Eastern Panhandle, upgrade of US Route 35 in Putnam County, upgrade of US Route 52 in Mercer County, Coalfields Expressway in Raleigh County, Fairmont Connector, Mon/Fayette Expressway, and continued environmental studies on various projects in process.



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

**Long-term Debt**

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. All bonds authorized under prior constitutional amendments have been issued. At June 30, 2009, the Division had \$371 million in outstanding bonds. The amount outstanding decreased by \$30 million (7.50%) due to net principal payments.

The Division has also been authorized to issue revenue notes in the amount of \$200 million by constitutional amendment. The Division issued revenue notes in the amount of \$76 million in October 2006, \$33 million in April 2007, and \$77 million during fiscal year 2009. These notes are revenue notes and the debt service payments will be funded through federal aid revenue. At June 30, 2009, the Division had \$165 million in outstanding revenue notes. The amount increased by \$66 million (67%) due to the issuance of revenue notes.

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

Issue	Status of insurance	Bond Rating	Amount (in thousands)
Safe Roads 98A - All Bonds maturing on or before June 1, 2023	Insured by FGIC	Fitch: AAA Moody's: Aaa S&P: AAA	\$ 36,025
Safe Roads 01A - Bonds maturing between June 1, 2007 to 2013	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	36,745
Safe Roads 05A - Bonds maturing on or before June 1, 2025.	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	298,335
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: AAA Moody's: Aaa S&P: AAA	61,600
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: AAA Moody's: Aaa S&P: AAA	26,725
Surface Transportation Improvements Special Obligation Notes (Garvee 2009A) - Notes Maturing on or before June 1, 2016	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	76,835
			<u>\$ 536,265</u>

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

**REQUESTS FOR INFORMATION**

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

BASIC FINANCIAL STATEMENTS

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
STATEMENT OF NET ASSETS  
JUNE 30, 2009**

(amounts expressed in thousands)

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 203,305
Restricted cash and cash equivalents	1
Accounts receivable, net	85,753
Taxes receivable	56,960
Due from other State of West Virginia agencies	2,992
Inventories	39,881
Total current assets	<u>388,892</u>
<b>Non-current assets</b>	
Capital assets not being depreciated	
Land - non-infrastructure	14,221
Land - infrastructure	898,613
Construction in progress	1,068,530
Capital assets net of accumulated depreciation	
Land improvements	5,548
Buildings	62,669
Furniture and fixtures	326
Rolling stock	65,747
Scientific equipment	754
Shop equipment	53
Roads	3,794,524
Bridges	1,745,392
Total capital assets	<u>7,656,377</u>
Other non-current assets	<u>2,694</u>
Total assets	<u>8,047,963</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	43,947
Retainages payable	5,980
Accrued payroll and related liabilities	19,512
Deferred Revenue	604
Due to other State of West Virginia agencies	3,081
Accrued interest payable	3,860
Current maturities of long term obligations	67,733
Total current liabilities	<u>144,717</u>
<b>Non-current liabilities</b>	
Claims and judgements	7,300
Compensated absences	17,241
Other Post Employment Benefits Liability	14,101
Long - term debt obligations	512,497
Total non-current liabilities	<u>551,139</u>
Total liabilities	<u>695,856</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	7,144,763
Unrestricted	189,225
Restricted	
Coal Resource	8,645
Waste Tire	2,186
Industrial Access	7,288
Total net assets	<u>\$ 7,352,107</u>

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

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Government activities				
Road maintenance				
Expressway, trunkline & feeder & SLS	\$ 306,686			\$ (306,686)
Contract paving & secondary roads	108,779			(108,779)
Small bridge repair & replacement	29,880			(29,880)
Litter control program	1,692			(1,692)
Depreciation	17,046			(17,046)
Other road operations				
Interstate highways	39,292		\$ 121,087	81,795
Appalachian highways	7,567		73,894	66,327
Other federal aid programs	87,618		265,799	178,181
Non federal aid improvements	465			(465)
Industrial access roads	2,776		3,010	234
Depreciation	287,969			(287,969)
General and administration				
Support and administrative operations	47,692	\$ 5,958		(41,734)
Claims	(4,196)			4,196
Costs associated with DMV	30,358	87,255		56,897
Interest on long-term debt	22,730			(22,730)
Unallocated depreciation	3,364			(3,364)
	\$ 989,718	\$ 93,213	\$ 463,790	(432,715)
General revenues				
Taxes:				
Gasoline and motor carrier				391,903
Automobile privilege				141,930
Investment and interest income				1,919
Intergovernmental				27,924
Miscellaneous revenues				28,647
Total general revenues				592,323
Change in net assets				159,608
Net assets, beginning				7,192,499
Net assets, ending				\$ 7,352,107

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

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
BALANCE SHEET - GOVERNMENTAL FUND  
JUNE 30, 2009**

(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Assets			
Cash and cash equivalents	\$ 144,533	\$ 58,773	\$ 203,306
Receivables	85,753	-	85,753
Taxes receivable	56,960	-	56,960
Due from other funds	5,582	-	5,582
Due from other State of West Virginia agencies	2,992	-	2,992
Inventories	39,881	-	39,881
Total assets	\$ 335,701	\$ 58,773	\$ 394,474
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 42,243	\$ 1,704	\$ 43,947
Retainages payable	5,980	-	5,980
Accrued payroll and related liabilities	19,512	-	19,512
Deferred Revenue	604	-	604
Due to other funds	5,455	127	5,582
Due to other State of West Virginia agencies	3,081	-	3,081
Total liabilities	76,875	1,831	78,706
Fund balances			
Reserved for inventories	39,881	-	39,881
Unreserved, undesignated	218,945	56,942	275,887
Total fund balances	258,826	56,942	315,768
Total liabilities and fund balances	\$ 335,701	\$ 58,773	\$ 394,474

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, 2009**

(amounts expressed in thousands)

Total fund balances - governmental funds	\$	315,768
--	----	---------

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

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

Capital assets not being depreciated		
Land - non-infrastructure	\$ 14,221	
Land - infrastructure	898,613	
Construction in progress	1,068,530	
Capital assets net of accumulated depreciation		
Land improvements	5,548	
Buildings	62,669	
Furniture and fixtures	326	
Rolling stock	65,747	
Scientific equipment	754	
Shop equipment	53	
Roads	3,794,524	
Bridges	1,745,392	7,656,377

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.		2,694
---	--	-------

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	(3,860)	
Claims and judgments	(7,809)	
Compensated absences	(43,479)	
General obligation bonds and revenue notes	<u>(567,584)</u>	<u>(622,732)</u>

Net assets of governmental activities	\$	<u><u>7,352,107</u></u>
---------------------------------------	----	-------------------------

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 - GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2009**

(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Taxes			
Gasoline and motor carrier	\$ 391,903	\$ -	\$ 391,903
Automobile privilege	141,930	-	141,930
Industrial access roads	3,010	-	3,010
License, fees and permits			
Motor vehicle registrations and licenses	87,255	-	87,255
Special fees and permits	5,958	-	5,958
Federal aid			
Interstate highways	121,087	-	121,087
Appalachian highways	73,894	-	73,894
Other federal aid programs	251,107	14,692	265,799
Investment and interest income, net of arbitrage rebate			
	1,716	203	1,919
Intergovernmental	27,924	-	27,924
Miscellaneous revenues	28,649	-	28,649
	<u>1,134,433</u>	<u>14,895</u>	<u>1,149,328</u>
<b>Expenditures</b>			
Current			
Road maintenance			
Expressway, trunkline and feeder, state and local services	312,984	-	312,984
Contract paving and secondary roads	108,779	-	108,779
Small bridge repair and replacement	47,813	-	47,813
Litter control program	1,692	-	1,692
Support and administrative operations	67,340	-	67,340
Division of Motor Vehicles operations	30,358	-	30,358
Claims	724	-	724
Capital outlay and other road operations			
Road construction and other road operations			
Interstate highways	144,799	-	144,799
Appalachian highways	104,017	-	104,017
Other federal aid programs	323,947	38,018	361,965
Nonfederal aid construction and road operations	33,448	-	33,448
Industrial access roads	2,776	-	2,776
Debt service			
Bond issue cost	5	-	5
Principal	30,085	10,550	40,635
Interest	19,910	4,200	24,110
	<u>1,228,677</u>	<u>52,768</u>	<u>1,281,445</u>
Excess (deficiency) of revenues over expenditures	(94,244)	(37,873)	(132,117)
Other financing sources (uses)			
Sale of bonds	-	80,964	80,964
Net change in fund balances	(94,244)	43,091	(51,153)
Fund balances, beginning of year	<u>353,070</u>	<u>13,851</u>	<u>366,921</u>
Fund balances, end of year	<u>\$ 258,826</u>	<u>\$ 56,942</u>	<u>\$ 315,768</u>

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, 2009**

(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (51,153)

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 \$ 563,081 exceeded depreciation of (\$ 308,379 ) in the current period. 254,702

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. (663)

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. (40,278)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the increase in compensated absences of \$ (273), increase in other postemployment benefits liability of \$ (9,030) amortization of bond issue cost of \$ (368) and increase in interest payable of \$ (730), exceed the decrease in claims \$ 4,920 and the accretion of bond premium of \$ 2,481. (3,000)

Change in net assets of governmental activities \$ 159,608

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, 2009**

	(amounts expressed in thousands)					Variance with
	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Final Budget - Positive (Negative)	
<b>Revenues</b>						
<b>Taxes</b>						
Gasoline and motor carrier	\$ 380,000	-	\$ 380,000	\$ 384,539	\$ 4,539	
Automobile privilege	166,413	-	166,413	150,794	(15,619)	
Motor vehicle registrations and licenses	90,003	-	90,003	89,428	(575)	
Revenue Transfer to Industrial Access Roads	(3,000)	-	(3,000)	(3,010)	(10)	
Federal aid	460,000	79,562	539,562	459,591	(79,971)	
Miscellaneous revenues	32,869	14,927	47,796	45,262	(2,534)	
	<u>1,126,285</u>	<u>94,489</u>	<u>1,220,774</u>	<u>1,126,604</u>	<u>(94,170)</u>	
<b>Expenditures</b>						
<b>Road construction and other road operations</b>						
Interstate highways	80,000	65,000	145,000	142,390	2,610	
Appalachian highways	160,000	(45,922)	114,078	103,609	10,469	
Other federal aid programs	325,700	14,000	339,700	308,382	31,318	
Nonfederal aid construction	30,000	15,000	45,000	30,852	14,148	
Federal economic stimulus	-	40,000	40,000	9,466	30,534	
<b>Road maintenance</b>						
Maintenance	296,608	30,161	326,769	324,485	2,284	
Contract paving and secondary roads	100,000	13,000	113,000	105,934	7,066	
Small bridge repair and replacement	50,000	-	50,000	45,331	4,669	
Litter control program	1,699	-	1,699	1,699	-	
<b>Support and administrative operations</b>						
General operations	45,371	1,000	46,371	36,915	9,456	
Equipment revolving	15,000	5,000	20,000	17,462	2,538	
Inventory revolving	2,000	2,000	4,000	98	3,902	
Debt service	50,000	-	50,000	49,846	154	
Division of Motor Vehicles operations	34,846	-	34,846	30,332	4,514	
Claims - DOH and DMV	714	-	714	713	1	
	<u>1,191,938</u>	<u>139,239</u>	<u>1,331,177</u>	<u>1,207,514</u>	<u>123,663</u>	
<b>Excess (deficiency) of revenues over expenditures</b>	(65,653)	(44,750)	(110,403)	(80,910)	29,493	
<b>Fund balance, beginning of year</b>	<u>165,781</u>	<u>43,041</u>	<u>208,822</u>	<u>208,822</u>	<u>-</u>	
<b>Fund balance, end of year</b>	<u>\$ 100,128</u>	<u>\$ (1,709)</u>	<u>\$ 98,419</u>	<u>\$ 127,912</u>	<u>\$ 29,493</u>	

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the financial reporting entity of the West Virginia Department of Transportation and the State of West Virginia, that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2009 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. The government-wide statement of net assets reports \$18,119 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, 2009, has been reported only in the government-wide financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

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. Any employee who retires, however, may convert any unused accumulated sick leave to increase service credits for retirement purposes. Additionally, certain employees may choose to apply any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium in lieu of increasing their service credits. Those employees cannot split their unused leave between the two options. 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, 2009 are a result of these routine payments and transfers.

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (amounts expressed in thousands)

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, 2009, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$	(80,910)
Basis of accounting differences (budgetary to GAAP)		(42,718)
Unbudgeted funds		1,460
 Deficiency of revenues over expenditures - GAAP basis	 \$	 (122,168)

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

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

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 motor fuel excise taxes and automobile privilege taxes, which are collected within forty-five days after year end. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

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. 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 - 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. 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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**NEWLY ADOPTED STATEMENTS ISSUED BY THE GASB —**

During 2009, the Division adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The adoption of this statement had no impact on the financial statements at June 30, 2009.

During 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective immediately. This statement identifies the sources of accounting principles and provides the framework for selecting the principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with generally accepted accounting principles. The Division adopted GASB Statement No. 55 upon issuance.

During 2009, the GASB also issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, effective immediately. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. The Division adopted GASB Statement No. 56 upon issuance.

**RECENT STATEMENTS ISSUED BY THE GASB –**

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.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (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	\$ 19,590	\$ 19,590
Cash on deposit with State Treasurer in Debt Service Fund	12	\$ 12
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool	118,959	118,959
Cash on deposit with State Treasurer invested in BTI WV Short Term Bond Pool	5,930	5,930
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool - (Garvee 2006A)	1,208	1,208
Cash on deposit with State Treasurer invested in BTI WV Government Money Market Pool - (Garvee 2009A)	57,557	57,557
Cash on deposit with Huntington Bank (Restricted)	1	1
Cash in transit	49	49
	<u>\$ 203,306</u>	<u>\$ 203,306</u>

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

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. Of the BTI’s Consolidated Fund pools and accounts which the Division may invest in, three are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, and WV Short Term Bond Pool.

**WV Money Market Pool**

*Credit risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2009, the WV Money Market Pool has been rated AAAM by Standard & Poor’s. A fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

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.

At June 30, 2009, the WV Money Market Pool investments had a total carrying value of \$2,570,261, of which the Division's ownership represents 4.68%.

**WV Government Money Market Pool**

*Credit risk* - For the year ended June 30, 2009, the WV Government Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2009, the WV Government Money Market Pool investments had a total carrying value of \$283,826, of which the Division's ownership represents 20.28%.

**WV Short Term Bond Pool**

*Credit risk* - 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):

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating *		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate asset backed securities	Aaa	AAA	\$ 16,402	5.21%
	Aaa	NR	5,136	1.63
	Aa3	AAA	223	0.07
	Aa2	AAA	461	0.15
	A3	AAA	273	0.09
	Baa2	AAA	831	0.26
	Baa1	BBB**	332	0.10
	Baa2	BBB**	1,376	0.44
	Ba3	AAA	645	0.20
	B1	AAA	779	0.25
	B2	B**	493	0.16
	B2	CCC**	539	0.17
	B3	AAA	949	0.30
	Caa1	BB**	254	0.08
	NR	AAA	679	0.22
Total corporate asset backed securities			29,372	9.33
Corporate bonds and notes	Aaa	AAA	47,204	14.99
	Aa1	AA	4,445	1.41
	Aa1	A	2,052	0.65
	Aa2	AAA	3,040	0.96
	Aa2	AA	9,066	2.88
	Aa3	A	7,831	2.49
	A1	AA	4,813	1.53
	A1	A	5,522	1.75
	A2	A	32,040	10.17
	A3	A	7,024	2.23
	Baa3	A	2,067	0.66
Total corporate bonds and notes			125,104	39.72
U.S. agency bonds	Aaa	AAA	60,250	19.13
U.S. Treasury notes****	Aaa	AAA	88,805	28.20
U.S. agency mortgage backed securities *****	Aaa	AAA	4,975	1.58
Money Market Funds	Aaa	AAA	6,426	2.04
			\$ 314,932	100.00%

\* NR = Not Rated

\*\* The securities were not in compliance with BTI Investment Policy at June 30, 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisers have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

\*\*\* 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.

At June 30, 2009, the Division's ownership represents 1.88% 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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. 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	\$ 212,010	1
U.S. Treasury Bills	483,714	69
Commercial paper	592,479	32
Certificates of deposit	128,402	56
U.S. agency discount notes	635,602	57
Corporate bonds and notes	73,812	38
U.S. agency bonds/notes	294,019	70
Money market fund	<u>150,223</u>	1
	<u>\$ 2,570,261</u>	47

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

Security Type	Carrying Value	WAM DAYS
Repurchase agreements	\$ 53,000	1
U.S. Treasury Bills	74,424	94
U.S. agency discount notes	87,662	55
U.S. agency bonds/notes	68,608	37
Money market fund	<u>132</u>	1
	<u>\$ 283,826</u>	51

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The overall effective duration (overall weighted average maturity in 2008) of the investments of the 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 effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2009:

Security Type	Carrying Value	WAM DAYS
U.S. Treasury bonds/notes	\$ 88,805	917
Corporate notes	125,104	559
Corporate asset backed securities	29,372	622
U.S. agency bonds/notes	60,250	752
U.S. agency mortgage backed securities	4,975	540
Money market funds	<u>6,426</u>	1
	<u>\$ 314,932</u>	691

**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 lending 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, 2009, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. Of the collateral held, approximately \$360,184 was received as cash. The collateral received as cash is invested in a collateral pool. For securities loaned at June 30, 2009, 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. The BTI is exposed to cash reinvestment risk, which is the risk that the cash reinvestment assets would not be sufficient to cover the liabilities due the borrowing brokers.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Maturities of investments made with cash collateral are not matched to maturities of securities loaned.

	Fair Value of	
	Securities on Loan	Collateral Held
WV Money Market Pool	\$ 242,131	\$ 247,000
WV Short Term Bond Pool	110,915	113,184
	\$ 353,046	\$ 360,184

**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.

**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, 2009 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	\$1	100%

**Concentration of Credit Risk**

The Division note trust indenture places no limit on the amount the Division 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, 2009, \$1 of the Division's investments was invested in the Huntington Treasury Money Market IV and VII.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

**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.

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

**Foreign Currency Risk**

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

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 consisted of the following:

Federal aid billed and not paid	\$ 21,260
Federal aid earned but not billed	51,299
Total federal aid receivable	<u>72,559</u>
Other receivables	13,686
Combined total receivables	86,245
Less: allowance for uncollectibles	<u>(492)</u>
Net accounts receivable	<u><u>\$ 85,753</u></u>

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

NOTE 4: TAXES RECEIVABLE

Taxes receivable at June 30, 2009 consisted of the following:

Automobile privilege taxes	\$ 18,618
Motor fuel excise taxes	36,053
Registration fees	<u>2,289</u>
Total taxes receivable	<u><u>\$ 56,960</u></u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (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, 2009 consisted of the following:

The Department of Motor Vehicles	\$ 2,193
Other agencies	<u>799</u>
Total amounts due from other State of West Virginia agencies	<u>\$ 2,992</u>

Amounts due to other State of West Virginia agencies at June 30, 2009 consisted of the following:

Public Employees Insurance Agency	\$ 1,717
Public Employee's Retirement	1,307
Other agencies	<u>57</u>
Total amounts due to other State of West Virginia agencies	<u>\$ 3,081</u>

NOTE 6: INVENTORIES

Inventories at June 30, 2009 consisted of the following:

Materials and supplies	\$ 29,561
Equipment repair parts	7,746
Gas and lubrication supplies	<u>2,574</u>
Total inventories	<u>\$ 39,881</u>



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated:				
Land - non infrastructure	\$ 15,858	\$ -	\$ 1,637	\$ 14,221
Land - infrastructure	876,642	21,971	-	898,613
Construction-in-progress - buildings	5,493	10,864	2,026	14,331
Construction-in-progress - land improvements	562	1,529	973	1,118
Construction-in-progress - roads	903,930	424,134	562,473	765,591
Construction-in-progress - bridges	456,331	216,493	385,334	287,490
	<u>2,258,816</u>	<u>674,991</u>	<u>952,443</u>	<u>1,981,364</u>
Total capital assets not being depreciated				
Capital assets being depreciated:				
Buildings	101,118	1,300	19	102,399
Furniture and fixtures	3,983	54	176	3,861
Land improvements - non infrastructure	7,709	858	-	8,567
Rolling stock	208,829	24,529	15,758	217,600
Shop equipment	3,040	-	-	3,040
Scientific equipment	2,391	368	20	2,739
Infrastructure - roads	7,111,505	427,881	-	7,539,386
Infrastructure - bridges	1,765,043	385,542	-	2,150,585
	<u>9,203,618</u>	<u>840,532</u>	<u>15,973</u>	<u>10,028,177</u>
Total capital assets being depreciated				
Less accumulated depreciation:				
Buildings	36,924	2,825	19	39,730
Furniture and fixtures	3,557	154	176	3,535
Land improvements - non infrastructure	2,634	385	-	3,019
Rolling stock	150,075	16,873	15,095	151,853
Shop equipment	2,979	8	-	2,987
Scientific equipment	1,840	165	20	1,985
Infrastructure - roads	3,500,081	244,781	-	3,744,862
Infrastructure - bridges	362,005	43,188	-	405,193
	<u>4,060,095</u>	<u>308,379</u>	<u>15,310</u>	<u>4,353,164</u>
Total accumulated depreciation				
Total capital assets being depreciated, net	<u>5,143,523</u>	<u>532,153</u>	<u>663</u>	<u>5,675,013</u>
Governmental activities capital assets, net	<u>\$ 7,402,339</u>	<u>\$ 1,207,144</u>	<u>\$ 953,106</u>	<u>\$ 7,656,377</u>

Current year depreciation totaling \$305,015 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$3,364 unallocated depreciation expense is included as a separate line item in the statement of activities. Infrastructure depreciation is primarily related to construction type activities; depreciation of shop and rolling stock assets is primarily related to maintenance type activities; and depreciation of buildings and improvements and furniture and fixtures support all of the various activities of the Division.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS (Continued)

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Buildings and improvements	\$ 2,825
Furniture and fixtures	154
Land improvements	385
Total unallocated	<u>3,364</u>
Rolling stock	16,873
Shop equipment	8
Scientific equipment	165
Total road maintenance	<u>17,046</u>
Infrastructure - roads	244,781
Infrastructure - bridges	43,188
Total other road operations	<u>287,969</u>
Total depreciation expense	<u>\$ 308,379</u>

NOTE 8: RETAINAGES PAYABLE

Retainages payable includes funds withheld from payments to consulting firms and construction contractors. Retainage payments are made to the consultants and contractors when work is satisfactorily completed. The Division has entered into an arrangement with the BTI whereby amounts retained from payments to construction contractors may, at the option of the contractor, be deposited in an interest bearing account in the contractor's name. The funds on deposit in these accounts are not reported as assets of the Division. At June 30, 2009, retainages payable included \$315 that was on deposit at BTI for construction contractors.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

**NOTE 9: LONG-TERM OBLIGATIONS**

Long-term obligations at June 30, 2009, 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	\$ 36,025	\$ -	\$ -	\$ 36,025
Safe road bonds	1999	4.30% - 5.75%	06/01/2017	2,290	-	2,290	-
Safe road bonds	2001	3.50% - 5.50%	06/01/2013	47,360	-	10,615	36,745
Safe road bonds	2005	3.00% - 5.00%	06/01/2025	315,515	-	17,180	298,335
Total general obligation bonds				401,190	-	30,085	371,105
Bond premium				26,073	-	1,889	24,184
Total general obligation bonds payable net of premium				427,263	-	31,974	395,289
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Carvee 2006A)	2006	3.75% - 5.00%	06/01/2016	68,945	-	7,345	61,600
Surface transportation improvements special notes (Carvee 2007A)	2007	4.00% - 5.00%	06/01/2016	29,930	-	3,205	26,725
Surface transportation improvements special notes (Carvee 2009A)	2009	3.75% - 5.00%	06/01/2016	-	76,835	-	76,835
Total revenue notes payable				98,875	76,835	10,550	165,160
Bond premium				3,056	4,671	592	7,135
Total general obligation notes payable net of premium				101,931	81,506	11,142	172,295
Claims and judgments				12,729	-	4,920	7,809
Compensated absences				29,105	539	266	29,378
Other postemployment benefits				5,071	9,030	-	14,101
Total long-term obligations				\$ 576,099	\$ 91,075	\$ 48,302	\$ 618,872

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service expenditures for debt service funds included interest of \$24,110 for the year ended June 30, 2009. 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:

	2010	2011	2012	2013	2014	2015- 2019	2020- 2024	2025	Total
General obligation bonds payable from tax revenue:									
Safe road bonds	\$ 49,995	\$ 49,993	\$ 49,995	\$ 38,618	\$ 36,973	\$ 144,513	\$ 117,574	\$ 23,515	\$ 511,176
Less: interest	18,405	16,828	15,130	13,388	12,133	42,793	20,274	1,120	140,071
Total principal	31,590	33,165	34,865	25,230	24,840	101,720	97,300	22,395	371,105
Bond premium	1,633	1,586	1,546	1,494	1,494	7,469	7,469	1,493	24,184
Total principal and bond premium	33,223	34,751	36,411	26,724	26,334	109,189	104,769	23,888	395,289
Revenue notes payable from federal aid revenue:									
Surface transportation special obligation notes	27,588	27,575	27,588	27,547	27,519	55,002	-	-	192,819
Less: interest	6,743	6,055	5,163	4,177	3,044	2,477	-	-	27,659
Total principal	20,845	21,520	22,425	23,370	24,475	52,525	-	-	165,160
Bond premium	1,019	1,019	1,019	1,019	1,019	2,040	-	-	7,135
Total principal and note premium	\$ 21,864	\$ 22,539	\$ 23,444	\$ 24,389	\$ 25,494	\$ 54,565	\$ -	\$ -	\$ 172,295

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

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	\$ 12,137	\$ -	\$ 509	\$ 55,087	\$ 67,733
Long-term liability	<u>17,241</u>	<u>14,101</u>	<u>7,300</u>	<u>512,497</u>	<u>551,139</u>
	<u>\$ 29,378</u>	<u>\$ 14,101</u>	<u>\$ 7,809</u>	<u>\$ 567,584</u>	<u>\$ 618,872</u>

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2009  
 (amounts expressed in thousands)

NOTE 9: LONG-TERM OBLIGATIONS (Continued)

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

	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2007</u>
Estimated claims liability, July 1	\$ 12,729	\$ 6,050	\$ 9,194
Additions for claims incurred during the year	509	714	630
Changes in estimates for claims of prior periods	(4,715)	6,595	(3,630)
Payments on claims	<u>(714)</u>	<u>(630)</u>	<u>(144)</u>
Estimated claims liability, June 30	<u>\$ 7,809</u>	<u>\$ 12,729</u>	<u>\$ 6,050</u>

At June 30, 2009, approximately \$5,345 of tort claims and \$6,040 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 \$7,809 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 \$509. 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 57<sup>th</sup> Street, Charleston, WV 25304 or by calling 1-888-680-7342.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

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, 2009 and 2008, the noncurrent liability related to OPEB cost was \$14,101 and \$5,071. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$19,296 and \$10,267, respectively, during 2009 and \$22,605 and \$11,622, respectively, during 2008. As of the year ended June 30, 2009, 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 June 30, 2010 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, 2009 the Division incurred payroll related expenditures of approximately \$31,123 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$18,154 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, 2009 the Division paid approximately \$10,140 to BrickStreet Insurance Company for coverage.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

NOTE 11: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$576,253 at June 30, 2009.

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

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

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2009, there were approximately 402 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. Effective July 1, 2009 the Division's contribution was increased to 11%. The Division's contributions to PERS for the years ended June 30, 2009, 2008, and 2007 were \$18,154, \$16,912, and \$16,653, respectively, equal to the required contributions for each year.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009  
(amounts expressed in thousands)

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.



S  
T  
A  
T  
I  
S  
T  
I  
C  
A  
L



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.

Net Assets by Component	57
Changes in Net Assets	58
Changes in Fund Balance of Governmental Fund	59
Fund Balance, Governmental Fund	60

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

Tax and License Fee Revenue by Source	61
Fuel and Privilege Tax Rates	62

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

Ratios of Outstanding Debt by Type	63
------------------------------------	----

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

Demographic Statistics of West Virginia	64
Principal Employers	65

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

Employees by Program	66
Highway Construction and Improvement, Total Projects Authorized	67
Highway Construction and Improvement, Total Projects Authorized by Type	68
Roadway Projects – System Expansion Only	69
Roadway Resurfacing Projects	70
Total Highway Mileage by Category	71

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION,  
DIVISION OF HIGHWAYS

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

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities								
Invested in capital assets, net of related debt	\$ 5,198,392	\$ 5,756,415	\$ 5,980,261	\$ 6,193,029	\$ 6,475,338	\$ 6,592,210	\$ 6,886,996	\$ 7,144,763
Restricted				10,843	8,512	13,975	17,892	18,119
Unrestricted	85,275	83,768	111,234	123,684	138,096	296,681	287,611	189,225
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	\$ 7,352,107

**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 Eight Fiscal Years**  
(amounts expressed in thousands)

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Revenues</b>								
Governmental activities:								
General Revenues								
Motor fuel excise tax	\$ 300,964	\$ 296,842	\$ 303,934	\$ 320,891	\$ 330,538	\$ 364,550	\$ 395,641	\$ 391,930
Automobile privilege tax	180,472	169,431	173,225	178,763	170,484	171,429	169,095	141,930
Investment and interest income	8,148	3,655	1,542	1,906	4,701	9,652	9,691	1,919
Payments from primary government							18,843	27,924
Miscellaneous revenues	15,062	18,793	15,165	25,589	53,255	37,459	36,479	28,647
<b>Total General Revenues</b>	<b>504,646</b>	<b>488,721</b>	<b>493,866</b>	<b>527,149</b>	<b>558,978</b>	<b>583,090</b>	<b>629,749</b>	<b>592,323</b>
Program Revenues								
Capital grants and contributions:								
Federal aid	433,156	407,664	424,647	440,579	429,583	392,533	398,223.00	460,780
Industrial access roads	3,914	1,891	3,465	2,351	3,016	3,126	2,806.00	3,010
Charges for services:								
Motor vehicle registration fees	87,380	85,880	81,577	86,466	87,534	86,840	86,166.00	87,255
Special fees and permits	4,173	3,965	4,461	4,554	4,290	5,263	5,954.00	5,958
<b>Total Program Revenues</b>	<b>528,623</b>	<b>499,400</b>	<b>514,150</b>	<b>533,950</b>	<b>524,423</b>	<b>487,762</b>	<b>493,149</b>	<b>557,003</b>
<b>Total governmental revenues</b>	<b>1,033,269</b>	<b>988,121</b>	<b>1,008,016</b>	<b>1,061,099</b>	<b>1,083,401</b>	<b>1,070,852</b>	<b>1,122,898</b>	<b>1,149,326</b>
<b>Expenses</b>								
Governmental activities:								
Road maintenance								
Expressway, trunkline & feeder & SLS	228,449	237,026	240,584	247,711	236,326	262,684	282,337	306,686
Contract paving & secondary roads	41,536	43,417	36,451	46,090	48,345	42,785	92,331	108,779
Small bridge repair & replacement	25,259	21,580	12,022	12,559	14,135	14,002	17,402	29,880
Litter control program	1,595	1,492	1,637	1,688	1,744	1,663	1,684	1,692
Depreciation	747	12,406	11,631	14,351	15,925	17,416	16,892	17,046
Other road operations								
Interstate highways	54,614	3,152	6,256	16,662	4,479	11,514	11,735	39,292
Appalachian highways	126,317	0	2,548	462	4,434	3,994	3,276	7,567
Other federal aid programs	199,802	83,240	107,142	116,383	92,941	82,182	61,495	87,618
Non federal aid improvements	41,966	12,688	12,096	6,356	10,257	9,407	2,692	465
Industrial Access Roads	2,224	523	1,967	1,822	5,475	1,407	2,891	2,776
Depreciation	224,441	229,928	234,636	241,146	249,288	257,292	269,805	287,969
General and administration								
Support and administrative operations	53,183	40,964	21,302	66,966	43,609	27,108	50,720	47,692
Claims	610	2,461	2,716	(2,504)	3,394	(3,000)	7,308	(4,196)
Costs associated with DMV	32,029	34,194	35,145	34,544	34,346	35,250	28,884	30,358
Interest on long-term debt	28,168	27,434	26,525	18,112	21,283	22,977	23,692	22,730
Unallocated depreciation	14,022	2,096	4,046	2,690	3,030	3,251	3,262	3,364
<b>Total governmental expenses</b>	<b>1,074,962</b>	<b>752,601</b>	<b>756,704</b>	<b>825,038</b>	<b>789,011</b>	<b>789,932</b>	<b>876,406</b>	<b>989,718</b>
<b>Change in net assets</b>	<b>(41,693)</b>	<b>235,520</b>	<b>251,312</b>	<b>236,061</b>	<b>294,390</b>	<b>280,920</b>	<b>246,492</b>	<b>159,608</b>
<b>Effect of adoption of accounting principle</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,141</b>	<b>-</b>
<b>Net assets, beginning</b>	<b>5,325,360</b>	<b>5,604,663</b>	<b>5,840,183</b>	<b>6,091,495</b>	<b>6,327,556</b>	<b>6,621,946</b>	<b>6,902,866</b>	<b>7,192,499</b>
<b>Net assets, ending</b>	<b>\$ 5,283,667</b>	<b>\$ 5,840,183</b>	<b>\$ 6,091,495</b>	<b>\$ 6,327,556</b>	<b>\$ 6,621,946</b>	<b>\$ 6,902,866</b>	<b>\$ 7,192,499</b>	<b>\$ 7,352,107</b>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
LAST EIGHT FISCAL YEARS  
(modified accrual basis of accounting)  
(amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>								
Taxes								
Gasoline and motor carrier	\$ 300,964	\$ 296,842	\$ 303,934	\$ 320,891	\$ 330,538	\$ 364,550	\$ 395,641	\$ 391,903
Automobile privilege	180,472	169,431	173,225	178,763	170,484	171,429	169,095	141,930
Industrial access roads	3,914	1,891	3,465	2,351	3,016	3,126	2,806	3,010
License, fees and permits								
Motor vehicle registrations and licenses	87,380	85,880	81,577	86,466	87,534	86,840	86,166	87,255
Special fees and permits	4,173	3,965	4,461	4,554	4,290	5,263	5,954	5,958
Federal aid								
Interstate highways	55,825	44,372	51,239	64,114	53,359	56,801	80,203	121,087
Appalachian highways	161,088	168,789	126,286	101,247	104,228	93,552	80,111	73,894
Other federal aid programs	216,243	194,503	247,122	275,218	271,996	242,180	237,909	265,799
Investment and interest income, net of arbitrage rebate	8,148	3,655	1,542	1,906	4,701	9,652	9,692	1,919
Miscellaneous revenues	15,062	18,846	15,165	25,589	53,255	37,459	36,479	28,649
<b>Total Revenues</b>	<b>1,033,269</b>	<b>988,174</b>	<b>1,008,016</b>	<b>1,061,099</b>	<b>1,083,401</b>	<b>1,070,852</b>	<b>1,104,056</b>	<b>1,121,404</b>
<b>Expenditures</b>								
Current								
Road maintenance								
Expressway, trunkline and feeder, sls	228,456	238,591	246,648	247,456	238,425	258,720	283,726	312,984
Contract paving and secondary roads	41,536	43,417	36,451	46,090	48,345	42,785	92,331	108,779
Small bridge repair and replacement	25,603	28,749	19,492	18,699	22,099	17,100	22,480	47,813
Litter control program	1,595	1,492	1,637	1,688	1,744	1,663	1,684	1,692
Support and administrative operations	70,927	57,655	51,038	56,242	75,050	55,911	61,962	67,340
Division of Motor Vehicles operations	32,029	34,194	35,145	34,544	34,346	34,754	28,884	30,358
Claims	15	595	561	416	397	144	629	724
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	144,799
Appalachian highways	198,175	194,507	154,471	125,231	156,141	132,747	110,006	104,017
Other federal aid programs	295,131	262,481	318,032	350,464	354,562	348,650	358,353	361,965
Nonfederal aid construction and road op.	87,140	65,658	41,810	31,725	20,825	20,365	14,791	33,448
Industrial access roads	2,224	523	1,967	1,822	5,475	1,407	2,891	2,776
Debt service								
Bond Issue Costs	-	-	-	-	-	-	-	5
Principal	21,485	22,040	23,070	28,060	19,920	18,150	38,940	40,635
Interest	29,305	27,979	26,952	18,941	23,098	23,442	25,803	24,110
<b>Total Expenditures</b>	<b>1,101,613</b>	<b>1,032,614</b>	<b>1,017,266</b>	<b>1,036,408</b>	<b>1,069,833</b>	<b>1,026,764</b>	<b>1,138,079</b>	<b>1,281,445</b>
Excess (deficiency) of revenues over expenditures	(68,344)	(44,440)	(9,250)	24,691	13,568	44,088	(34,023)	(160,041)
Other financing sources (uses)								
Proceeds from issuance of debt	114,172	-	-	-	-	112,097	-	80,964
Transfers in	35,991	-	-	15	-	-	12,931	-
Transfers out	(35,991)	-	-	(15)	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	27,924
Refunding bonds issued	-	-	-	321,405	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(321,405)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>114,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,097</b>	<b>12,931</b>	<b>108,888</b>
<b>Net change in fund balance</b>	<b>\$ 45,828</b>	<b>\$ (44,440)</b>	<b>\$ (9,250)</b>	<b>\$ 24,691</b>	<b>\$ 13,568</b>	<b>\$ 156,185</b>	<b>\$ (21,092)</b>	<b>\$ (51,153)</b>
Debt Service as a percentage of noncapital expenditures	6%	10%	9%	8%	8%	8%	11%	9%

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

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

	Fiscal Year							
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund								
Reserved for inventories	\$ 30,273	\$ 27,461	\$ 29,462	\$ 31,459	\$ 34,592	\$ 33,259	\$ 33,040	\$ 39,881
Unreserved	133,303	143,928	164,092	186,801	197,236	272,736	320,030	218,945
Total General Fund	<u>\$ 163,576</u>	<u>\$ 171,389</u>	<u>\$ 193,554</u>	<u>\$ 218,260</u>	<u>\$ 231,828</u>	<u>\$ 305,995</u>	<u>\$ 353,070</u>	<u>\$ 258,826</u>
All Other Governmental Funds								
Reserved, capital projects fund	\$ 83,683	\$ 31,430	\$ 15	\$ 0	\$ 0	\$ 82,018	\$ 13,851	\$ 56,942
Total all funds	<u>\$ 247,259</u>	<u>\$ 202,819</u>	<u>\$ 193,569</u>	<u>\$ 218,260</u>	<u>\$ 231,828</u>	<u>\$ 388,013</u>	<u>\$ 366,921</u>	<u>\$ 315,768</u>

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



DIVISION OF HIGHWAYS

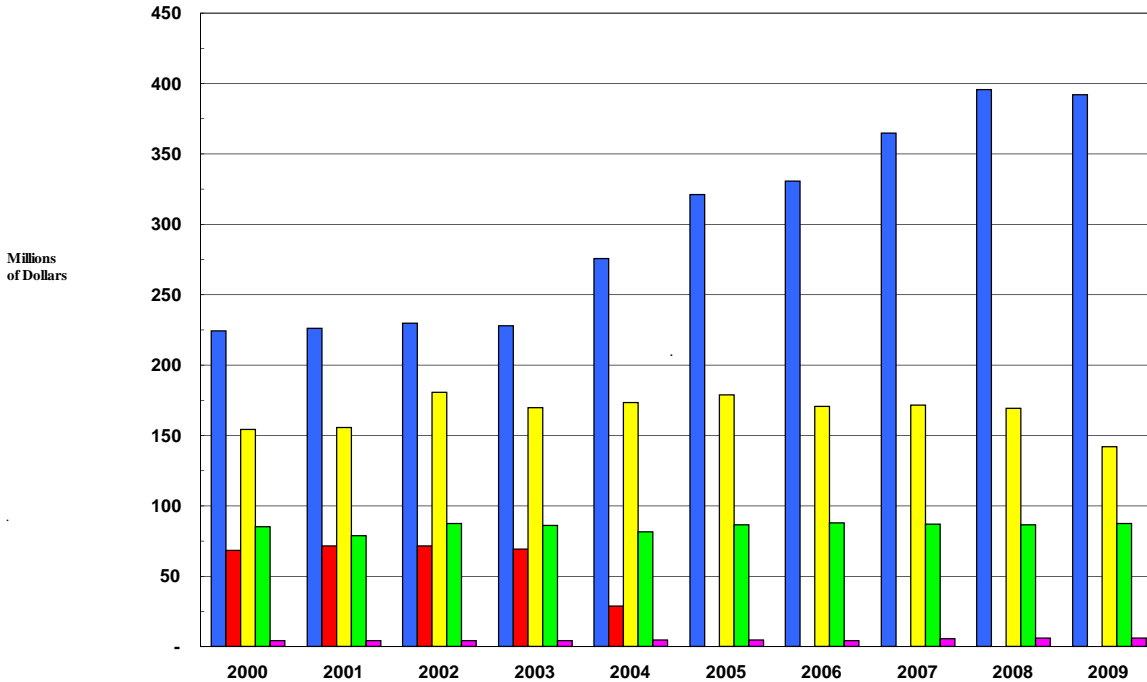
**TAX AND LICENSE FEE REVENUE BY SOURCE <sup>(1)</sup>  
2000 to 2009**

(Amount expressed in thousands)

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Gasoline/Motor Carrier</b>	\$224,029	\$225,946	\$229,650	\$227,793	\$275,471	\$320,891	\$330,538	\$364,550	\$395,641	\$391,903
<b>Motor Fuel</b>	68,372	71,521	71,314	69,049	28,463	-	-	-	-	-
<b>Automobile Privilege</b>	153,927	155,623	180,472	169,431	173,225	178,763	170,484	171,429	169,095	141,930
<b>Registration/License Fees</b>	85,222	78,745	87,380	85,880	81,577	86,466	87,534	86,840	86,166	87,255
<b>Special Fees &amp; Permits</b>	3,984	4,063	4,173	3,965	4,461	4,554	4,290	5,263	5,954	5,958
<b>Total</b>	\$535,534	\$535,898	\$572,989	\$556,118	\$563,197	\$590,674	\$592,846	\$628,082	\$656,856	\$627,046

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

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








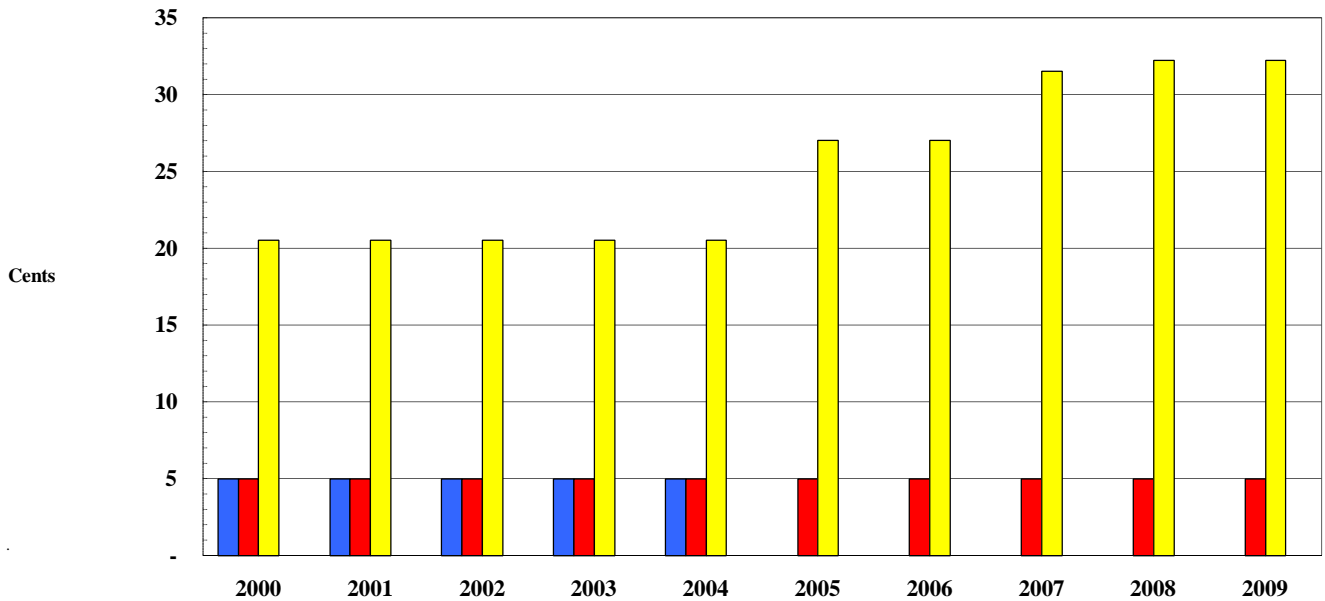


DIVISION OF HIGHWAYS

FUEL AND PRIVILEGE TAX RATES  
2000 TO 2009

Fiscal Year		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Excise Motor Fuel(1) (cents per gallon)		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	27.0	27.0	31.5	32.2	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, 2009.
- (2) A tax equal to five percent of the value of said motor vehicle at the time of certification.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Revenue Notes	Total Primary Government	Percentage of Personal Income*	Per Capita*
2009	\$ 371,105	\$ 165,160	\$ 536,265	0.96%	295.55
2008	401,190	98,875	500,065	0.93%	275.97
2007	429,845	109,160	539,005	1.06%	296.41
2006	447,995	-	447,995	0.94%	246.95
2005	467,915	-	467,915	1.02%	258.15
2004	494,430	-	494,430	1.13%	273.11
2003	517,500	-	517,500	1.19%	286.78
2002	539,540	-	539,540	1.29%	299.51
2001	451,025	-	451,025	1.14%	249.54
2000	361,690	-	361,690	0.97%	199.63

\* These ratios are calculated using personal income and population for the prior calendar year. See page 64 for personal income and population data.

This schedule has been revised.

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

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

<b>Calendar Year</b>	<b>Total Population</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>	<b>Median Age</b>
2008	1,814,468	55,941,000	30,831	4.3%	40.6
2007	1,812,035	53,522,000	29,537	4.6%	40.4
2006	1,818,470	51,016,000	28,054	4.7%	40.7
2005	1,814,083	47,890,000	26,399	5.0%	40.7
2004	1,812,548	45,686,000	25,205	5.3%	40.2
2003	1,810,347	43,841,000	24,217	6.0%	39.9
2002	1,804,529	43,312,000	24,002	5.9%	39.5
2001	1,801,438	41,902,000	23,260	5.2%	39.3
2000	1,807,442	39,438,000	21,820	5.5%	39.0
1999	1,811,799	37,472,000	20,682	6.3%	38.9

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

This schedule has been revised to reflect updated population and total personal income in previous years.

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

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

	Largest Employer Rank									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Wal-Mart Associates, Inc.	1	1	1	1	1	1	1	1	1	1
WV United Healthcare	2	2	2	2	3	3	2	2	2	-
Charleston Area Medical Center, Inc.	3	3	3	3	2	2	3	3	3	3
Kroger	4	4	4	4	4	4	4	5	6	4
American Electric Power	5	6	5	6	6	7	-	9	-	10
Eldercare Resources Corportaion	6	7	6	-	-	-	-	-	-	-
St. Mary's Hospital	7	9	10	10	-	-	10	-	-	-
CSX/CSX Hotels Inc. (The Greenbrier and railroad)	8	5	8	5	5	5	6	6	4	6
Consolidation Coal Company	9	10	-	8	8	-	-	-	-	-
Lowe's Home Centers, Inc.	10	8	7	7	-	-	-	-	-	-
Pilgrim's Pride Corporation of West Virginia	-	-	9	-	-	-	-	-	-	-
Verizon	-	-	-	9	9	9	8	8	8	8
E I DuPont De Nemours & Company	-	-	-	-	7	8	7	7	7	5
ISG Weirton Inc.	-	-	-	-	10	6	5	4	5	2
Union Carbide Corporation/Dow Corporation	-	-	-	-	-	-	-	-	10	9
Hospital Corporation of America, Inc.	-	-	-	-	-	-	-	-	-	7
Allegheny Energy Service Corporation	-	-	-	-	-	10	9	10	9	-

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

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

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

**Employees by Program  
Last Ten Fiscal Years**

<u>Program</u>	<u>Employees as of June 30</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Maintenance	3,571	3,523	3,616	3,604	3,504	3,472	3,327	3,340	3,372	3,539
Construction	1,035	1,042	1,033	1,033	1,007	981	961	907	888	898
General and administration	369	341	367	367	358	355	332	313	296	306
<b>Total</b>	<b>4,975</b>	<b>4,906</b>	<b>5,016</b>	<b>5,004</b>	<b>4,869</b>	<b>4,808</b>	<b>4,620</b>	<b>4,560</b>	<b>4,556</b>	<b>4,743</b>

Source: Division of Highways Budget Office.

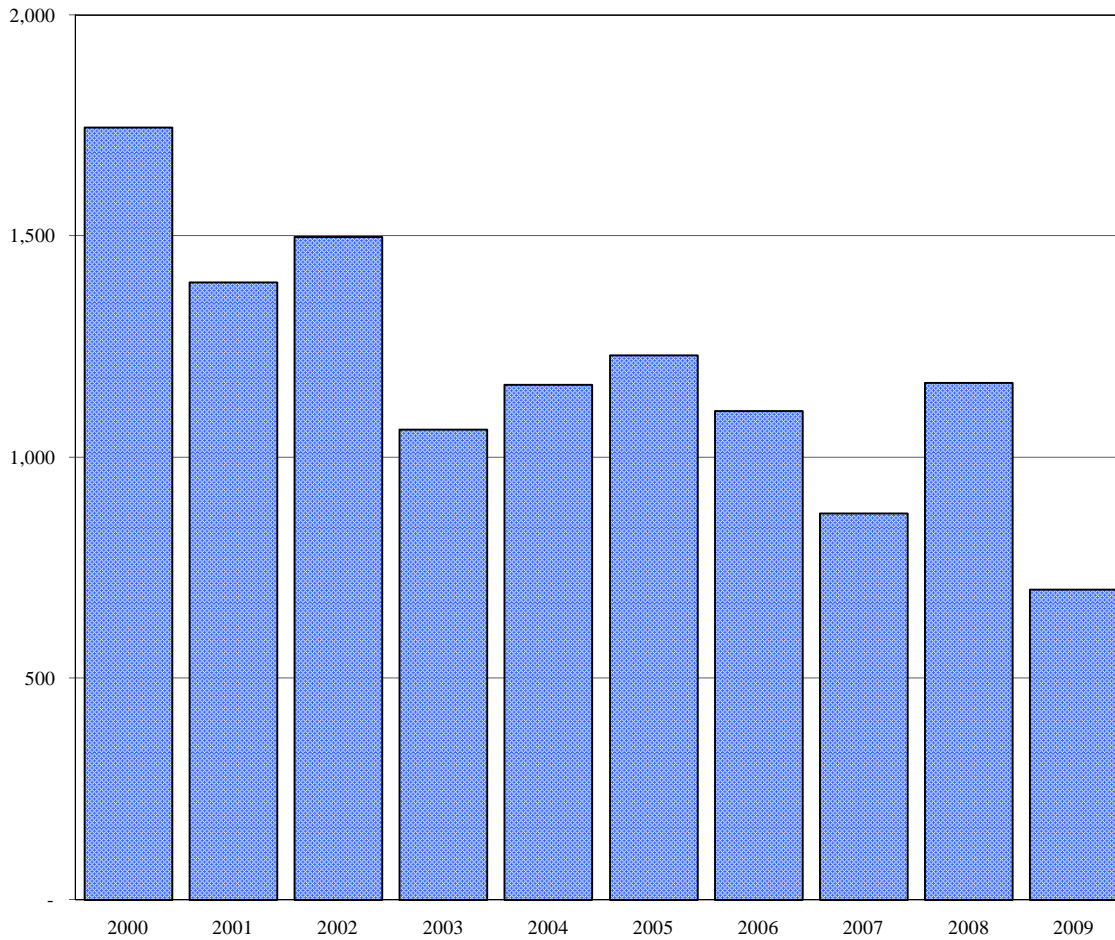


DIVISION OF HIGHWAYS

HIGHWAY CONSTRUCTION AND IMPROVEMENT  
TOTAL PROJECTS AUTHORIZED  
2000 TO 2009

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total Projects
Projects	1,746	1,396	1,499	1,064	1,165	1,232	1,105	874	1,169	702	11,952

Number of Projects





**DIVISION OF HIGHWAYS**

**HIGHWAY CONSTRUCTION AND IMPROVEMENT**

**TOTAL PROJECTS AUTHORIZED BY TYPE  
2000 TO 2009**

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Bond	5	0	0	1	0	0	0	0	0	0
Interstate Construction	8	2	9	4	5	4	9	10	11	5
Interstate Renovation	41	20	23	26	29	25	15	22	18	16
Non-Interstate Other	58	44	62	68	65	68	62	4	3	2
ARRA	0	0	0	0	0	0	0	0	0	73
Appalachian Development	24	22	25	14	13	12	25	19	19	19
Other Bridge	58	14	62	36	31	40	33	31	24	27
Miscellaneous	132	78	172	149	208	200	123	137	125	194
<b>Total</b>	<b>326</b>	<b>180</b>	<b>353</b>	<b>298</b>	<b>351</b>	<b>349</b>	<b>267</b>	<b>223</b>	<b>200</b>	<b>336</b>

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Maintenance	615	522	448	335	424	445	418	321	444	50
Bridge Replacement and Renovation	65	50	73	48	29	54	41	32	48	37
Miscellaneous Bridge Work	59	44	44	36	20	35	40	30	90	20
Industrial Access Roads	15	6	15	7	5	10	7	6	4	4
Bond	209	67	21	11	0	0	0	0	0	0
Roadway Renovation and Improvement	457	527	545	329	336	339	332	262	383	255
<b>Total</b>	<b>1420</b>	<b>1216</b>	<b>1146</b>	<b>766</b>	<b>814</b>	<b>883</b>	<b>838</b>	<b>651</b>	<b>969</b>	<b>366</b>
<b>Grand Total</b>	<b>1746</b>	<b>1396</b>	<b>1499</b>	<b>1064</b>	<b>1165</b>	<b>1232</b>	<b>1105</b>	<b>874</b>	<b>1169</b>	<b>702</b>

**TOTAL AUTHORIZED PROJECTS = 11,952**

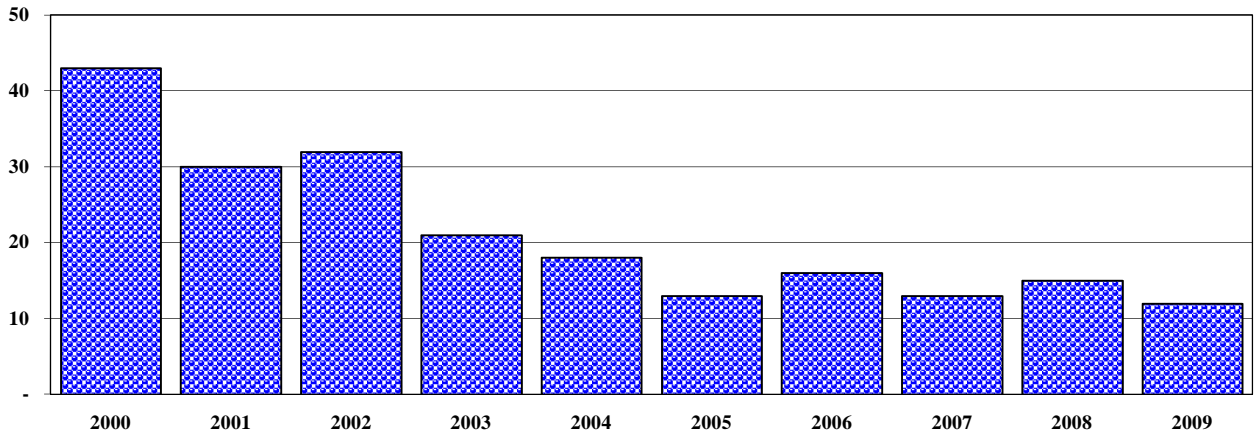


DIVISION OF HIGHWAYS

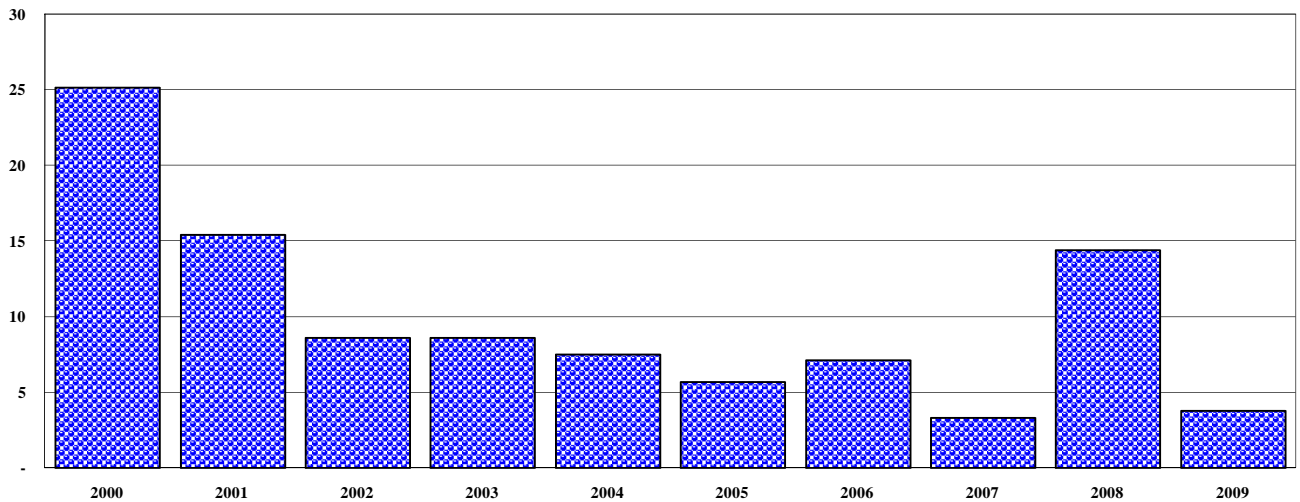
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY  
2000 TO 2009

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of Projects	43	30	32	21	18	13	16	13	15	12
Number of Miles	25.15	15.42	8.60	8.62	7.49	5.69	7.13	3.34	14.39	3.77

Number of Projects



Number of Miles





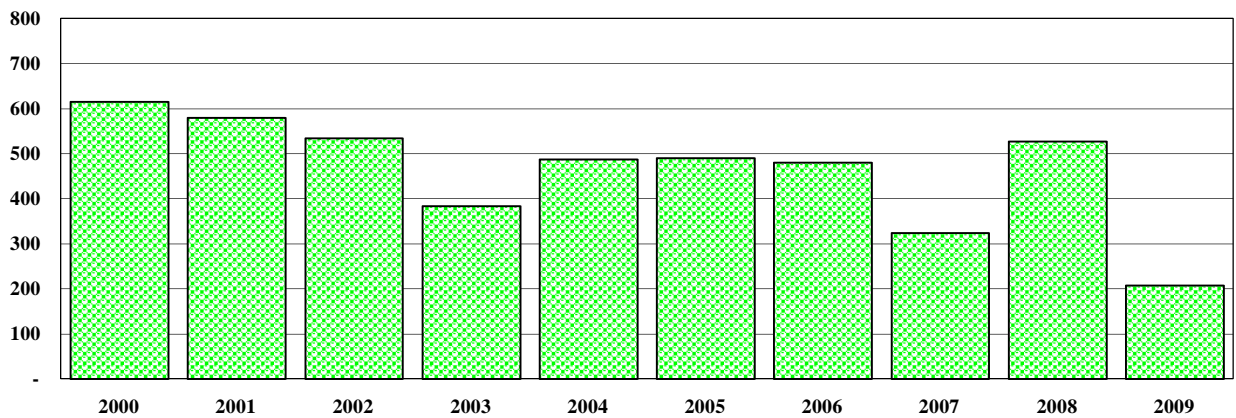


DIVISION OF HIGHWAYS

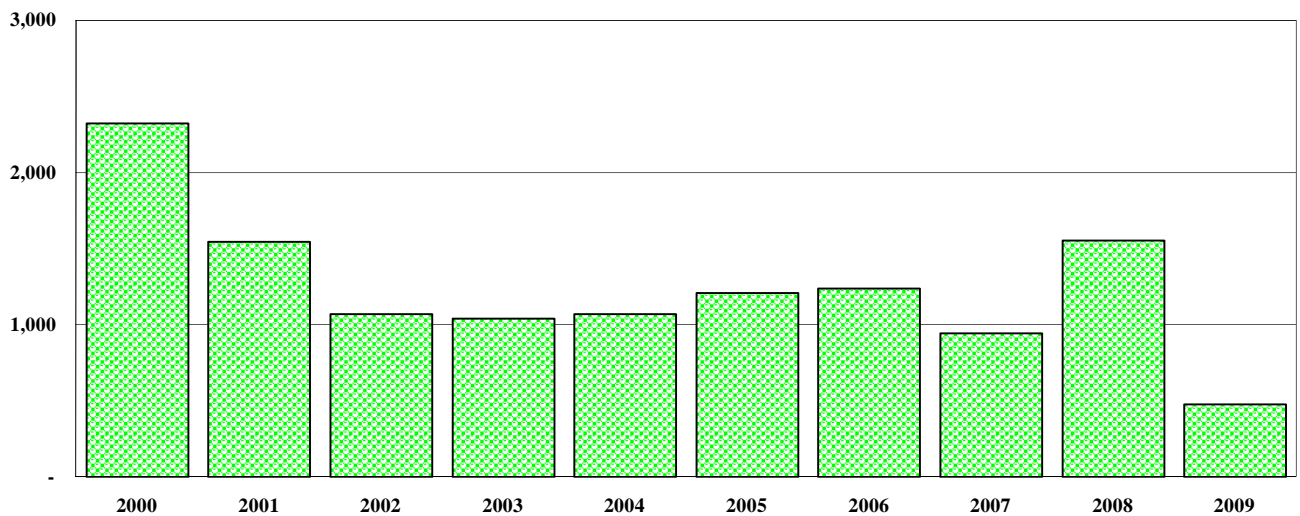
ROADWAY RESURFACING PROJECTS  
2000 TO 2009

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of Projects	616	580	534	384	488	490	481	324	527	208
Number of Miles	2,325	1,545	1,071	1,040	1,070	1,208	1,239	944	1,557	479

Number of Projects



Number of Miles



DIVISION OF HIGHWAYS

***TOTAL HIGHWAY MILEAGE BY CATEGORY***

<u><b>Total Road System</b></u>	
Interstate Highway	468
U.S. Routes	1,807
W.V. Routes	3,638
County Routes	28,881
Other	<u>1,174</u>
 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.

<u><b>Federal Aid Routes</b></u>		<u>Rural Miles</u>	<u>Urban Miles</u>
<u>Interstate Highways (Part of National Highway System) *</u>	315 **	153 ***	
Interstate Highways are multi-lane, fully access-controlled routes that serve the national defense, and connect the nation's principal metropolitan areas, cities, and/or industrial centers.			
** Includes 4 miles of one way connecting ramps			
*** Includes 1 mile of one way connecting ramps			
 <u>Other National Highway System</u>	 1,046	 224	
Other major routes, including most principal arterials that are the most important to interstate travel and national defense, roads that connect with other modes of transportation, and roads essential for international commerce.			
 <u>Other Federal-Aid Highways</u>	 6,998	 1,324	
All other roads on which federal Highway funds may be expended.			
 Sub-total miles	 <u>8,359</u>	 <u>1,701</u>	
 Total Miles	 10,060		