

West Virginia Department of Transportation DIVISION OF HIGHWAYS

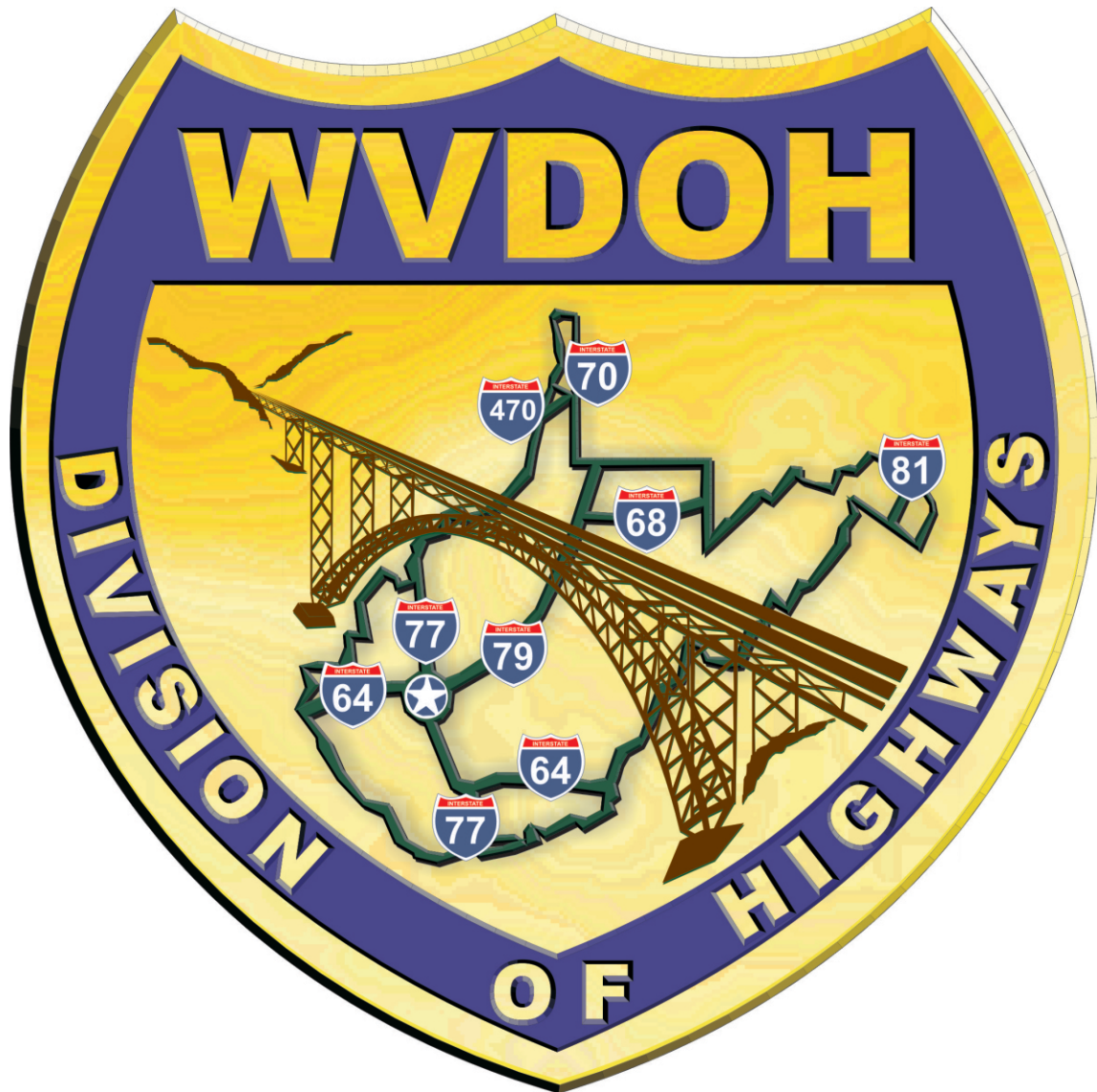
A Component Unit of THE STATE OF WEST VIRGINIA



**Annual Comprehensive Financial Report
For the Year Ended
June 30, 2021**

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021**

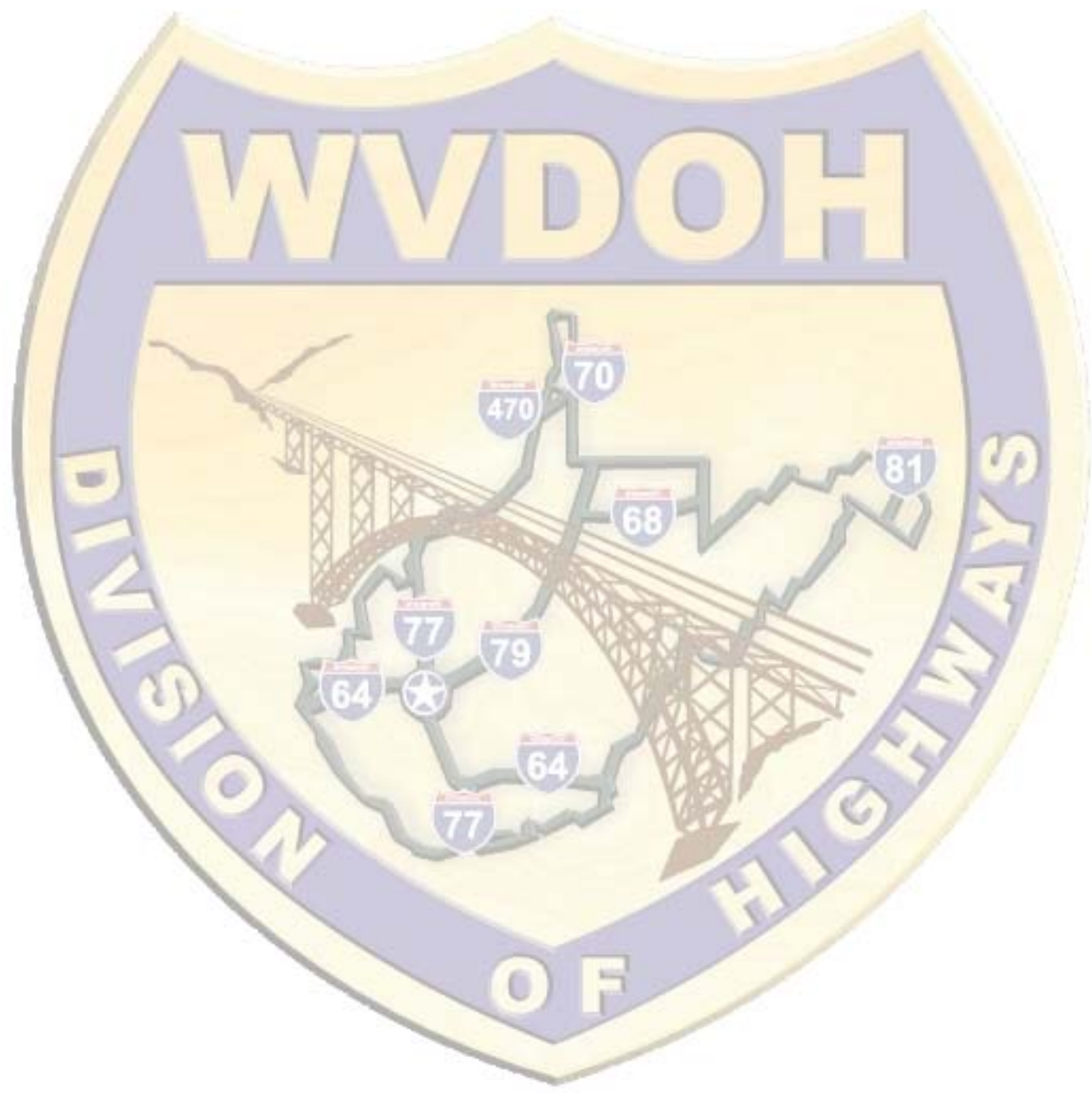
Prepared by:
Finance and Administration Division

TABLE OF CONTENTS

	PAGE
<hr/> <u>Introductory Section</u> <hr/>	
Letter of Transmittal	2
Government Finance Officers Association Certificate of Achievement	8
Organizational Chart	9
List of Principal Officials	10
<hr/> <u>Financial Section</u> <hr/>	
Independent Auditor's Report	13
Management's Discussion and Analysis	16
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet - Governmental Funds	28
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	31
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road (General) Fund	32
Notes to the Financial Statements	33
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability	64
Schedule of Pension Contributions	65
Schedule of Proportionate Share of the Net OPEB Liability	66

TABLE OF CONTENTS

	PAGE
Schedule of OPEB Contributions	67
Notes to Required Supplementary Information	68
<hr/> <u>Statistical Section</u> <hr/>	
Statistical Section Narrative and Table of Contents	73
Net Position by Component	74
Changes in Net Position	76
Changes in Fund Balances of Governmental Funds	78
Fund Balances, Governmental Funds	80
Tax and License Fee Revenue by Source	82
Fuel and Privilege Tax Rates	83
Ratios of Outstanding Debt by Type	84
Demographic Statistics of West Virginia	85
Principal Employers	86
Employees by Program	88
Highway Construction and Improvement, Total Projects Authorized	90
Highway Construction and Improvement, Total Projects Authorized by Type	91
Roadway Projects - System Expansion Only	92
Roadway Resurfacing Projects	93
Total Highway Mileage by Category	94



Introductory Section

West Virginia Department of Transportation

Division of Highways





**WEST VIRGINIA
DEPARTMENT OF TRANSPORTATION**
1900 Kanawha Boulevard East • Building Five • Room 109
Charleston, West Virginia 25305-0440 • (304) 558-0444

Jimmy Wriston, P.E.
Secretary of Transportation
Commissioner of Highways

December 20, 2021

The Honorable Jim Justice, Governor;
The Members of the West Virginia Legislature;
The Citizens of the State of West Virginia

We are pleased to submit the Annual Comprehensive Financial Report of the West Virginia Department of Transportation, Division of Highways (the Division) for the fiscal year ended June 30, 2021. 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 Suttle and Stalnaker, PLLC was engaged to perform the audit for the year ended June 30, 2021. Their report is included in the financial section of this report. The West Virginia Department of Transportation is included in the West Virginia Single Audit in accordance with the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The West Virginia Single Audit for the year ended June 30, 2021, 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.

With roughly 39,000 miles of public highway mileage, West Virginia is one of only four states (Delaware, North Carolina and Virginia are the others) in which there is no county and/or township ownership of highways. As a result, the Division has statutory authority for the construction, improvement and maintenance of nearly all public highway miles (approximately 36,000 or 92%) in the state, the highest percentage in the nation. Furthermore, despite West Virginia's relatively small size, the Division is responsible for the sixth-largest state-maintained highway network in the nation.

RELEVANT FINANCIAL POLICIES

The Division is dependent not only on revenues generated from the purchase and use of motor fuel, motor vehicle fees, and sales (privilege) tax on consumer purchases of motor vehicles, but also federal reimbursements for expenditures on federal-aid eligible projects. Revenues are affected by state and national economic conditions, world events affecting availability and pricing of motor fuel, and fuel consumption rates for motor vehicles.

The Division's expenditures are subject to the legislative budget process of the State of West Virginia. The budget is legally enacted through passage of a legislative bill and approval of the Governor. The Division's internal accounting system is used to accumulate and segregate expenditures and compare them against legislative appropriations. A computerized accounting system with daily input of expenditures from all 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.

Long-term goals and policies for the Division are outlined in a number of federally required plans, such as the Multi-Modal Statewide Long-Range Transportation Plan for 2020 – 2050, the Transportation Asset Management Plan (TAMP), the State Freight Plan and the State Highway Safety Plan. These plans discuss in broad terms the long-range goals, objectives and performance of various elements of the State's transportation network. Since needs always exceed resources, not all needs of the network can be addressed. The various plans provide a framework for setting priorities, understanding the tradeoffs associated with competing needs and tying investments to performance.

The planned initiatives that comprise the Division's short-term capital program are reflected in the 2020-2025 Statewide Transportation Improvement Program (STIP). The federal portion of the STIP is a financially constrained document that demonstrates how the Agency intends to use the resources at its disposal to advance the goals and policies of the Agency and achieve established performance targets. The STIP is organized so that most projects that are programmed fall within one of eight core programs. The goal is to better manage assets and meet performance targets by placing emphasis on needs and the type of work being performed rather than the type of funding used. In addition to federal funding, the STIP also identifies regionally significant projects that are being advanced using various bond funds, as well as initiatives that are being funded with State Road Fund monies.

The STIP includes a wide variety of projects including roadway, bridge, bicycle, pedestrian, safety, and public transportation (transit) projects. Projects are subject to many considerations and actions from conception to completion that may impede or accelerate their progress. These considerations may include policy decisions, changes in design requirements, conflicts with other scheduled activities, unforeseen circumstances such as funding reductions, shortage of manpower, and inflation of project costs. Project cost estimates are based on the best available engineering estimates at the time the STIP is developed and are regularly updated based on current information. When a project is adversely affected by any of the above-mentioned factors, the projected fiscal year dates and/or costs will be adjusted accordingly.

ECONOMIC CONDITIONS AND OUTLOOK

According to the *West Virginia Economic Outlook 2022-2026*, published by the Bureau of Business and Economic Research at John Chambers College of Business & Economics, West Virginia University, “West Virginia’s economy continues to rebound from the COVID-19 recession. The pandemic continues to affect public health, particularly as the Delta strain caused large increases in hospitalizations and deaths, and the economy in perceptible ways but the state has managed to record significant improvement over the past 18 months or so. Indeed, several big-picture measures of the state’s economy have improved enough that they are within range or have even surpassed levels seen prior to the pandemic and those that are lagging should reach those levels over the next several quarters. Even though the state’s near-term prospects are positive on balance, some sectors face challenges due to structural issues that existed long before the pandemic while several regions in West Virginia possess limited potential for growth due to a range of economic and demographic factors.

Despite being the shortest official recession on record, employment fell by roughly 94,000 in March and April 2020. As of late-summer 2021, nearly 70,000 jobs have been regained leaving the state at roughly 96 percent of its pre-pandemic level. While some sectors have seen activity return to what was considered typical prior to the pandemic, several remain encumbered by supply chain issues, unfilled job openings and worker isolation/quarantines. West Virginia’s healthcare sector has been under significant strain during the pandemic due to high hospitalizations and ICU capacity utilization. The state’s unemployment rate surged to nearly 16 percent in April 2020, but has fallen sharply in the months since then, recently falling below five percent for the first time since late-2019. Only 55 percent of West Virginia’s adult population is either working or looking for work. Though an improvement from recent years, this remains the lowest rate of labor force participation among all 50 states and represents a major obstacle to future economic prosperity. Per capita personal income in West Virginia increased nearly 7 percent in 2020, with a large share of that increase coming from federal pandemic relief in the CARES Act. Per capita personal income in West Virginia stands at 76 percent or so of the national average. West Virginia’s real GDP plunged 5.5 percent in 2020, which nearly surpassed the cumulative drop in real output that occurred during the state’s protracted bout with recession in the early 1980s. Even prior to the pandemic, the state’s output growth was quite volatile due to natural gas pipeline construction activity and energy extraction. Exports from West Virginia declined in 2020 significantly as a result of the pandemic, but shipments of many of the state’s leading exported products have increased sharply during the first half of 2021. Expanding and diversifying the state’s export portfolio is of vital importance to economic development in West Virginia over the long run.

Employment in West Virginia is expected to reach pre-pandemic levels by mid-to-late 2022, estimated to increase nearly 0.9 percent per year on average through 2026, compared to an expectation of 1.4 percent for the nation. We anticipate the state’s energy sector will rebound over the forecast horizon, but longer-term prospects are better for natural gas. Coal will benefit from recovering global demand, but domestic coal use is expected to weigh on output as more coal-fired power plants retire. The construction sector’s outlook is mixed but should see some benefits from rising public infrastructure spending, particularly at the federal level. The Virgin Hyperloop project will be one of the state’s largest projects on record. Manufacturing will trail broader job growth over the five-year forecast horizon, but among the major subsectors, aerospace, automotive equipment, and food/beverage will be the leaders in job growth going forward. The state’s unemployment situation will likely see smaller changes when compared to the declines observed over the past year. West Virginia’s jobless rate is expected to fall to the low-to mid-4 -percent range. Real per capita personal income is expected to grow 0.9 percent annually through 2026, as transfer payments decline significantly after the end of most federal pandemic relief in 2021.

West Virginia’s population has declined by nearly 73,000 since 2012. Population losses are expected to be smaller in magnitude going forward. A positive shock to encourage in-migration is essential to lessen the severity of natural population decline. Economic development strategies should focus on ways to improve health outcomes, lower drug abuse, and advance educational and vocational training opportunities in the state to make West Virginia’s workforce more attractive to potential businesses.”

LONG-TERM FINANCIAL PLANNING

The schedule that follows presents summary revenue and expenditure information for the State Road (General) Fund for the year ended June 30, 2021. All data is presented in thousands of dollars.

	<u>Amount</u>	<u>Percent of Total</u>	<u>Change from Prior Year</u>	
			<u>Amount</u>	<u>Percent</u>
Motor fuel excise tax	\$ 404,425	20%	\$ (6,476)	-2%
Automobile privilege taxes	297,116	15%	27,115	10%
Motor vehicle registration and licenses	139,638	7%	23,387	20%
Special fees and permits	6,802	0%	(1,195)	-15%
Federal aid	529,595	27%	207,010	64%
Investments and interest income	282	0%	(4,691)	-94%
Intergovernmental	575,221	29%	569,678	10277%
Miscellaneous	26,744	1%	10,473	64%
Total revenues	\$ 1,979,823	100%	\$ 825,301	71%
Road construction and other road operations	\$ 561,787	41%	\$ (117,757)	-17%
Road maintenance	522,117	38%	(75,646)	-13%
Support and administrative operations	132,458	10%	(46,435)	-26%
Debt Service	156,048	11%	29,925	24%
Total Expenditures	\$ 1,372,410	100%	\$ (209,913)	-13%

Overall, State tax and fee revenues in Fiscal Year 2021 increased by 5.32% from Fiscal Year 2020. Federal-Aid reimbursements, and intergovernmental revenues made up the majority on the increase.

At June 30, 2021, the outstanding principal balance of long-term general obligation (GO) bonds was \$1,627,450,000. Of this principal balance, \$67,570,000 relates to bonds that were issued in 2015 including \$550,000,000 issued under the Safe Road Amendment of 1996 and are scheduled to be retired through June 1, 2025. The remaining outstanding principal balance of \$1,559,880,000 is the issuance of GO bonds also known as the Roads to Prosperity Bonds from 2018, 2019 and 2021. Total debt service payments for the Safe Road Bonds are around \$15.3 million annually for fiscal years 2022-2023 and around \$23.2 million annually for fiscal years 2024-2025. The debt service payments for the currently issued Roads to Prosperity Bonds are around \$102.9 million in fiscal year 2022, around \$118.2 million in fiscal year 2023, around \$113.2 million in fiscal year 2024, around \$115.6 million annually for fiscal years 2025-2041, and then around \$80.3 million annually for fiscal years 2042-2046. In June 2021, the 2010 Safe Road Bonds were refunded along with the purchase of the 2021 GO bonds. This resulted in the reduction of the debt service payments on the Safe Road Bonds but added additional debt service to the Roads to Prosperity Bonds.

At June 30, 2021, the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was \$246,745,000. The notes were issued 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 October 2017, the Division issued \$219,985,000 of GARVEE notes to fund bridge replacement and interstate rehabilitation projects and \$78,810,000 GARVEE notes were issued in August 2018. These provide funding for repairs and capital improvement to any roadway or bridge. GARVEE Notes of \$53,380,000 issued in 2016 were defeased in February 2018 due to cancellation of the related project. At June 30, 2021, \$19,270,000 of the defeased debt remained outstanding. 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 Division usually tries to obligate funds in the previous year to eliminate this restriction.

MAJOR INITIATIVES

During fiscal year 2021, the Division continued work on several of its major initiatives around the state including Corridor H, the Wellsburg Bridge, US 35, WV 10 and the Airport Road - John Nash Boulevard portion of the King Coal Highway (to name a few). As a result of increased funding available from the Roads to Prosperity initiative, the Division was able to direct additional resources toward secondary road and bridge preservation and renovation programs. During fiscal year 2021, the Division authorized 995 highway and bridge construction projects statewide. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State and, consequently, West Virginia's road system includes 7,232 vehicular bridges, of which the Division is responsible for 7,124. The Division's bridge program in fiscal year 2021, enhanced by an infusion of General Obligation Bond Sales proceeds, in conjunction with the traditional State-Funded and Federal-Aid programs that started in 1988, allowed for 64 construction starts on bridge initiatives ranging from full replacement to deck overlays. The resurfacing initiative comprised of 537 resurfacing projects which addressed nearly 1,508 miles of roadway.

In June of fiscal year 2021, the Division received an additional \$150 million from the West Virginia Legislature through the General Fund. These funds are to go towards completing the 400 projects spread between the 55 counties of West Virginia. Completion of projects include paving, select bridge projects, repairing slips on bus routes and fixing slides on business routes.

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the 29th consecutive year that the Division has achieved this prestigious award (1992-2020). In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Division believes its Fiscal Year 2021 annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the annual comprehensive 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,



Carla P. Rotsch
Business Manager
West Virginia Division of Highways



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

West Virginia Division of Highways

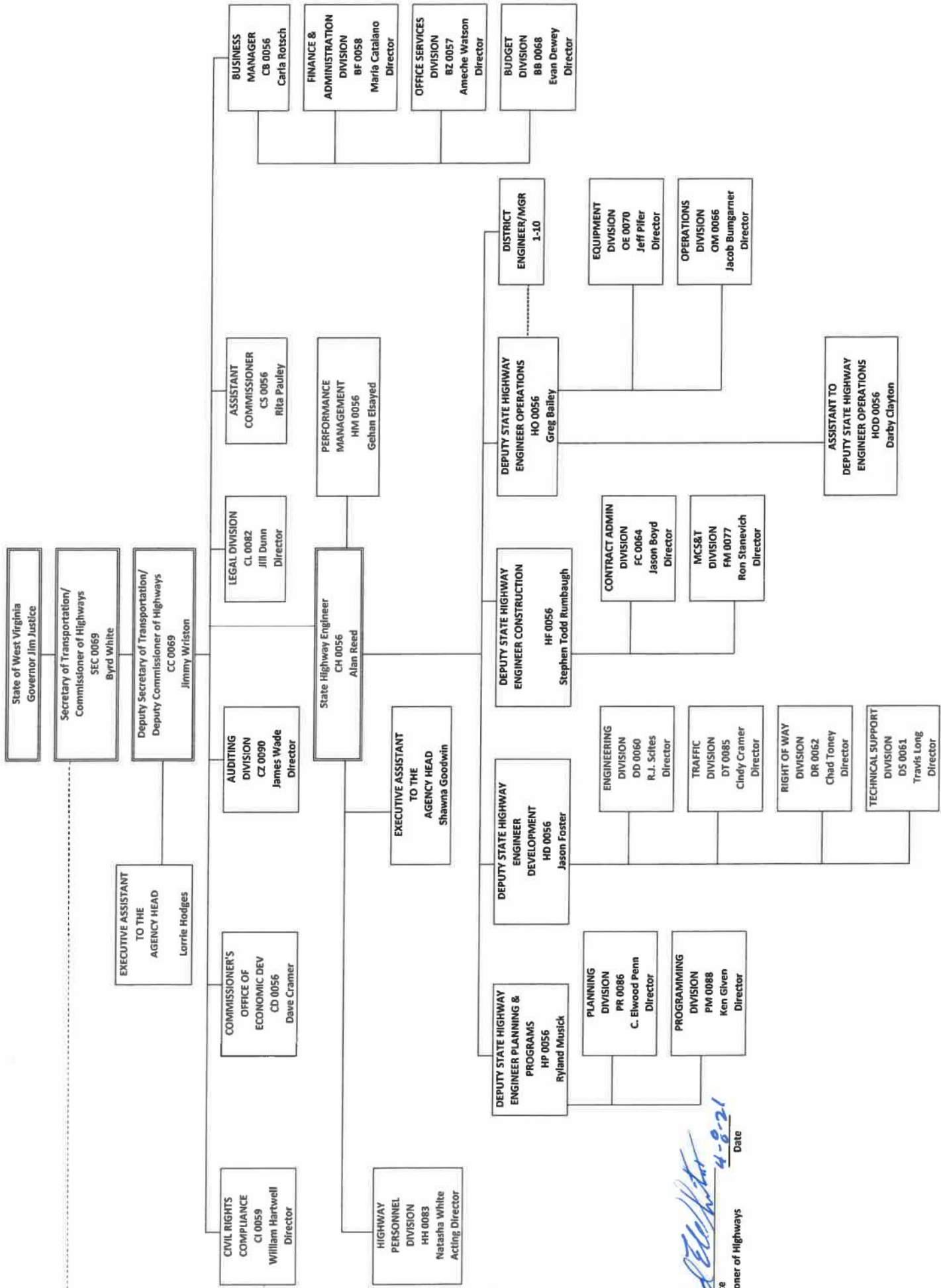
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

West Virginia Division of Highways Organizational Chart



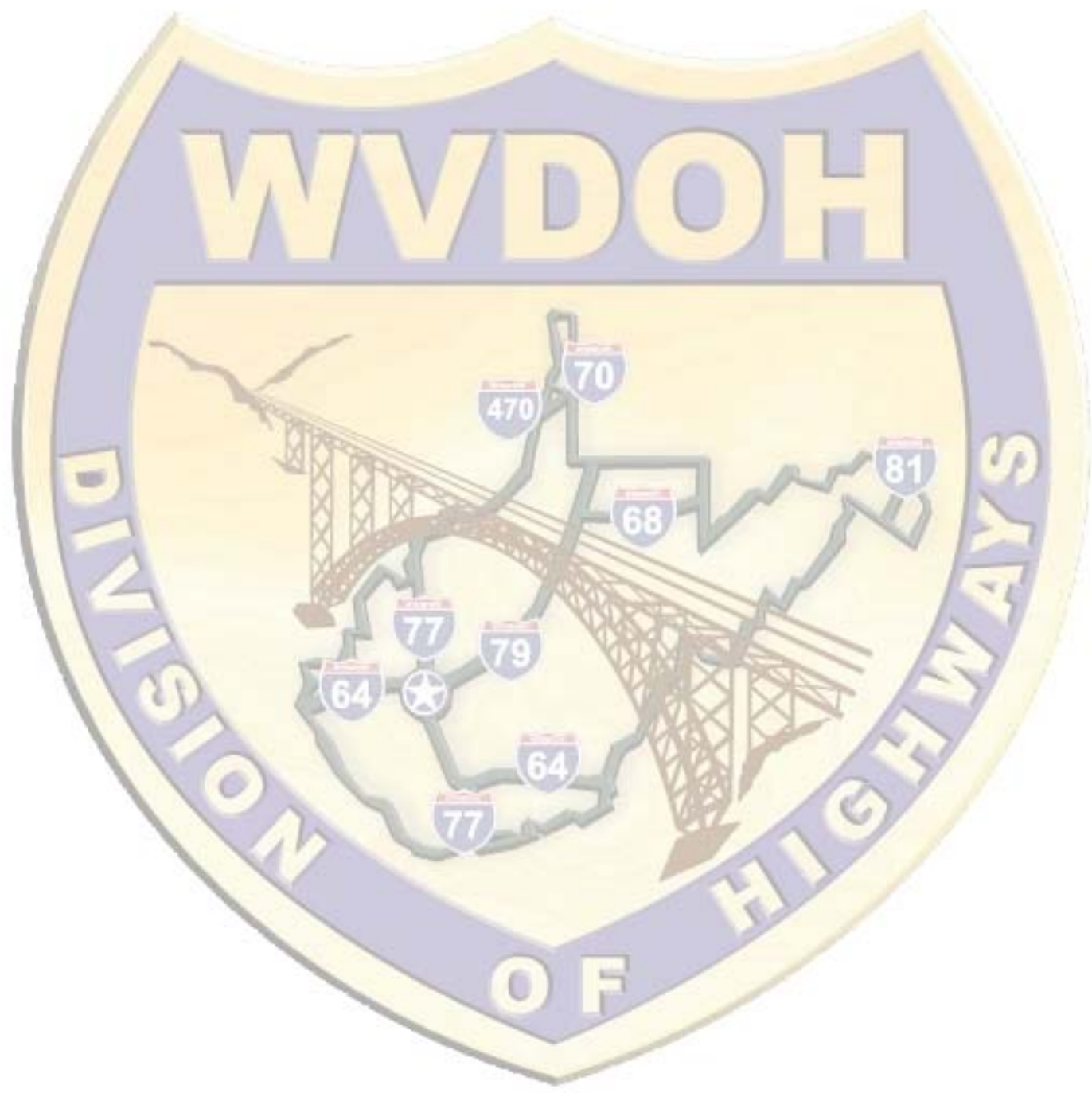

 _____ Date
 Byrd White
 Commissioner of Highways

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 LIST OF PRINCIPAL OFFICIALS
 June 30, 2021

Byrd E. White, III	Secretary of Transportation
Jimmy Wriston, P.E.	Deputy Secretary DOT/Commissioner DOH
Nate Tawney	DOT General Counsel
Rita Pauley	Highway Assistant Commissioner
Carla P. Rotsch	DOT Business Manager
Alan Reed, P.E.	State Highway Engineer
Stephen T. Rumbaugh, P.E.	Chief Engineer of Construction-Deputy State Highway Engineer
Gregory L. Bailey, P.E.	Chief Engineer of Operations-Deputy State Highway Engineer
Ryland Musick, Ph.D., P.E.	Chief Engineer of Programs-Deputy State Highway Engineer
Marvin G. Murphy	Assistant Deputy Secretary-Executive Assistant to the Agency Head
Jason Foster, P.E.	Chief Engineer of Development-Depty State Highway Engineer
David E. Cramer	Commissioner's Office of Economic Development
Lorrie A. Hodges	Highway Assistand Director
James R. Wade	Director, Auditing Division
Evan Dewey	Director, Budget Division
Jennifer Dooley	WVDOT Public Relations
Jason M. Boyd	Director, Contract Administration Division
Raymond J. Scites	Director, Engineering Division
William Hartwell	Director, Civil Rights Compliance Division
Jeff Pifer	Director, Equipment Division
Maria Catalano	Director, Finance and Administration Division
Natasha White	Director, Personnel Division
Hussein Elkhansa	Director, Strategic Systems and Technology
Jill Dunn	Director, Legal Division
Jake Bumgarner	Director, Operations Division
Ronald L. Stanevich	Director, Materials Control Soil & Testing Division
Ameche L. Watson	Director, Office Services Division
C. Elwood Penn, P.E.	Director, Planning Division
Kenneth Given	Director, Programming Division
Chad Toney	Director, Right of Way Division
Cindy L. Cramer, P.E.	Director, Traffic Engineering Division
Charlene Chandler	Executive Information Resources
Laura A. Conley-Rinehart	Assistant to State Highway Engineer
Terra Goins	Regional Construction Engineer
Jason Tharp	Regional Engineer
Matthew Rowan	Regional Engineer
Kyle Hall	Regional Engineer
Jeremiah Gaston	Regional Engineer
Dave Brabbon	Regional Engineer
Darren Bennett	Regional Engineer
Nathan Thomas	Regional Engineer

DISTRICT ENGINEERS/MANAGERS

District 1	Arlie Matney, Acting	Charleston
District 2	Robert Pennington	Huntington
District 3	Justin Smith	Parkersburg
District 4	Mike Cronin	Clarksburg
District 5	Lee J. Thorne	Burlington
District 6	Tony Clark	Moundsville
District 7	Brian K. Cooper	Weston
District 8	James A. Rossi	Elkins
District 9	Steve B. Cole	Lewisburg
District 10	Joseph Pack	Princeton



Financial Section

West Virginia Department of Transportation

Division of Highways



INDEPENDENT AUDITOR'S REPORT

Joint Committee on Government and Finance
West Virginia Legislature
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways (the Division), a component unit of the State of West Virginia and the State of West Virginia Department of Transportation, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Division's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Virginia Center
1411 Virginia Street, East | Suite 100
Charleston, WV 25301

MAIN (304) 343-4126
FAX (304) 343-8008

The Rivers Office Park
200 Star Avenue | Suite 220
PO Box 149
Parkersburg, WV 26102

MAIN (304) 485-6584
FAX (304) 485-0971

The Wharf District
68 Clay Street | Suite C
Morgantown, WV 26501

MAIN (304) 554-3371
FAX (304) 554-3410

suttlecpas.com
cpa@suttlecpas.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Division as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the State Road (General) Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 24, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of proportionate share of the net OPEB liability, the schedule of OPEB contributions, and related notes on pages 64 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Division's basic financial statements. The introductory section on pages 2 through 10 and statistical section on pages 73 through 94 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Emphasis of Matter

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 State of West Virginia and the West Virginia Department of Transportation that is attributable to the transactions of the Division. They do not purport to, and do not present fairly the financial position of the State of West Virginia and West Virginia Department of Transportation, as of June 30, 2021, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Charleston, West Virginia
October 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2021. This section introduces the basic financial statements and provides an analytical overview of the Division's financial activities. Please read it in conjunction with the Division's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Net Position - The net position of the Division was \$8.8 billion at the close of fiscal year 2021.

Changes in Net Position - During the year, the Division's net position increased by \$667 million or 8.19%. During fiscal year 2020, net position decreased by \$232 million or 2.76%.

Revenues and Expenses - Total revenues increased by \$877 million or 74.74%. Total expenses decreased \$22 million or 1.56%. There were no significant changes in the programs carried out by the Division during the year.

Governmental Fund - Fund Balances - As of the close of fiscal year 2021, the Division's governmental funds reported combined total fund equity of \$2.1 billion, an increase of \$535 million in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, increased by \$209 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, decreased by \$23 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the Division's financial statements. The Division's financial statements are comprised of five components, government-wide financial statements, fund financial statements, statements of revenues, expenditures, and change in fund balances - budget and actual, notes to the financial statements, and required supplementary information.

Government-wide Statements

Government-wide financial statements provide both long-term and short-term information about the Division's financial condition. Changes in the Division's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the Division's net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

The fund financial statements focus on the individual parts of the Division, reporting the Division's operations in more detail than the government-wide financial statements. Fund financial statements can include the statements for governmental, proprietary, and fiduciary funds. The Division has two governmental financial reporting funds.

Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

The budget and actual statement reports the originally submitted budget along with budget amendments that are combined to arrive at the final budget. The final budget amounts are then compared to the actual operating results for the same fiscal year to arrive at variances.

Notes to the Financial Statements

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

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

Required Supplementary Information

Required supplementary information includes the presentation of this management's discussion and analysis and certain information concerning the Division's progress in funding its proportionate share of providing pension benefits and other post-employment benefits to its employees through its participation in the West Virginia Public Employees Retirement System and the West Virginia Other Postemployment Benefit Plan.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The following condensed financial information was derived from the government-wide statement of net position and summarizes the Division's net position as of June 30, 2021 and 2020 (amounts in thousands).

The largest component of the Division's net position reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure and others) less any related debt outstanding (excluding debt proceeds that have yet to be expended for infrastructure construction) that was needed to acquire or construct the assets. The Division uses these capital assets to provide services to the citizens and businesses in the State; consequently, these resources are not available for future spending. The remaining portion is classified as either restricted or unrestricted net position. The unrestricted net position may be used at the Division's discretion. The restricted net position has constraints as to how these funds may be used. Enabling legislation directs the use of these funds.

**Condensed Statement of Net Position
 June 30,**

	<u>2021</u>	<u>2020</u>	<u>% Change</u>
Assets and deferred outflows of resources			
Current assets	\$ 2,302,058	\$ 1,842,323	24.95%
Capital assets	<u>9,022,913</u>	<u>8,821,407</u>	2.28%
Total assets	11,324,971	10,663,730	6.20%
Deferred outflows of resources	<u>80,335</u>	<u>43,144</u>	86.20%
Total assets and deferred outflows of resources	<u>11,405,306</u>	<u>10,706,874</u>	6.52%
Liabilities and deferred inflows of resources			
Current liabilities	225,253	363,491	-38.03%
Long term liabilities	<u>2,275,101</u>	<u>2,122,012</u>	7.21%
Total liabilities	2,500,354	2,485,503	0.60%
Deferred inflows	<u>89,235</u>	<u>72,807</u>	22.56%
Total liabilities and deferred inflows of resources	<u>2,589,589</u>	<u>2,558,310</u>	1.22%
Net Position			
Net investment in capital assets	8,108,753	8,195,263	-1.06%
Restricted	487,827	109,560	345.26%
Unrestricted	<u>219,137</u>	<u>(156,259)</u>	240.24%
Total net position	<u>\$ 8,815,717</u>	<u>\$ 8,148,564</u>	8.19%

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

Condensed Statement of Activities

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

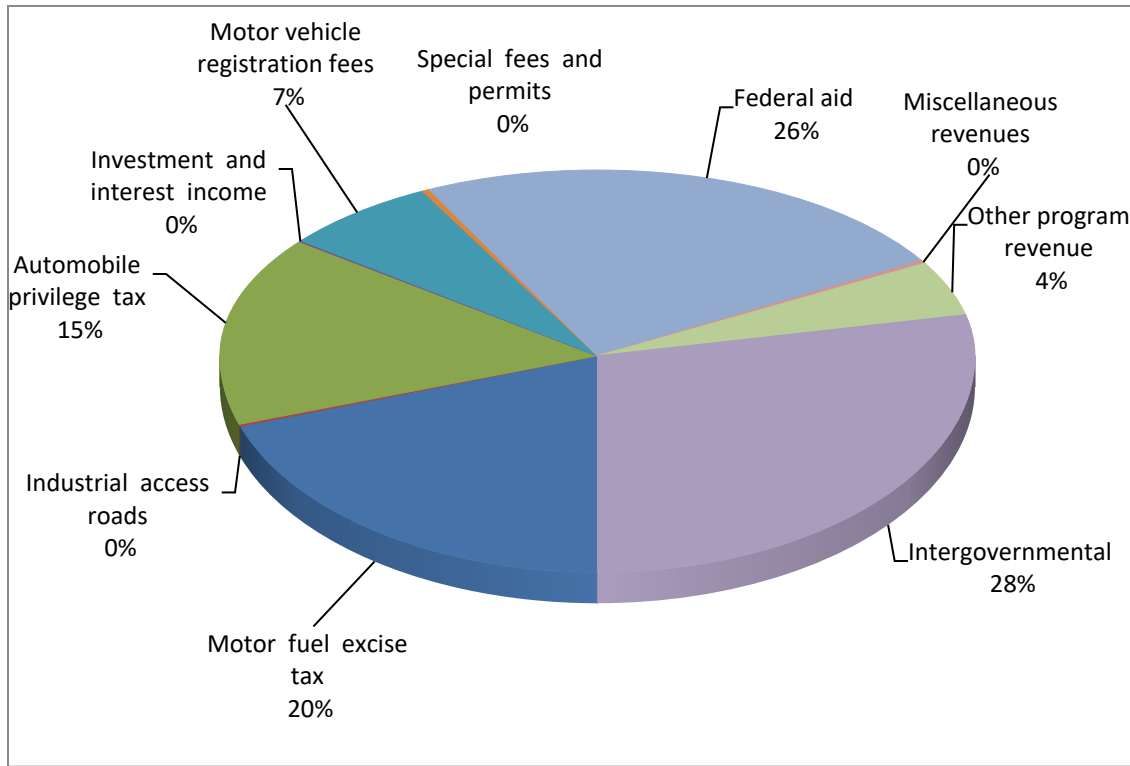
**Condensed Statement of Activities
Years Ended June 30,**

	2021	2020	% Change
Revenues			
Taxes	\$ 701,541	\$ 680,902	3.03%
Investment and interest income	2,297	23,693	-90.31%
Intergovernmental	152,340	5,543	2648.33%
Miscellaneous revenues	5,221	13,271	-60.66%
Total general revenues	<u>861,399</u>	<u>723,409</u>	19.07%
Capital grants and contributions	955,476	325,585	193.46%
Charges for services and other program revenue	233,191	124,248	87.68%
Total program revenues	<u>1,188,667</u>	<u>449,833</u>	164.25%
Total revenues	<u>2,050,066</u>	<u>1,173,242</u>	74.74%
Expenses			
Road maintenance	491,288	580,615	-15.38%
Road construction and other road operations	708,371	578,040	22.55%
General and administration	113,114	182,750	-38.10%
Interest on long-term debt	63,631	57,459	10.74%
Unallocated depreciation	6,509	5,927	9.82%
Total expenses	<u>1,382,913</u>	<u>1,404,791</u>	-1.56%
Change in net position	667,153	(231,549)	388.13%
Net position, beginning	<u>8,148,564</u>	<u>8,380,113</u>	-2.76%
Net position, ending	<u>\$ 8,815,717</u>	<u>\$ 8,148,564</u>	8.19%

Over time, increases and decreases in net position measure whether the Division's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$667 million or 8.19%.

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

The following chart depicts the revenues under the accrual basis of accounting for the Division for the fiscal year.



Total revenues increased by approximately \$877 million. Intergovernmental revenues increased by approximately \$570 million. Federal aid revenue increased by approximately \$207 million. Large components of Intergovernmental revenue for 2021 included 1) legally authorized appropriations under West Virginia State Code by the West Virginia Legislature (\$150 million), 2) payments on behalf related to the OPEB special funding situation described in Note 12 (\$2.3 million), and 3) an allocation from the Parkways Authority to be used for the construction of the Division's transportation projects located in counties adjacent to the Turnpike (\$422 million). Taxes and fees categories for both 2020 and 2021 were significantly impacted by the Coronavirus Pandemic. Other program revenue - paving settlement represents amounts recognized as a result of a legal settlement reached in 2021 with a paving vendor, which provides for both cash proceeds and credits against future paving projects. The following summarizes revenues for the years ended June 30, 2021 and June 30, 2020 (amounts in thousands):

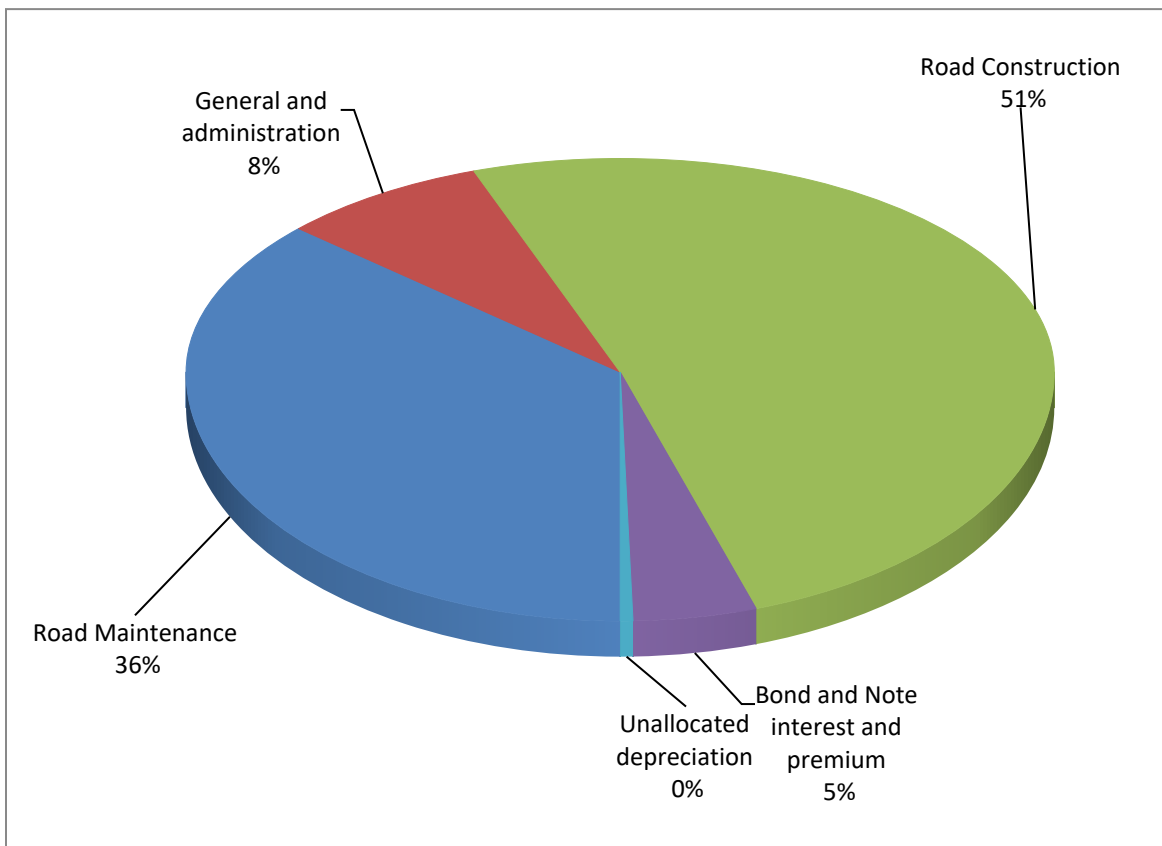
	2021	2020	% Change
Motor fuel excise tax	\$ 404,425	\$ 410,901	-1.58%
Industrial access roads	3,000	3,000	0.00%
Automotive privilege tax	297,116	270,001	10.04%
Motor vehicle registration fees	139,638	116,251	20.12%
Special fees and permits	6,802	7,997	-14.94%
Federal aid	529,595	322,585	64.17%
Investment and interest income	2,297	23,693	-90.31%
Intergovernmental	575,221	5,543	10277.43%
Other program revenue - paving settlement	86,751	-	100.00%
Miscellaneous revenues	5,221	13,271	-60.66%
Total revenues	2,050,066	1,173,242	74.74%

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

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

The Division also relies on federal funds as a source of revenue. The federal aid is obtained in the form of reimbursable grants. Federal transportation legislation and special spending authorizations provide funds that are available for obligation by the Federal Government in specific years, and the Division expects to continue to fully obligate available funds, thus ensuring that it captures all federal dollars. Revenue under these grants is recognized when expenditures occur and the Division requests reimbursement on specific projects that have qualified for federal participation. On December 4, 2015, the President signed into law the "Fixing America's Surface Transportation Act," or FAST Act, which is a five-year surface transportation program authorizing funding for highway and public transportation investments. The FAST Act was the first long-term transportation legislation to pass Congress in ten years and provided stability to the Division in planning its transportation investments. The FAST Act was originally set to expire on September 30, 2020, but was extended to September 30, 2021. Late on October 1, 2021, the House passed a 30-day surface transportation funding extension, expiring on October 31, 2021. The Senate subsequently passed that extension on October 2, 2021, with President Biden signing it into law that same day. This will allow Congress additional time to determine whether to pass the Infrastructure Investment and Jobs Act (IIJA) measure first, or to wait until possible passage of the Build Back Better funding measure. West Virginia's federal fiscal year 2021 apportionment was \$474.8 million and the total obligation limitation was \$458.5 million (due to additional funds provided through August 2021 redistribution of federal funds to the Division).

The following chart depicts expenses under the accrual basis of accounting for the Division for the fiscal year.



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

Total expenses decreased by approximately \$22 million or 1.56%. The following summarizes expenses for the years ended June 30, 2021 and June 30, 2020 (amounts in thousands):

	2021	2020	% Increase (Decrease)
Road maintenance	\$ 491,288	\$ 580,615	-15.38%
Road construction and other road operations	708,371	578,040	22.55%
General and administration	113,114	182,750	-38.10%
Interest on long-term debt	63,631	57,459	10.74%
Unallocated depreciation	6,509	5,927	9.82%
Total expenses	<u>\$ 1,382,913</u>	<u>\$ 1,404,791</u>	-1.56%

The maintenance expenses of the Division are comprised primarily of Annual Plan routine maintenance as well as maintenance-related capital improvements including small bridge repair, contract paving, and various types of renovation such as guardrail, slides, and drainage. For State fiscal year 2021, Governor Justice, understanding the critical needs of the roadway network in West Virginia, requested funds from the General Fund be transferred to the State Road Fund in order to take care of the critical paving and drainage needs that plague the system. These funds were received in June 2021 with the spending authority granted for fiscal year 2022. This will continue to afford the Division of Highways a wonderful opportunity to gain ground in this area.

Operating units are allocated yearly amounts of funding for routine maintenance. What the routine maintenance expenses are spent on is dependent, to a degree, on the level of snow removal and ice control (SRIC) that is required in a given year. In State fiscal year 2021, the agency continued and enhanced its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, canopy clearing, and patching maintenance activities, also with distinct emphasis placed on these activities by the Governor personally. 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.

General and administration expenses decreased during fiscal year 2021 primarily due to changes in the claims liability as well as revolving equipment. There were many legal claims that were either settled or dismissed in fiscal year 2020 causing the Division's legal contingency to lower in fiscal year 2021. In addition, in fiscal year 2020, the Governor rolled out his Secondary Road Initiative to shift focus on maintaining the secondary roads. In doing so, funding was provided to purchase new equipment to use for ditching, blading, and road foundations. In fiscal year 2021, the revolving equipment reduced because the Division is back to normal spending levels for equipment purchases.

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, 2021, the Division reported fund balances of approximately \$2.1 billion. Of this total amount, \$262 million constitutes unassigned fund balance, while \$1.8 billion is restricted for various purposes. The remainder of the fund balance is non-spendable and is not available for spending because it is comprised of inventories.

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

State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2021 fiscal year, unassigned fund balance of the General Fund was \$262 million and non-spendable fund balance was \$57 million, while the restricted fund balance was \$505 million. The total General Fund balance increased \$622 million during the fiscal year primarily due to funds received from state General Revenue unappropriated balance via HB 101 during the 2021 First Extraordinary Session, Cares ACT funds transferred from the Governor's Office, funds received from Parkways Authority for specific turnpike projects, and an overall increase in federal reimbursement.

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. The forecast for fuel consumption is still anticipated to trend downward as vehicles continue to become more fuel efficient. Fiscal year 2020 and 2021 revenue was impacted in multiple ways by the Coronavirus Pandemic. Motor Fuel and Registration collections fell well below estimates, while Privilege Tax collections rose above estimates to compensate for the lack of other revenue sources. This is primarily due to the increase in demand and price of vehicles. The following table summarizes tax and fee collections (budget basis) over the past two years (amounts in thousands):

	2021	2020	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise and wholesale fuel	\$ 399,542	\$ 427,273	\$ (27,731)	-6.49%
Motor vehicle registration	136,484	122,724	13,760	11.21%
Privilege tax	300,975	265,516	35,459	13.35%
	<u>\$ 837,001</u>	<u>\$ 815,513</u>	<u>\$ 21,488</u>	2.63%

Motor fuel excise tax is imposed on the consumption of motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate that is calculated yearly. The variable rate was 11.7 cents on January 1, 2017 but changed on July 1, 2017 to 15.2 cents as the result of SB1006. The rate has not changed since that time.

Fiscal year 2021 tax collections reported on a cash basis increased by \$7.7 million (1.12%) from fiscal year 2020 tax collections. Motor fuel tax collections were \$40.5 million (-9.20%) below estimate for the year, and \$27.7 million (-6.49%) below fiscal year 2020 collections. Registration fee collections were \$32.9 million (-19.41%) below estimates and \$13.8 million (11.21%) above fiscal year 2020 collections. Privilege tax collections were \$69.8 million (30.18%) above estimates and \$35.5 million (13.35%) above fiscal year 2020 collections. In fiscal year 2022, motor fuel tax and registration fee collections are projected to be slightly higher than fiscal year 2021 actual collections. In fiscal year 2022, privilege tax collections are estimated to remain steady as compared to fiscal year 2021 actual numbers.

The Division's federal revenue, on a budgetary basis for fiscal year 2021 was \$374.4 million, used primarily for the design, right-of-way, and construction of Corridor H, US 35, Coalfields Expressway and numerous system preservation projects on other federal-aid highways. As previously discussed, the recognition of revenue under these grants occur when expenditures occur on specific projects that have qualified for federal participation and the Division requests reimbursement. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures is 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.

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

It is anticipated that the state revenues will increase slightly in fiscal year 2022 when compared to fiscal year 2021. Regardless of current and future events, management will continue to monitor and maintain a fiscally sound equity position. If revenues received are lower than estimated, management is confident adequate discretionary expenditure items can be reduced to permit the Division to continue to operate in a fiscally sound manner.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for road construction financed by the sale of General Obligation bonds. On October 7, 2017 the citizens of West Virginia voted to pass a referendum which allows the Division to sell \$1.6 billion dollars in General Obligation bonds. The Division sold \$800 million (face value) in General Obligation bonds during the fiscal year ended June 30, 2018, \$600 million (face value) in General Obligation bonds during the fiscal year ended June 30, 2020, and \$200 million (face value) in General Obligation bonds during the fiscal year ended June 30, 2021. These bonds will fund the construction of all or a portion of projects across the State. At June 30, 2021, the capital projects fund balance of approximately \$1.3 billion represented unexpended bond funds associated with the above-referenced issuances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2021, the Division had invested \$9.0 billion, net of accumulated depreciation, in a range of capital assets (see Note 7 for additional details). Depreciation charges for the fiscal year totaled \$320 million.

As the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and the completion of Appalachian Highway Corridor H. While these are significant construction projects, the additions are offset by \$302 million in depreciation of the infrastructure. The Division expended \$522 million dollars during the year ended June 30, 2021 for additions to capital assets. Of this amount, \$497 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 \$230 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to US 35 in Putnam County, the Coalfields Expressway in Wyoming County, Corridor H in Randolph County, and continued environmental studies on various projects in process.

Long-term Debt

The Division was authorized to issue general obligation bonds of the State of West Virginia by constitutional amendments. The final tranche of \$200 million was issued in fiscal year 2021 per house concurrent resolution 105.

The Division has also been authorized to issue revenue notes in the amount of \$500 million by constitutional amendment. The Division issued revenue notes in the amount of \$53 million in December 2016, which were defeased in February 2018. In October 2017, the Division issued revenue notes in the amount of \$220 million. In August 2018, the Division issued revenue notes in the amount of \$79 million. The debt service payments on these notes will be funded through federal aid revenue. The outstanding balance of issued special notes was \$247 million at June 30, 2021.

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

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

Issue	Bond Rating		Amount (in thousands)
Safe Roads 15A - Bonds maturing on or before June 1, 2025.	Fitch: AA+	Moody's: Aa1	\$ 67,570
	S&P: AA		
Roads to Prosperity 18A, 18B T1, 18B T2 - Bonds maturing on or before June 1, 2043.	Fitch: AA	Moody's: Aa2	745,795
	S&P: AA-		
Roads to Prosperity 19A-1, 19A-2 - Bonds maturing on or before June 1, 2044.	Fitch: AA	Moody's: Aa2	600,000
	S&P: AA-		
Roads to Prosperity 21A and 21B - Bonds maturing on or before June 1, 2046.	Fitch: AA	Moody's: Aa2	214,085
	S&P: AA-		
Surface Transportation Improvements Special Obligation Notes (GARVEE 2017A) - Notes maturing on or before September 1, 2029.	Moody's: A2	S&P: AA	175,140
Surface Transportation Improvements Special Obligation Notes (GARVEE 2018A) - Notes maturing on or before September 1, 2033.	Moody's: A2	S&P: AA	71,605
			\$ 1,874,195

More detailed information regarding capital asset and long-term debt activity is included in Notes 7 and 8, respectively, to the financial statements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF NET POSITION
JUNE 30, 2021
(amounts expressed in thousands)

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current assets	
Cash and cash equivalents	\$ 2,006,351
Accounts receivable, net	146,587
Taxes receivable	83,184
Due from other State of West Virginia agencies	9,001
Inventories	56,935
Total current assets	2,302,058
Non-current assets	
Capital assets not being depreciated	
Land - non-infrastructure	25,730
Land - infrastructure	1,269,745
Construction in progress	1,934,663
Capital assets net of accumulated depreciation	
Land improvements	12,667
Buildings	129,602
Furniture and fixtures	599
Rolling stock	101,689
Scientific equipment	20
Shop equipment	227
Roads	3,091,322
Bridges	2,456,649
Total capital assets	9,022,913
Total assets	11,324,971
Deferred outflows of resources	
Deferred outflows of resources - pensions	64,963
Deferred outflows of resources - OPEB	15,372
Total deferred outflows of resources	80,335
Total assets and deferred outflows of resources	11,405,306
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Current liabilities	
Accounts payable	73,810
Accrued payroll and related liabilities	23,410
Due to other State of West Virginia agencies	8,428
Due to Federal Highway Administration	9,022
Accrued interest payable	10,805
Unearned revenue	2,798
Current maturities of long term obligations	96,980
Total current liabilities	225,253
Non-current liabilities	
Claims and judgments	22,893
Compensated absences	7,112
Net pension liability	83,266
Net other postemployment benefits liability	24,641
Bonds and notes	2,137,189
Total non-current liabilities	2,275,101
Total liabilities	2,500,354
Deferred inflows of resources	
Deferred inflows of resources - pension	5,566
Deferred inflows of resources - OPEB	77,528
Deferred inflows of resources - gain on refunding	6,141
Total deferred inflows of resources	89,235
Total liabilities and deferred inflows of resources	2,589,589
NET POSITION	
Net investment in capital assets	8,108,753
Restricted	
Coal Resource	885
Waste Tire	4,629
Industrial Access	3,312
Capital projects	479,001
Unrestricted	219,137
Total net position	\$ 8,815,717

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Position
		Charges for Services and Other Program Revenue	Capital Grants and Contributions	
Government activities				
Road maintenance				
Operations	\$ 475,067	\$ 86,751	\$ -	\$ (388,316)
Litter control program	3,791	-	-	(3,791)
Depreciation	12,430	-	-	(12,430)
Road construction				
Federal aid:				
Interstate highways	21,053	-	73,557	52,504
Appalachian highways	20,388	-	31,925	11,537
Other federal aid programs	80,606	-	424,113	343,507
Nonfederal aid	244,466	-	422,881	178,415
Industrial access roads	2,262	-	3,000	738
Construction on behalf of Parkways Authority	38,074	-	-	(38,074)
Depreciation	301,522	-	-	(301,522)
General and administration				
Support and administrative operations	82,611	6,802	-	(75,809)
Claims	(11,586)	-	-	11,586
Costs associated with DMV	41,209	139,638	-	98,429
Costs associated with OAH	880	-	-	(880)
Interest on long-term debt	63,631	-	-	(63,631)
Unallocated depreciation	6,509	-	-	(6,509)
	<u>\$ 1,382,913</u>	<u>\$ 233,191</u>	<u>\$ 955,476</u>	<u>(194,246)</u>
General revenues				
Taxes:				
Gasoline and motor carrier				404,425
Automobile privilege				297,116
Investment and interest income				2,297
Intergovernmental				152,340
Miscellaneous revenues				5,221
Total general revenues				<u>861,399</u>
Change in net position				667,153
Net position, beginning				<u>8,148,564</u>
Net position, ending				<u>\$ 8,815,717</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
ASSETS			
Assets			
Cash and cash equivalents	\$ 698,617	\$ 1,307,734	\$ 2,006,351
Receivables	146,587	-	146,587
Taxes receivable	83,184	-	83,184
Due from other State of West Virginia agencies	4,275	4,726	9,001
Inventories	56,935	-	56,935
Total assets	\$ 989,598	\$ 1,312,460	\$ 2,302,058
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 53,832	\$ 19,978	\$ 73,810
Accrued payroll and related liabilities	23,410	-	23,410
Due to other State of West Virginia agencies	8,428	-	8,428
Due to Federal Highway Administration	9,022	-	9,022
Unearned revenue	2,798	-	2,798
Total liabilities	97,490	19,978	117,468
Deferred Inflows of Resources			
Unavailable revenue	68,230	-	68,230
Fund balances			
Non-spendable			
Inventories	56,935	-	56,935
Restricted			
Construction and maintenance of industrial access roads	3,312	-	3,312
Construction and maintenance of coal resource roads	885	-	885
Waste tire clean up and disposal	4,629	-	4,629
Capital projects	495,769	1,292,482	1,788,251
Unassigned	262,348	-	262,348
Total fund balances	823,878	1,292,482	2,116,360
Total liabilities and fund balances	\$ 989,598	\$ 1,312,460	\$ 2,302,058

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021
(amounts expressed in thousands)

Total fund balance - governmental funds \$ 2,116,360

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

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

Capital assets not being depreciated		
Land - non-infrastructure	\$ 25,730	
Land - infrastructure	1,269,745	
Construction in progress	1,934,663	
Capital assets net of accumulated depreciation		
Land improvements	12,667	
Buildings	129,602	
Furniture and fixtures	599	
Rolling stock	101,689	
Scientific equipment	20	
Shop equipment	227	
Roads	3,091,322	
Bridges	<u>2,456,649</u>	9,022,913

Deferrals of resources related to pensions that represent a consumption of net position that applies to a future period and, therefore, is reported as a deferred outflow of resources in the statement of net position. 64,963

Deferrals of resources related to OPEB that represent a consumption of net position that applies to a future period and, therefore, is reported as a deferred outflow of resources in the statement of net position. 15,372

Receivables related to the paving settlement are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the funds. 68,230

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

Net pension liability	(83,266)	
Net other postemployment benefits liability	(24,641)	
Accrued interest payable	(10,805)	
Claims and judgments	(23,737)	
Compensated absences	(23,168)	
General obligation bonds and revenue notes	<u>(2,217,269)</u>	(2,382,886)

Deferrals of resources related to pensions and OPEB and gain on refunding that represents an acquisition of net position that applies to a future period and, therefore, are reported as deferred inflows of resources in the statement of net position. (89,235)

Net position of governmental activities \$ 8,815,717

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
Revenues			
Taxes			
Gasoline and motor carrier	\$ 404,425	\$ -	\$ 404,425
Automobile privilege	297,116	-	297,116
Industrial access roads	3,000	-	3,000
License, fees and permits			
Motor vehicle registrations and licenses	139,638	-	139,638
Special fees and permits	6,802	-	6,802
Federal aid			
Interstate highways	73,557	-	73,557
Appalachian highways	31,925	-	31,925
Other federal aid programs	376,069	-	376,069
Intergovernmental			
Parkway Authority allocation	422,881	-	422,881
State aid and other agencies	200,384	-	200,384
Investment and interest income, net of arbitrage rebate			
	282	2,014	2,296
Miscellaneous revenues	23,744	-	23,744
Total revenues	<u>1,979,823</u>	<u>2,014</u>	<u>1,981,837</u>
Expenditures			
Current			
Road maintenance			
Operations	518,220	-	518,220
Litter control program	3,897	-	3,897
Support and administrative operations	88,356	-	88,356
Division of Motor Vehicles operations	42,362	-	42,362
Office of Administration Hearings operations	905	-	905
Claims	835	-	835
Capital outlay - Road construction and other road operations			
Federal aid:			
Interstate highways	88,909	-	88,909
Appalachian highways	74,198	-	74,198
Other federal aid programs	348,577	-	348,577
Nonfederal aid	47,777	352,063	399,840
Industrial access roads	2,326	-	2,326
Debt service			
Bond issuance costs	702	-	702
Principal	70,895	-	70,895
Interest	84,451	-	84,451
Total expenditures	<u>1,372,410</u>	<u>352,063</u>	<u>1,724,473</u>
Excess (deficiency) of revenues over expenditures	607,413	(350,049)	257,364
Other financing sources (uses)			
Sale of Bonds	14,085	200,000	214,085
Premium on bonds	860	62,511	63,371
Total other sources (uses)	<u>14,945</u>	<u>262,511</u>	<u>277,456</u>
Net change in fund balances	622,358	(87,538)	534,820
Fund balances, beginning of year	<u>201,520</u>	<u>1,380,020</u>	<u>1,581,540</u>
Fund balances, end of year	<u>\$ 823,878</u>	<u>\$ 1,292,482</u>	<u>\$ 2,116,360</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

Net change in fund balance - governmental funds	\$	534,820
-------------------------------------------------	----	---------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which the capital outlays (\$522,103) exceeded depreciation (\$320,461) in the current period.		201,643
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------

In the statement of activities, only the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in the net position differs from the change in fund balance by the depreciated cost of the assets sold.		(137)
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-------

Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 position. This is the amount by which proceeds exceeded repayments.		(206,561)
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	-----------

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 change in claims and compensated absences in the current period.		10,971
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount represents revenue related to the paving settlement that is not a current financial resource.		68,230
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--------

Some expenses do not require the use of current financial resources and, therefore, are not reported in governmental funds. This is the amount of amortization of bond premium, change in interest payable, pension expense, OPEB expense, and amortization of gain on bond refunding.		<u>58,187</u>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	---------------

Change in net position of governmental activities	\$	<u><u>667,153</u></u>
---------------------------------------------------	----	-----------------------

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(BUDGETARY BASIS) - STATE ROAD (GENERAL) FUND
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues					
Taxes					
Gasoline and motor carrier	\$ 440,000	\$ -	\$ 440,000	\$ 399,542	\$ (40,458)
Automobile privilege	231,194	-	231,194	300,975	69,781
Litter Control Program	1,671	-	1,671	1,879	208
Motor vehicle registrations and licenses	169,357	-	169,357	136,484	(32,873)
Revenue transfer to Industrial Access Roads	3,000	-	3,000	3,000	-
Federal aid	467,400	-	467,400	374,420	(92,980)
Intergovernmental	-	-	-	150,000	150,000
Miscellaneous revenues	28,995	-	28,995	73,099	44,104
	<u>1,341,617</u>	<u>-</u>	<u>1,341,617</u>	<u>1,439,399</u>	<u>97,782</u>
Expenditures					
Road construction and other road operations					
Interstate highways	90,000	20,000	110,000	97,118	12,882
Appalachian highways	100,000	(10,000)	90,000	75,711	14,289
Other federal aid programs	370,000	(10,000)	360,000	351,055	8,945
Road maintenance					
Maintenance	489,933	68,067	558,000	533,689	24,311
Litter control program	1,650	-	1,650	1,012	638
Support and administrative operations					
General operations	80,000	53,000	133,000	92,701	40,299
Equipment revolving	18,000	-	18,000	(7,067)	25,067
Inventory revolving	4,000	-	4,000	(3,690)	7,690
Debt service	150,000	(36,000)	114,000	109,305	4,695
Courtesy Patrol	5,000	-	5,000	3,538	1,462
Division of Motor Vehicles operations	46,078	1,900	47,978	43,308	4,670
Office of Administrative Hearings operations	2,066	-	2,066	993	1,073
Claims - DOH and DMV	844	-	844	835	9
Industrial Access Road	3,000	-	3,000	3,000	-
	<u>1,360,571</u>	<u>86,967</u>	<u>1,447,538</u>	<u>1,301,508</u>	<u>146,030</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (18,954)</u>	<u>\$ (86,967)</u>	<u>\$ (105,921)</u>	<u>\$ 137,891</u>	<u>\$ 243,812</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(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 (GAAP) 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 changes in financial position, of only that portion of the governmental activities and each major fund of the State of West Virginia and the West Virginia Department of Transportation that is attributable to the transactions of the Division. They do not purport to, and do not present fairly the financial position of the State of West Virginia and West Virginia Department of Transportation, as of June 30, 2021, or the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Management has considered all potential component units to be included in the Division's reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. These criteria include but are not limited to the consideration of organizations for which the Division is financially accountable, or organizations for which the nature and significance of their relationship with the Division are such that exclusion would cause the Division's financial statements to be misleading or incomplete. Since no organizations meet these criteria, the Division has no component units.

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

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

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

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements, as necessary.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION -

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GOVERNMENTAL FUND FINANCIAL STATEMENTS - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered, to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. Principal revenues subject to accrual include gasoline and wholesale fuel taxes, automobile privilege taxes, federal reimbursements and other reimbursements for use of materials and services.

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

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2021, has been reported only in the government-wide financial statements.
- Division employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the Division, an employee's sick leave benefits are considered ended and no reimbursement is provided. Any employee who retires, however, may convert any unused accumulated sick leave to increase service credits for retirement purposes. Additionally, certain employees may choose to apply any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium in lieu of increasing their service credits. Those employees cannot split their unused leave between the two options.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in a debt service fund for transfer to the fiscal agent or for payment to be made early in the following year.
- Claims and judgments are recorded only when payment is due.
- Pension and other post-employment benefits expense is recorded when contributions are due in the governmental fund financial statements and recorded when incurred in the government-wide financial statements.
- Revenue from the paving contract settlement is recognized when available, either when cash proceeds are received or when credits are used during the year or within the availability period.

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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 accounted for in another fund. The State Road Fund is funded primarily by dedicated highway user taxes and fees and matching federal highway funds.
- Capital Projects Fund - This fund accounts for financial resources to be used for road construction financed by the proceeds from the sale of general obligation bonds.

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, 2021 generally 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.

The Division’s State Road (General) Fund, which includes the State Road Fund and A. James Manchin Fund, has a legislatively approved budget. However, the Capital Projects Fund, 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, 2021, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess (deficiency) of revenues over expenditures - budgetary basis	\$	137,891
Basis of accounting differences (budgetary to GAAP)		121,831
Unbudgeted funds		362,636
		362,636
Excess (deficiency) of revenues over expenditures - GAAP basis	\$	622,358

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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The STO has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The STO determines which funds to transfer to the BTI for investment in accordance with the West Virginia Code, policies set by the BTI, and provisions of bond indentures and trust agreements when applicable.

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

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

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

Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value.

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

New construction is put into construction in process until completed. At that time the projects are evaluated to determine if they meet the threshold for capitalization. The projects that don't meet the threshold for capitalization are expensed.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets are depreciated on the straight-line method over the assets' estimated useful lives. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

- Machinery and equipment: 5 - 20 years
- 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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Costs incurred to construct capital assets that will not be maintained by the Division are contributed to the state agency that will own and maintain the asset. During fiscal year 2021, \$38,074 of capital assets constructed by the Division were contributed to the West Virginia Parkways Authority and are reported as construction on behalf of Parkways Authority on the government-wide statement of activities.

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 uncollectable amounts. Governmental fund type receivables consist largely 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.

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

COMPENSATED ABSENCES - Division employees generally earn vacation and sick leave on a monthly basis. Vacation, up to specific limits, is fully vested when earned, and sick leave, while not vesting to the employee prior to retirement, can be carried over to subsequent periods. During 2008, the legislature passed a bill allowing regular full-time employees hired before July 1, 2001, having accumulated at least 65 days of sick leave, to be paid, at their option, for a portion of their unused sick leave, not to exceed the number of sick leave days that would reduce the employee's sick leave balance to less than fifty days. The employee shall be paid at a rate equal to one quarter of their usual rate of daily pay during that calendar year. Expenditures for compensated absences are recognized as incurred in the governmental fund financial statements. The government-wide financial statements present the cost of accumulated compensated absences as a liability.

POSTEMPLOYMENT BENEFITS - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 for further discussion.

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

PREMIUMS, DISCOUNTS AND ISSUANCE COSTS - In the government-wide financial statements long-term debt and other long-term obligations are presented in the columns for governmental activities. Where material, bond and note premiums and discounts are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs. 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, other than bond insurance, 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, 2021
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEFERRED OUTFLOWS OF RESOURCES/DEFERRED INFLOWS OF RESOURCES - The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Division reports \$81,321 as deferred outflows of resources related to pensions and OPEB on the statement of net position.

The statement of net position and balance sheet report a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Division reports \$90,222 as deferred inflows of resources related to pensions and OPEB and gain on the refunding of debt on the statement of net position and \$68,230 as deferred inflows of resources related to unavailable revenue associated with a paving settlement on the balance sheet (see further information on the paving settlement in Note 3).

INTERGOVERNMENTAL REVENUE - Intergovernmental revenue primarily represents 1) legally authorized appropriations under West Virginia State Code by the West Virginia Legislature (\$150,000), 2) payments on behalf related to the OPEB special funding situation described in Note 12 (\$2,340), and 3) an allocation from the Parkways Authority to be used for the construction of the Division's transportation projects located in counties adjacent to the Turnpike (\$422,881).

NET POSITION - As required by GASB Standards, the Division displays net position in the government-wide financial statements in three components: net investment in capital assets; restricted and unrestricted.

NET INVESTMENT IN CAPITAL ASSETS - This component of net position consists primarily of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

RESTRICTED NET POSITION - Restricted net position is assets whose use or availability has been restricted and the restrictions limit the Division's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Division's policy to use restricted resources first, then unrestricted resources as needed. Amounts shown as restricted on the statement of net position are restricted by debt agreements and enabling legislation.

UNRESTRICTED NET POSITION - Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." In the governmental environment, net position is often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statement of net position.

FUND BALANCES - The Division has classified in the governmental fund financial statements its fund balances in the following categories: non-spendable, restricted, committed, assigned and unassigned as applicable.

The non-spendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

The restricted fund balance classification includes amounts restricted for use to specific purposes including externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; imposed by law through constitutional provisions, or enabling legislation including legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by appropriation legislation passed by the West Virginia State Legislature, which is the highest level of decision-making authority for the State. Those committed amounts cannot be used for any other purpose unless the West Virginia State Legislature passes new legislation concerning those amounts. The Division has no committed fund balances at June 30, 2021.

Assigned fund balances are constrained by the Division's intent to use such funds for specific purposes, but are neither restricted nor committed. The specific purpose for which the funds are intended is expressed within the appropriation requests of the Division and approved by the State Budget Office, according to the West Virginia State Code. Assigned fund balances include all remaining amounts that are not classified as non-spendable and are neither restricted nor committed. The Division has no assigned fund balances at June 30, 2021.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Any negative fund balances are unassigned.

The Division's policy is to use funds in the order of the most restrictive to the least restrictive.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Division implemented GASB Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. This Statement (1) establishes specific criteria for identifying activities that should be reported as fiduciary activities; (2) clarifies whether and how business-type activities should report their fiduciary activities; (3) establishes a custodial fund classification to replace agency funds to eliminate confusion with agencies of the government; (4) provides for the recognition of liabilities only when the government is compelled to disburse the resources; and (5) requires a statement of changes in net position for all fiduciary fund classifications. The adoption of GASB Statement No. 84 did not have a significant impact on the financial statements.

The Division implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. This Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. The adoption of GASB Statement No. 89 did not have a significant impact on the financial statements.

The Division implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. This Statement removes LIBOR as an appropriate benchmark to coincide with its cessation at the end of calendar year 2021. The new guidance also addresses accounting and financial reporting implications that result from a change or replacement of any interbank offered rate (IBOR) in both hedging derivative instruments and leases. The standard also identifies appropriate benchmark interest rates for hedging derivatives. The adoption of GASB Statement No. 93 did not have a significant impact on the financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Statements Issued by the Governmental Accounting Standards Board

GASB has issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. This Statement requires lessees and lessors to report leases under a single model. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources for each lease. This Statement also requires additional notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Division has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement eliminate the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity or inconsistency. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The Division has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

GASB has issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) GASB Statement No. 87 Implementation; (2) intra-entity transfers of assets; (3) postemployment benefits; (4) government acquisitions; (5) risk financing and insurance related activities of public entity risk pools; (6) measurements and derivative instruments. The Division has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions, but are outside of the scope of Lease or Service Concession Arrangement Guidance. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will require governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The Division has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish a definition for SBITA which is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Generally, this Statement will require a government to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Statement also establishes guidance for the treatment of costs related to SBITA activities other than subscription payments. Those activities are: Preliminary Project Stage, Initial Implementation Stage, and Operation and Additional Implementation Stage. This Statement also requires a government to disclose essential information about the arrangement such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability. The Division has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, parts of which were effective immediately, while other provisions are effective for reporting periods beginning after June 15, 2021. The provisions that were immediately effective required that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan that the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform and (2) limits the applicability of the financial burden criterion in GASB Statement No. 84 to defined benefit pension plans and defined OPEB plans administered through trusts. This Statement also requires that an IRC Section 457 Plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that arrangements under IRC Section 457 should be assessed as a potential fiduciary activity under GASB Statement No. 84. As part of the supersession of GASB Statement No. 32, this Statement also requires that investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances. The portion of GASB Statement No. 97 that was effective immediately did not have a significant impact on the financial statements. The Division has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents which are carried at amortized cost, were as follows at June 30:

Cash on deposit with State Treasurer	\$ 41,413
Cash on deposit with State Treasurer in Debt Service Fund	27
Cash on deposit with State Treasurer invested in BTI	
WV Money Market Pool	644,680
Cash on deposit with State Treasurer invested in BTI	
WV Money Market Pool (Roads to Prosperity)	1,307,585
Cash on deposit with BNY Mellon Bank	2
Cash in transit	12,644
Total cash and cash equivalents	\$ 2,006,351

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

West Virginia Board of Treasury Investments (BTI) WV Money Market Pool

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. The WV Money Market Pool is subject to credit risk.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt to be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated at A-1 by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. At June 30, 2021, the WV Money Market Pool investment had a total carrying value of \$6,843,002, of which the Division's ownership represents 28.53%.

Interest Rate Risk

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (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, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 37,505	1
U.S. Treasury bills	354,997	13
Commercial paper	3,937,274	73
Negotiable certificates of deposit	951,004	65
Repurchase agreements	1,343,600	6
Money market funds	218,622	1
	<u>\$ 6,843,002</u>	52

Other Risks

Other risks can include concentration of credit risk, custodial credit risk, and foreign currency risk. The WV Money Market Pool is not exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of the WV Money Market Pool or an account's investment in a single corporate issuer. The BTI investment policy prohibits the WV Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

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

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The WV Money Market Pool does not hold interests in foreign currency or interests valued in foreign currency.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 consisted of the following:

Federal aid earned	\$ 67,289
Paving settlement	68,230
Other receivables	<u>11,388</u>
Combined total receivables	146,907
Less: allowance for uncollectibles	<u>(320)</u>
Net accounts receivable	<u>\$ 146,587</u>

Accounts receivable representing federal aid earned relate principally to the Federal Highway Administration's (FHWA) participating share of expenditures on highway projects and Federal Emergency Management Agency (FEMA) participating expenditures in response to certain disaster related projects.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 3: ACCOUNTS RECEIVABLE (Continued)

During 2021, the State of West Virginia entered into a settlement agreement with a paving vendor. As it relates to the Division, the settlement provided for \$15.7 million of cash proceeds and \$71 million in credits for use on certain construction projects. During 2021, the full \$15.7 million was received and approximately \$2.8 million of credits were used. The \$68,230 reported in accounts receivable represents the balance of credits to be used. On the fund financial statements, the Division recognizes revenue only to the extent cash is received or credits are used during the year or within the availability period. Accordingly, approximately \$18.5 million of revenue is recognized in the fund financial statements related to this activity and is included in miscellaneous revenues. On the government-wide financial statements, the full settlement amount is recognized as program revenue in the road maintenance function.

NOTE 4: TAXES RECEIVABLE

Taxes receivable at June 30, 2021 consisted of the following:

Automobile privilege taxes	\$	24,767
Motor fuel excise taxes		56,077
Registration fees		1,977
Other		363
 Total taxes receivable	 \$	 83,184

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

Amounts due from other State of West Virginia agencies at June 30, 2021 consisted of the following:

The Department of Motor Vehicles	\$	3,315
Parkways Authority		4,728
Other agencies		958
 Total amounts due from other State of West Virginia agencies	 \$	 9,001

Amounts due to other State of West Virginia agencies at June 30, 2021 consisted of the following:

Public Employee's Insurance Agency	\$	2,627
Public Employee's Retirement		2,130
Other agencies		3,671
 Total amounts due to other State of West Virginia agencies	 \$	 8,428

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 6: INVENTORIES

Inventories at June 30, 2021 consisted of the following:

Material and supplies	\$ 37,567
Equipment repair parts	16,014
Gas and lubrication supplies	<u>3,354</u>
Total inventories	<u><u>\$ 56,935</u></u>

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not being depreciated:				
Land - non infrastructure	\$ 25,166	\$ 564	\$ -	\$ 25,730
Land - infrastructure	1,244,134	25,611	-	1,269,745
Construction-in-progress - buildings	1,410	1,902	641	2,671
Construction-in-progress - land improvements	445	693	100	1,038
Construction-in-progress - roads	1,287,337	352,779	146,521	1,493,595
Construction-in-progress - bridges	<u>401,653</u>	<u>119,049</u>	<u>83,343</u>	<u>437,359</u>
Total capital assets not being depreciated	<u>2,960,145</u>	<u>500,598</u>	<u>230,605</u>	<u>3,230,138</u>
Capital assets being depreciated:				
Buildings	212,946	641	57	213,530
Furniture and fixtures	4,876	57	-	4,933
Land improvements - non infrastructure	24,864	100	-	24,964
Rolling stock	317,680	21,423	4,105	334,998
Shop equipment	3,010	26	-	3,036
Scientific equipment	2,731	-	-	2,731
Infrastructure - roads	9,561,727	146,521	-	9,708,248
Infrastructure - bridges	<u>3,496,618</u>	<u>83,343</u>	<u>-</u>	<u>3,579,961</u>
Total capital assets being depreciated	<u>13,624,452</u>	<u>252,111</u>	<u>4,162</u>	<u>13,872,401</u>
Less accumulated depreciation:				
Buildings	78,791	5,194	57	83,928
Furniture and fixtures	4,120	214	-	4,334
Land improvements - non infrastructure	11,196	1,101	-	12,297
Rolling stock	224,893	12,384	3,968	233,309
Shop equipment	2,769	40	-	2,809
Scientific equipment	2,705	6	-	2,711
Infrastructure - roads	6,385,394	231,532	-	6,616,926
Infrastructure - bridges	<u>1,053,322</u>	<u>69,990</u>	<u>-</u>	<u>1,123,312</u>
Total accumulated depreciation	<u>7,763,190</u>	<u>320,461</u>	<u>4,025</u>	<u>8,079,626</u>
Total capital assets being depreciated, net	<u>5,861,262</u>	<u>(68,350)</u>	<u>137</u>	<u>5,792,775</u>
Governmental activities capital assets, net	<u>\$ 8,821,407</u>	<u>\$ 432,248</u>	<u>\$ 230,742</u>	<u>\$ 9,022,913</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$313,952 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$6,509 unallocated depreciation expense is included as a separate line item in the statement of activities. Infrastructure depreciation is primarily related to construction type activities; depreciation of shop and rolling stock assets is primarily related to maintenance type activities; and depreciation of buildings and improvements and furniture and fixtures support all of the various activities of the Division.

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Road Maintenance	
Rolling stock	\$ 12,384
Shop equipment	40
Scientific equipment	6
Total road maintenance	<u>12,430</u>
Other Road Operations	
Infrastructure - roads	231,532
Infrastructure - bridges	69,990
Total other road operations	<u>301,522</u>
Total allocated depreciation expense	<u>313,952</u>
Unallocated	
Buildings and improvements	5,194
Furniture and fixtures	214
Land improvements	1,101
Total unallocated	<u>6,509</u>
Total depreciation expense	<u>\$ 320,461</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2021, 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	2010	4.00%	06/01/2023	\$ 21,905	\$ -	\$ 21,905	\$ -
Safe road bonds	2015	5.00%	06/01/2025	78,925	-	11,355	67,570
Roads to prosperity bonds	2018	2.00%-5.00%	06/01/2043	764,455	-	18,660	745,795
Roads to prosperity bonds	2019	5.00%	06/01/2044	600,000	-	-	600,000
Roads to prosperity bonds	2021	5.00%	06/01/2046	-	214,085	-	214,085
Total general obligation bonds				1,465,285	214,085	51,920	1,627,450
Bond premium safe road bonds				13,437	-	3,260	10,177
Bond premium roads to prosperity bonds				245,220	63,371	12,948	295,643
Total general obligation bonds payable net of premium				1,723,942	277,456	68,128	1,933,270
Revenue notes payable from federal aid revenue:							
Surface transportation improvements special notes (Garvee 2017A)	2017	5.00%	09/01/2029	190,265	-	15,125	175,140
special notes (Garvee 2018A)	2018	5.00%	09/01/2033	75,455	-	3,850	71,605
Total revenue notes payable				265,720	-	18,975	246,745
Note premium				41,424	-	4,170	37,254
Total revenue notes payable net of premium				307,144	-	23,145	283,999
Claims and judgments				36,158	2,245	14,666	23,737
Compensated absences				21,718	16,218	14,768	23,168
Net Pension liability				33,914	73,768	24,416	83,266
Net OPEB liability				91,431	10,060	76,850	24,641
Total long-term obligations				\$ 2,214,307	\$ 379,747	\$ 221,973	\$ 2,372,081

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

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

Debt service expenditures included interest of \$84,451 for the year ended June 30, 2021. 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:

	2022	2023	2024	2025	2026	2027- 2031	2032- 2036	2037- 2041	2042- 2046	Total
General obligation bonds payable from tax revenue:										
Safe road bonds	\$ 15,300	\$ 15,303	\$ 23,196	\$ 23,193	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,992
Roads to prosperity bonds	102,854	118,188	113,152	115,595	115,606	578,029	578,018	578,007	321,197	2,620,646
Less: interest	80,043	78,015	75,329	72,194	68,836	306,304	230,418	133,177	25,872	1,070,188
Total principal	38,111	55,476	61,019	66,594	46,770	271,725	347,600	444,830	295,325	1,627,450
Bond Premium	17,869	17,869	17,869	17,653	15,271	76,356	76,356	41,486	25,091	305,820
Total principal and bond premium	\$ 55,980	\$ 73,345	\$ 78,888	\$ 84,247	\$ 62,041	\$ 348,081	\$ 423,956	\$ 486,316	\$ 320,416	\$ 1,933,270
Revenue notes payable due from federal aid revenue:										
Surface transportation special obligation notes	\$ 31,769	\$ 31,738	\$ 31,711	\$ 31,690	\$ 31,658	\$ 133,775	\$ 22,350	\$ -	\$ -	\$ 314,691
Less: interest	11,839	10,818	9,746	8,620	7,438	17,895	1,590	-	-	67,946
Total principal	19,930	20,920	21,965	23,070	24,220	115,880	20,760	-	-	246,745
Note premium	4,170	4,170	4,170	4,170	4,170	14,671	1,733	-	-	37,254
Total principal and note premium	\$ 24,100	\$ 25,090	\$ 26,135	\$ 27,240	\$ 28,390	\$ 130,551	\$ 22,493	\$ -	\$ -	\$ 283,999

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

General Obligation Bonds

The State was authorized by constitutional amendment to issue general obligation bonds to fund highway and road construction projects known as Safe Road Bonds and subsequent General Obligation State Road Refunding Bonds.

The Division issued on behalf of the State of West Virginia, \$35,135 in General Obligation State Road Refunding Bonds, Series 2010A on July 22, 2010, resulting in proceeds of \$38,048. This bond issue refunded the Series 1998 and Series 2001 General Obligation State Road Bonds with cumulative outstanding principal of \$37,730. During 2021, these bonds were refunded with the issuance of General Obligation State Road Refunding Bonds, Series 2021B.

The Division issued on behalf of the State of West Virginia, \$133,710 in General Obligation Refunding Bonds, Series 2015A on April 28, 2015, resulting in proceeds of \$159,908. This series refunded Series 2005A General Obligation State Road Bonds with cumulative outstanding principal of \$159,300.

The State was authorized by constitutional amendment to issue general obligation bonds to fund highway and road construction projects known as Road to Prosperity Bonds and subsequent General Obligation State Road Refunding Bonds. Bonds of \$800,000 were issued during June of 2018, resulting in proceeds of \$913,435. Bonds of \$600,000 were issued during December of 2019, resulting in proceeds of \$746,576. Bonds of \$214,085 were issued in 2021, resulting in proceeds of \$277,455. Included in this 2021 issuance is \$14,085 of refunding bonds. This transaction refunded \$14,890 of 2010A bonds, which resulted in a cash flow savings of approximately \$819 and an economic gain of \$676.

General obligation bonds are secured by pledged receipts of annual tax revenue.

Revenue Notes

The State was authorized by constitutional amendment to issue \$500,000 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 \$219,985 were issued during October 2017, resulting in proceeds of \$259,867. GARVEE Notes of \$78,810 were issued on August 1, 2018, resulting in proceeds of \$90,870.

In 2016, GARVEE Notes of \$53,380 were defeased due to the cancelation of the related project. At June 30, 2021, \$19,270 of the defeased debt remained outstanding.

GARVEE Notes are secured by pledged receipts of eligible FHWA funds received by the Division, representing reimbursement of the costs incurred in connection with the federal-aid projects financed by the GARVEE notes.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

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

	Compensated Absences	Claims and Judgments	Net Pension Liability	Net OPEB Liability	General Obligation Bonds and Revenue Notes and Premium	Total
Current liabilities	\$ 16,056	\$ 844	\$ -	\$ -	\$ 80,080	\$ 96,980
Long-term liabilities	<u>7,112</u>	<u>22,893</u>	<u>83,266</u>	<u>24,641</u>	<u>2,137,189</u>	<u>2,275,101</u>
Totals	<u>\$ 23,168</u>	<u>\$ 23,737</u>	<u>\$ 83,266</u>	<u>\$ 24,641</u>	<u>\$ 2,217,269</u>	<u>\$ 2,372,081</u>

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

	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019
Estimated claims liability, July 1	\$ 36,158	\$ 21,843	\$ 12,961
Additions for claims incurred during the year	2,245	2,609	4,250
Changes in estimates for claims of prior periods	(13,831)	14,309	5,040
Payments on claims	<u>(835)</u>	<u>(2,603)</u>	<u>(408)</u>
Estimated claims liability, June 30	<u>\$ 23,737</u>	<u>\$ 36,158</u>	<u>\$ 21,843</u>

At June 30, 2021, approximately \$58 million of claims were pending against the Division in the West Virginia Court of Claims. Related to these claims, the Division has an estimated obligation of \$23,737 (\$19,237 of tort claims and \$4,500 in environmental claims) recorded in the government-wide Statement of Net Position, based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Such claims will be recognized primarily as expenditures of the State Road Fund if, and when, they are approved for payment by the Legislature in accordance with legal statutes. Also included in claims are claims that have been settled in the court of claims and approved for payment through legislative action. These amounts total approximately \$843. 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.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 9: RELATED PARTY TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

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

The Division leases from the Department of Administration substantially all of State Office Building No. 5, which is owned by the State Building Commission. The Division may be released from its obligation only at the option of the lessor. The Division is obligated under the operating leases, which expire June 30, 2024, for rental payments of approximately \$2.3 million annually.

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, 2021, the Division incurred payroll related expenditures of approximately \$35,233 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency, approximately \$24,961 in employer matching contributions to the State Public Employees Retirement System and approximately \$10,333 for employee OPEB benefits provided by the West Virginia Retiree Health Benefits Trust Fund.

NOTE 10: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$1,470,363 at June 30, 2021.

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 Division reports a liability related to costs incurred on federally funded projects outside of project end dates. These amounts may be re-appropriated to other Federal Highway Administration grants. The Division expects other 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, 2021, there were approximately 126 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 material adverse effect on the financial position of the Division.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN

Plan Description

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

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 10.0% for the years ended June 30, 2021, 2020, and 2019. The contribution rate for fiscal year 2022 remained at 10.0%. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively.

During the years ended June 30, 2021, 2020, and 2019, the Division's contributions to PERS required and made were approximately \$24,961, \$25,368, and \$23,167, respectively.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

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

At June 30, 2021, the Division reported a liability of \$83,266 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The Division's proportion of the net pension liability was based on a projection of the Division's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Division's proportionate share was 15.75%, which was a decrease of 0.02% from its proportionate share measured as of June 30, 2019.

For the year ended June 30, 2021, the Division recognized pension expense of \$21,155. At June 30, 2021, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ 26,391	\$ -
Deferred difference in assumptions	-	3,669
Changes in proportion and differences between Division contributions and proportionate share of contributions	1,358	180
Division contributions made subsequent to the measurement date of June 30, 2020	24,961	-
Differences between expected and actual experience	12,253	1,717
Total	<u>\$ 64,963</u>	<u>\$ 5,566</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

The amount reported as deferred outflows of resources related to pensions of \$24,961 resulting from Division contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2022	\$ (2,015)
2023	14,243
2024	12,728
2025	9,480
	<u>\$ 34,436</u>

Actuarial Assumptions and Methods

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0%
Salary increases	3.1 - 6.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 for active members; 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy males; 122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy females, 118% of Pub-2010 General/Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 for disabled males, and 117% of Pub-2010 General/Teachers Disabled Female table, headcount weighted, projected generationally with scale MP-2018 for disabled females.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

Long-term Expected Rates of Return

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

June 30, 2020			
Asset Class	Long-term Expected Real Rate of Return	Target Allocation	Weighted Average Expected Real Rate of Return
Domestic equity	5.5%	27.5%	1.60%
International equity	7.0%	27.5%	2.12%
Fixed income	2.2%	15.0%	0.50%
Real estate	6.6%	10.0%	0.61%
Private equity	8.5%	10.0%	0.88%
Hedge funds	4.0%	10.0%	0.44%
		100.0%	6.15%
Total			2.00%
Inflation (CPI)			8.15%

Discount Rate

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

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

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
The Division's proportionate share of the net pension liability (asset)	<u>\$ 212,152</u>	<u>\$ 83,266</u>	<u>\$ (25,709)</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com.

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS

The following are the Division's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2021:

Net OPEB liability	\$	24,641
Deferred outflows of resources		15,372
Deferred inflows of resources		77,528
Revenues (payments on behalf)		2,340
OPEB expense		(21,304)
Contributions made by the Division		10,333

Plan Description

The West Virginia Other Postemployment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with the approval of the PEIA Finance Board. The plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (CPRB). The plan is closed to new entrants.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained at www.peia.wv.gov.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

Contributions

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2020 were:

	July 2019-June 2020
Paygo premium	\$ 168

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired after July 1, 1997 or hired before June 30, 2010 pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

The Division's contributions to the OPEB plan for the years ended June 30, 2021, 2020, and 2019, were \$10,333, \$10,783, and \$11,354, respectively.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Special Funding

The State of West Virginia is a non-employer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

Assumptions

The June 30, 2021 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2020. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Inflation rate: 2.25%.
- Wage inflation rate: 2.75%.
- Investment rate of return: 6.65%, net of OPEB plan investment expense, including inflation.
- Asset valuation method: Investments are reported at fair value.
- Actuarial cost method: Entry age normal cost method.
- Amortization method: Level percentage of payroll over a 20-year closed period beginning June 30, 2017.
- Projected salary increases: Specific to the OPEB covered group ranging from 2.75-5.18%, including inflation.
- Retirement age: Experience-based table of rates that are specific to the type of eligibility condition.
- Aging factors: Based on the 2013 SOA Study "Health Care Costs – From Birth to Death".
- Mortality rates: Post retirement based on Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females. Pre-Retirement based on Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019.
- Healthcare cost trend rates: Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2015 to June 30, 2020. These assumptions will remain in effect for valuation purposes until such time as the RHBT adopts revised assumptions.

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2018. The net effect of assumption changes to the State OPEB plan was approximately \$1,147 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate \$118 million decrease due to demographic experience, a \$279 million decrease due to a change in demographic and OPEB valuation assumptions, and an \$831 million decrease due to a change in healthcare-related assumptions, as well as an approximate \$82 million increase due to a change in discount rate from 7.15% to 6.65%. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation and any estimate of future postemployment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, changes in the investment rate of return, and other matters increase the level of uncertainty in such estimates. As such, the estimate of postemployment program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated net OPEB liability.

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 2.50% for assets invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and future forecast returns were provided by the plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	55.0%	6.8%
Core plus fixed income	15.0%	4.1%
Core real estate	10.0%	6.1%
Hedge fund	10.0%	4.4%
Private equity	10.0%	8.8%

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

Single discount rate - A single discount rate of 6.65% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability changed from 7.15% for the June 30, 2018 valuation to 6.65% for the June 30, 2020 valuation.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2021 calculated using the discount rate of 6.65%, as well as what the Division's proportionate net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate.

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Net OPEB liability	\$ <u>35,141</u>	\$ <u>24,641</u>	\$ <u>15,850</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the Division's proportionate share of the net OPEB liability as of June 30, 2021 calculated using the healthcare cost trend rate, as well as what the Division's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	\$ <u>14,827</u>	\$ <u>24,641</u>	\$ <u>36,495</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The June 30, 2021 net OPEB liability was measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2020.

At June 30, 2021, the Division's proportionate share of the net OPEB liability was \$30,090. Of this amount, the Division recognized \$24,641 as its proportionate share on the statement of net position. The remainder of \$5,449 denotes the Division's proportionate share of net OPEB liability attributable to the special funding.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2021
 (amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2020 and 2019. Employer contributions are recognized when due. At the June 30, 2020 measurement date, the Division's proportion was 5.58%, an increase of 0.07% from its proportion of 5.51% calculated as of June 30, 2019.

For the year ended June 30, 2021, the Division recognized OPEB expense of (\$21,304). Of this amount, (\$23,644) was recognized as the Division's proportionate share of OPEB expense and \$2,340 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity.

At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 15,977
Changes in proportion and difference between employer contributions and proportionate share of contributions	3,169	4,455
Reallocation of opt-out employer change in proportionate share	-	1,476
Change in assumptions	-	55,620
Net difference between projected and actual investment earnings	1,870	-
Contributions after the measurement date	10,333	-
Total	\$ 15,372	\$ 77,528

The Division will recognize the \$10,333 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30,	Amortization
2022	\$ (31,883)
2023	(25,072)
2024	(16,112)
2025	578
	\$ (72,489)

Payables to the OPEB Plan

The Division reported \$600 as payable for normal contributions to the OPEB plan as of June 30, 2021.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021
(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 10, amounts of settlements have not exceeded insurance coverage in the past three years. The Division has evaluated this potential risk of loss as discussed in Note 8.

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.

Workers compensation coverage to all West Virginia state agencies is provided through the West Virginia State Insurance Commission who in turn purchases the workers' compensation coverage from commercial insurers on behalf of all West Virginia state agencies. Nearly every employer in the state who has a payroll must have coverage.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 JUNE 30, 2021

	Last 10 Fiscal Years*									
	(in Thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Government's proportion of the net pension liability (asset) (percentage)	15.75%	15.77%	15.18%	14.98%	15.20%	14.54%	14.48%			
Government's proportionate share of the net pension liability (asset)	\$ 83,266	\$ 33,914	\$ 39,215	\$ 64,651	\$ 139,665	\$ 81,197	\$ 53,405			
Government's covered payroll	\$ 253,680	\$ 231,670	\$ 206,445	\$ 207,108	\$ 209,422	\$ 198,305	\$ 193,990			
Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32.82%	14.64%	19.00%	31.22%	66.69%	40.95%	27.53%			
Plan fiduciary net position as a percentage of the total pension liability	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%			

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
JUNE 30, 2021

Last 10 Fiscal Years
(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 24,961	\$ 25,368	\$ 23,167	\$ 22,709	\$ 24,853	\$ 28,272	\$ 27,693	\$ 28,128	\$ 27,797	
Contributions in relation to the statutorily required contribution	<u>(24,961)</u>	<u>(25,368)</u>	<u>(23,167)</u>	<u>(22,709)</u>	<u>(24,853)</u>	<u>(28,272)</u>	<u>(27,693)</u>	<u>(28,128)</u>	<u>(27,797)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Government's covered payroll	\$ 249,610	\$ 253,680	\$ 231,670	\$ 206,445	\$ 207,108	\$ 209,422	\$ 198,305	\$ 193,990	\$ 198,552	
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%	

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2021

	Last 10 Fiscal Years*									
	(in Thousands)									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Government's proportion of the net OPEB liability (asset) (percentage)	5.58%	5.51%	5.46%	5.30%						
Government's proportionate share of the net OPEB liability (asset)	\$ 24,641	\$ 91,431	\$ 117,167	\$ 130,248						
State's proportionate share of the net OPEB liability (asset)	5,449	18,711	24,215	26,753						
Total proportionate share of the net OPEB liability (asset)	<u>\$ 30,090</u>	<u>\$ 110,142</u>	<u>\$ 141,382</u>	<u>\$ 157,001</u>						
Government's payroll (1)	\$ 190,954	\$ 223,350	\$ 199,967	\$ 195,322						
Government's proportionate share of the net OPEB liability (asset) as a percentage of its payroll (1)	12.90%	40.94%	58.59%	66.68%						
Plan fiduciary net position as a percentage of the total OPEB liability	73.49%	39.69%	30.98%	25.10%						

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

(1) Covered payroll related to the OPEB plan was unavailable, therefore, total payroll for the government was used.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
 DIVISION OF HIGHWAYS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF OPEB CONTRIBUTIONS
 JUNE 30, 2021

Last 10 Fiscal Years*
 (In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 10,333	\$ 10,783	\$ 11,354	\$ 11,159	\$ 10,880					
Contributions in relation to the statutorily required contribution	\$ (10,333)	\$ (10,783)	\$ (11,354)	\$ (11,159)	\$ (10,880)					
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -					
Government's payroll (1)	\$ 239,341	\$ 190,954	\$ 223,350	\$ 199,967	\$ 195,322					
Contributions as a percentage of payroll (1)	4.32%	5.65%	5.08%	5.58%	5.57%					

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government should present information for those years for which information is available.

(1) Covered payroll related to the OPEB plan was unavailable, therefore, total payroll for the government was used.

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

Changes in Assumptions

An experience study, which was based on the years 2013 through 2018, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2020 to reflect the most recent experience study:

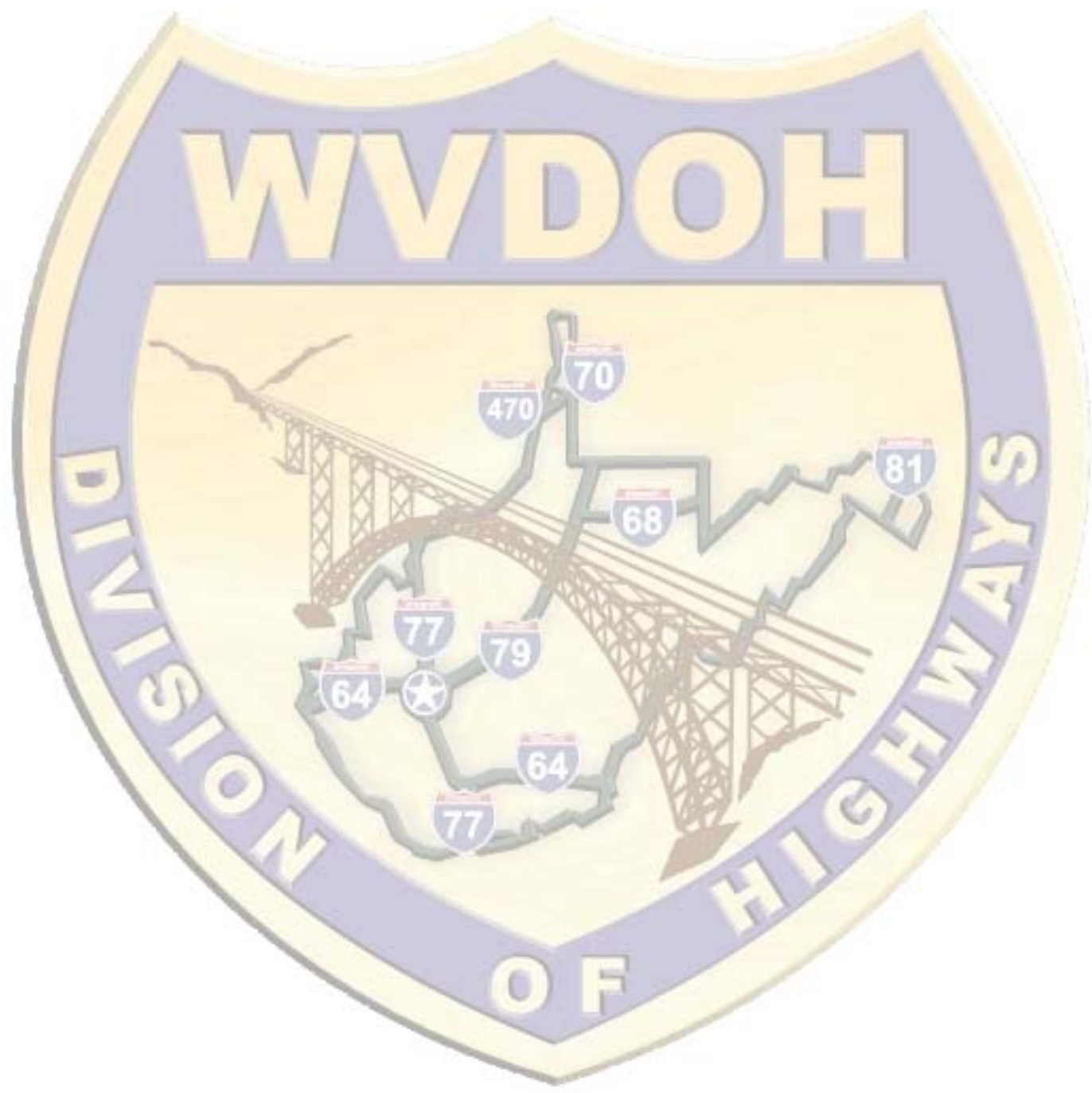
	Projected Salary Increases		Inflation rate	Mortality Rates		Withdrawal Rates		Disability Rate:
	State	Nonstate		State	Nonstate	State	Nonstate	
2020	3.1% - 5.3%	3.35% - 6.5%	3.00%	Active-100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018; Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected with scale MP-2018; Disabled females-117% of Pub-2010 General / Disabled Teachers Disabled Female table, headcount weighted, projected with scale MP-2018	2.28-45.63%	2-35.88%	0.005-0.540%	
2019	3.1% - 5.3%	3.35% - 6.0%	3.00%	Active-100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018; Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018; Disabled females-118% of Pub-2010 General / Disabled Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	2.28-45.63%	2-35.88%	0.005-0.540%	
2018	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-675%	
2017	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-675%	
2016	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-675%	
2015	3.00% - 4.6%	3.35% - 6.0%	1.90%	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	1.75-35.1%	2-35.88%	0-675%	
2014	4.25% - 6.0%	4.25% - 6.0%	2.20%	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7	1-26%	2-31.2%	0-.8%	

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION
DIVISION OF HIGHWAYS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

Actuarial Changes Other Postemployment Benefits Plan

The actuarial assumptions used in the total OPEB liability calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
2020	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females; Pre-Retirement: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
2019	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020, 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
2018	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
2017	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.



WVDOH

DIVISION

HIGHWAYS

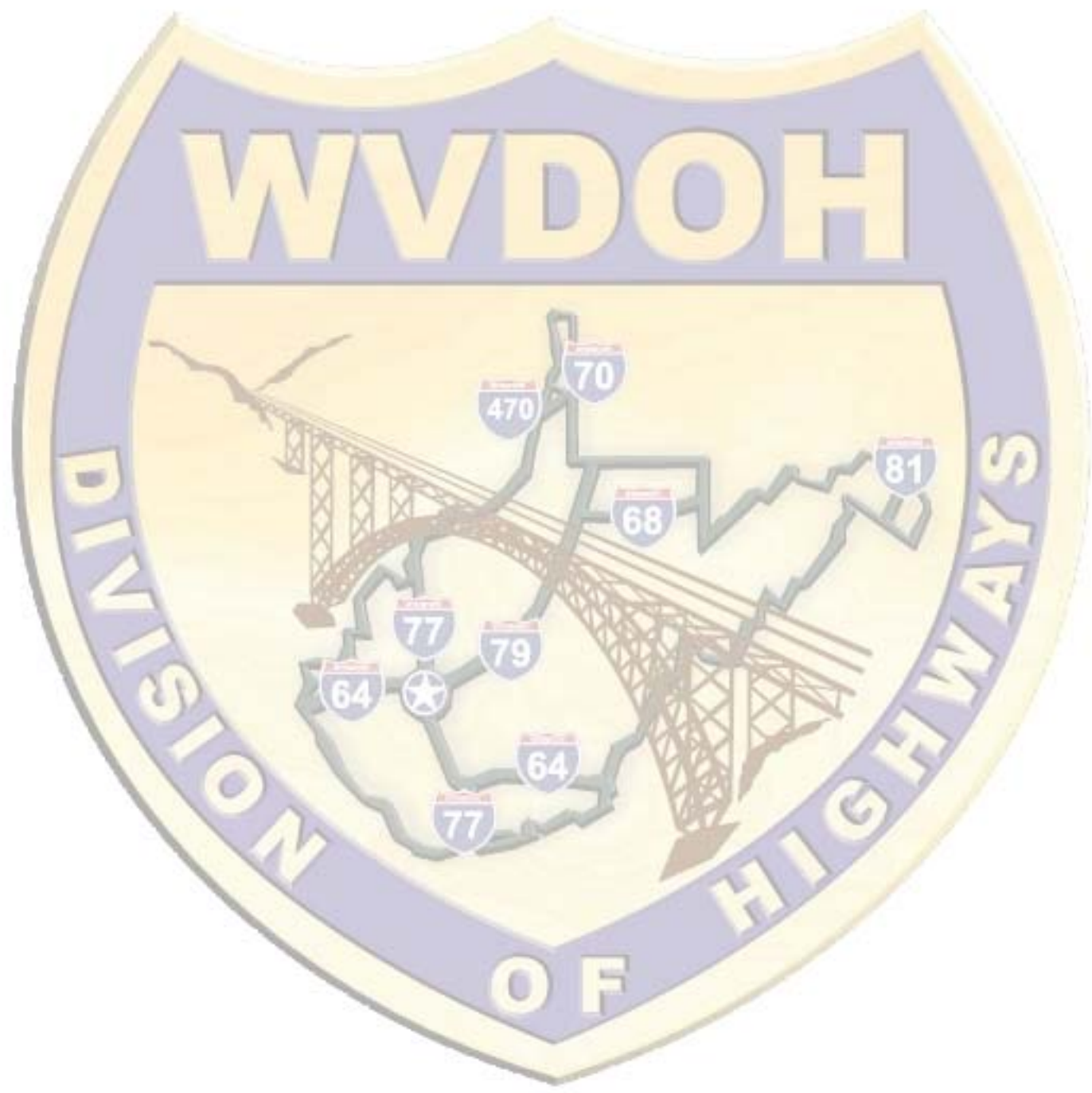
OF

Statistical Section

West Virginia Department of Transportation

Division of Highways





Statistical Section Narrative and Table of Contents

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

Net Position by Component	74
Changes in Net Position	76
Changes in Fund Balances of Governmental Funds	78
Fund Balances, Governmental Funds	80

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	82
Fuel and Privilege Tax Rates	83

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	84
------------------------------------	----

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	85
Principal Employers	86

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

Employees by Program	88
Highway Construction and Improvement, Total Projects Authorized	90
Highway Construction and Improvement, Total Projects Authorized by Type	91
Roadway Projects – System Expansion Only	92
Roadway Resurfacing Projects	93
Total Highway Mileage by Category	94

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

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

	Fiscal Year			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Governmental Activities				
Net investment in capital assets	\$ 8,108,753	\$ 8,195,263	\$ 8,095,231	\$ 7,832,625
Restricted	487,827	109,560	188,310	19,285
Unrestricted	219,137	(156,259)	96,572	220,991
Total governmental activities net position	<u>\$ 8,815,717</u>	<u>\$ 8,148,564</u>	<u>\$ 8,380,113</u>	<u>\$ 8,072,901</u>

The adoption of GASB 68 in fiscal year 2015 resulted in a (\$107,221) cumulative effect adjustment to unrestricted net position.

The adoption of GASB 75 in fiscal year 2018 resulted in a \$2,626 cumulative effect adjustment to unrestricted net position.

Fiscal Year

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 7,967,600	\$ 7,969,214	\$ 7,911,050	\$ 7,868,183	\$ 7,871,718	\$ 7,712,955
12,737	12,031	12,968	14,224	11,077	17,350
(4,164)	(106,540)	(90,098)	59,515	3,189	(25,347)
<u>\$ 7,976,173</u>	<u>\$ 7,874,705</u>	<u>\$ 7,833,920</u>	<u>\$ 7,941,922</u>	<u>\$ 7,885,984</u>	<u>\$ 7,704,958</u>

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

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

	Fiscal Year			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues				
Governmental activities:				
General Revenues				
Motor fuel excise tax	\$ 404,425	\$ 410,901	\$ 444,575	\$ 443,273
Automobile privilege tax	297,116	270,001	237,756	231,522
Investment and interest income	2,297	23,693	33,046	6,169
Payments from primary government	575,221	5,543	112,603	8,213
Miscellaneous revenues	5,221	13,271	38,820	18,364
(Loss) gain on sale of assets	-	-	-	-
Total General Revenues	<u>1,284,280</u>	<u>723,409</u>	<u>866,800</u>	<u>707,541</u>
Program Revenues				
Capital grants and contributions:				
Federal aid	529,595	322,585	647,747	371,199
Industrial access roads	3,000	3,000	3,000	3,000
Charges for services:				
Motor vehicle registration fees	139,638	116,251	169,078	149,222
Special fees and permits	6,802	7,997	8,385	6,687
Other program revenue	86,751	-	-	-
Total Program Revenues	<u>765,786</u>	<u>449,833</u>	<u>828,210</u>	<u>530,108</u>
Total governmental revenues	<u>2,050,066</u>	<u>1,173,242</u>	<u>1,695,010</u>	<u>1,237,649</u>
Expenses				
Governmental activities:				
Road maintenance				
Operations	475,067	566,052	568,232	447,700
Litter control program	3,791	4,387	3,250	4,603
Depreciation	12,430	10,176	9,837	11,034
Road construction				
Federal aid:				
Interstate highways	21,053	27,599	167,796	75,911
Appalachian highways	20,388	5,268	3,317	8,340
Other federal aid programs	80,606	202,765	172,504	192,506
Nonfederal aid	244,466	-	-	-
Industrial Access Roads	2,262	3,167	1,094	1,005
Construction on behalf of Parkways Authority	38,074	35,421	-	-
Depreciation	301,522	303,820	302,645	303,174
General and administration				
Support and administrative operations	82,611	124,707	60,383	55,963
Claims	(11,586)	16,918	9,284	(15,963)
Costs associated with DMV	41,209	39,613	37,173	37,722
Costs associated with OAH	880	1,512	1,457	1,407
Interest on long-term debt	63,631	57,459	45,352	14,422
Unallocated depreciation	6,509	5,927	5,474	5,723
Transfer out	-	-	-	-
Total governmental expenses	<u>1,382,913</u>	<u>1,404,791</u>	<u>1,387,798</u>	<u>1,143,547</u>
Change in net position	667,153	(231,549)	307,212	94,102
Effect of adoption of accounting principle	-	-	-	2,626
Net position, beginning	8,148,564	8,380,113	8,072,901	7,976,173
Net position, ending	<u>\$ 8,815,717</u>	<u>\$ 8,148,564</u>	<u>\$ 8,380,113</u>	<u>\$ 8,072,901</u>

							Fiscal Year					
<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>		
\$	389,753	\$	404,321	\$	432,642	\$	433,252	\$	417,571	\$	408,571	
	203,405		201,082		204,994		195,737		188,197		186,300	
	987		420		156		98		87		209	
	11,285		12,492		9,480		11,951		11,340		28,078	
	26,346		38,253		35,738		31,629		36,351		34,695	
	-		1,608		1,302		(78)		985		2,149	
	<u>631,776</u>		<u>658,176</u>		<u>684,312</u>		<u>672,589</u>		<u>654,531</u>		<u>660,002</u>	
	505,313		460,870		350,133		451,710		462,329		497,814	
	3,000		3,000		3,000		3,000		3,000		3,000	
	104,923		89,560		96,294		96,983		90,062		89,741	
	5,576		5,530		6,681		6,333		7,676		8,380	
	-		-		-		-		-		-	
	<u>618,812</u>		<u>558,960</u>		<u>456,108</u>		<u>558,026</u>		<u>563,067</u>		<u>598,935</u>	
	<u>1,250,588</u>		<u>1,217,136</u>		<u>1,140,420</u>		<u>1,230,615</u>		<u>1,217,598</u>		<u>1,258,937</u>	
	394,587		420,177		417,237		416,982		429,471		479,359	
	4,138		5,674		555		555		1,880		1,682	
	14,235		16,945		19,111		20,852		21,037		19,564	
	52,200		77,180		61,373		91,832		26,404		105,899	
	18,796		22,785		12,607		24,586		714		51,584	
	292,281		248,861		167,057		193,458		159,235		212,896	
	-		-		-		-		-		-	
	1,573		730		2,719		2,055		2,651		1,583	
	-		-		-		-		-		-	
	299,992		299,760		306,030		304,103		300,195		290,728	
	57,053		48,170		45,485		49,484		34,179		81,441	
	(36,732)		(10,212)		56,901		4,307		2,147		6,540	
	38,574		36,148		35,943		36,066		36,702		33,838	
	1,479		1,533		1,538		1,607		1,793		1,578	
	5,087		3,473		9,446		11,780		15,728		17,136	
	5,857		5,127		5,199		5,405		4,436		3,751	
	-		-		-		11,605		-		-	
	<u>1,149,120</u>		<u>1,176,351</u>		<u>1,141,201</u>		<u>1,174,677</u>		<u>1,036,572</u>		<u>1,307,579</u>	
	101,468		40,785		(781)		55,938		181,026		(48,642)	
	-		-		(107,221)		-		-		-	
	<u>7,874,705</u>		<u>7,833,920</u>		<u>7,941,922</u>		<u>7,885,984</u>		<u>7,704,958</u>		<u>7,753,600</u>	
\$	<u>7,976,173</u>	\$	<u>7,874,705</u>	\$	<u>7,833,920</u>	\$	<u>7,941,922</u>	\$	<u>7,885,984</u>	\$	<u>7,704,958</u>	

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

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years**

(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year			
	2021	2020	2019	2018
Revenues				
Taxes				
Gasoline and motor carrier	\$ 404,425	\$ 410,901	\$ 444,575	\$ 443,273
Automobile privilege	297,116	270,001	237,756	231,522
Industrial access roads	3,000	3,000	3,000	3,000
License, fees and permits				
Motor vehicle registrations and licenses	139,638	116,251	169,078	149,222
Special fees and permits	6,802	7,997	8,385	6,687
Federal aid				
Interstate highways	73,557	79,544	76,520	46,157
Appalachian highways	31,925	95,742	154,170	56,161
Other federal aid programs	424,113	147,299	245,057	268,881
Investment and interest income, net of arbitrage rebate	2,296	23,693	33,046	6,169
Intergovernmental	575,221	5,543	284,603	8,213
Miscellaneous revenues	23,744	13,271	38,820	17,548
Total Revenues	<u>1,981,837</u>	<u>1,173,242</u>	<u>1,695,010</u>	<u>1,236,833</u>
Expenditures				
Current				
Road maintenance				
Operations	518,220	652,740	597,912	475,368
Litter control program	3,897	4,463	3,323	4,604
Support and administrative operations	88,356	134,447	91,676	81,765
Division of Motor Vehicles operations	42,362	40,305	37,907	37,722
Office of Administrative Hearings operations	905	1,538	1,486	1,407
Claims	835	2,603	401	556
Capital outlay and other road operations				
Road construction and other road operations				
Interstate highways	88,909	331,594	274,871	102,773
Appalachian highways	74,198	72,446	76,551	86,001
Other federal aid programs	348,577	503,076	451,568	411,885
Nonfederal aid	399,840	-	-	-
Industrial access roads	2,326	3,222	1,119	1,005
Debt service				
Bond issuance costs	702	2,343	443	1,963
Principal	70,895	53,175	49,790	15,985
Interest	84,451	70,605	57,659	12,360
Defeasance of debt	-	-	-	59,336
Total Expenditures	<u>1,724,473</u>	<u>1,872,557</u>	<u>1,644,706</u>	<u>1,292,730</u>
Excess (deficiency) of revenues over expenditures	257,364	(699,315)	50,304	(55,897)
Other financing sources (uses)				
Transfers out	-	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Sale of bonds	214,085	600,000	78,810	1,019,985
Premium on bonds	63,371	146,576	12,060	153,317
Proceeds from sale of assets	-	-	1,515	1,635
Total other financing sources (uses)	<u>277,456</u>	<u>746,576</u>	<u>92,385</u>	<u>1,174,937</u>
Prior period adjustment	-	-	-	152,729
Net change in fund balance	<u>\$ 534,820</u>	<u>\$ 47,261</u>	<u>\$ 142,689</u>	<u>\$1,271,769</u>
Debt Service as a percentage of noncapital expenditures	13%	11%	9%	9%

Four expenditure classifications (Expressway, trunkline & feeder & SLS, Contract paving & secondary roads, Small bridge repair & replacement, Non federal aid improvements) shown prior to fiscal year 2020 have merged as one called Operations.

Fiscal Year						
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$	389,753	\$ 404,321	\$ 432,642	\$ 433,252	\$ 417,571	\$ 408,571
	203,405	201,082	204,993	195,737	188,197	186,300
	3,000	3,000	3,000	3,000	3,000	3,000
	104,923	89,560	96,294	96,983	90,062	89,741
	5,576	5,530	6,681	6,333	7,676	8,380
	54,484	98,180	61,162	93,593	90,213	109,422
	88,782	39,843	44,625	56,501	49,451	82,989
	362,047	322,847	244,346	301,616	322,665	305,403
	987	420	156	98	87	209
	11,285	12,492	9,480	11,951	11,340	28,078
	26,346	38,253	35,738	31,629	36,351	34,695
	<u>1,250,588</u>	<u>1,215,528</u>	<u>1,139,117</u>	<u>1,230,693</u>	<u>1,216,613</u>	<u>1,256,788</u>
	420,158	446,654	455,411	425,692	445,572	506,661
	4,140	5,676	556	555	1,880	1,682
	59,019	75,468	73,957	80,273	76,203	112,652
	38,574	37,437	37,550	36,066	36,702	33,838
	1,479	1,626	1,673	1,607	1,793	1,578
	971	710	607	744	2,092	2,327
	71,261	107,837	85,274	109,529	108,503	129,221
	127,751	76,651	62,526	73,637	68,957	108,798
	495,221	476,115	365,263	363,658	396,979	387,429
	1,573	730	2,719	2,055	2,651	1,583
	1	1	613	1	4	3
	15,225	29,335	51,740	49,315	48,600	57,290
	8,479	9,360	12,499	14,961	17,349	20,078
	-	-	-	-	-	-
	<u>1,243,852</u>	<u>1,267,600</u>	<u>1,150,388</u>	<u>1,158,093</u>	<u>1,207,285</u>	<u>1,363,140</u>
	6,736	(52,072)	(11,271)	72,600	9,328	(106,352)
	-	-	-	(11,605)	-	-
	-	-	133,710	-	-	-
	-	-	26,198	-	-	-
	-	-	(159,300)	-	-	-
	57,803	-	-	-	-	-
	-	-	-	-	-	-
	1,222	2,304	1,658	1,734	1,185	2,446
	<u>59,025</u>	<u>2,304</u>	<u>2,266</u>	<u>(9,871)</u>	<u>1,185</u>	<u>2,446</u>
	-	-	-	-	-	-
\$	<u>65,761</u>	<u>\$ (49,768)</u>	<u>\$ (9,005)</u>	<u>\$ 62,729</u>	<u>\$ 10,513</u>	<u>\$ (103,906)</u>
	3%	4%	8%	7%	6%	7%

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





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

	Fiscal Year		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Fund			
Nonspendable			
Inventories	\$ 56,935	\$ 59,472	\$ 53,333
Restricted			
Construction and maintenance of coal resource roads	885	2,638	4,736
Construction and maintenance of industrial access roads	3,312	184	11,130
Waste tire clean-up	4,629	2,978	7,245
Capital projects	495,769	136,357	289,169
Unassigned	262,348	(109)	263,708
Reserved for inventories	-	-	-
Unreserved	-	-	-
Total General Fund	<u>823,878</u>	<u>201,520</u>	<u>629,321</u>
All Other Governmental Funds			
Restricted, capital projects fund	1,292,482	1,380,020	904,958
Reserved, capital projects fund	-	-	-
Total all funds	<u>\$ 2,116,360</u>	<u>\$ 1,581,540</u>	<u>\$ 1,534,279</u>

									Fiscal Year																		
									<u>2018</u>			<u>2017</u>			<u>2016</u>			<u>2015</u>			<u>2014</u>			<u>2013</u>			<u>2012</u>
\$	47,060	\$	51,145	\$	48,113	\$	46,984	\$	36,087	\$	42,950	\$	45,765														
	2,598		1,141		3,710		4,584		7,786		2,189		4,739														
	9,099		7,104		5,676		4,039		3,758		6,283		10,240														
	5,853		4,492		2,645		4,345		2,680		2,605		2,371														
	-		-		-		-		-		-		-														
	412,253		55,939		(6,084)		43,876		62,522		(3,923)		(23,524)														
	-		-		-		-		-		-		-														
	-		-		-		-		-		-		-														
	476,863		119,821		54,060		103,828		112,833		50,104		39,591														
	914,727		-		-		-		-		-		-														
	-		-		-		-		-		-		-														
\$	1,391,590	\$	119,821	\$	54,060	\$	103,828	\$	112,833	\$	50,104	\$	39,591														



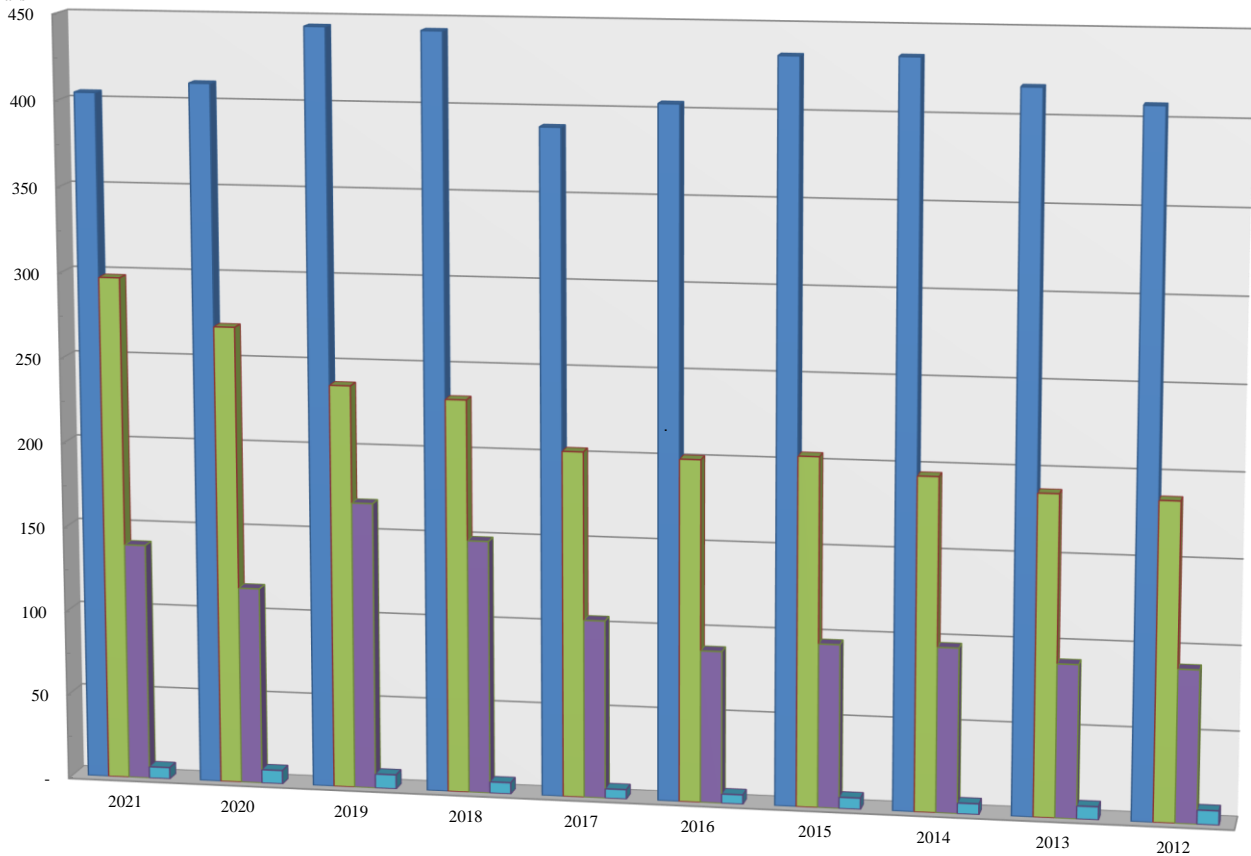
DIVISION OF HIGHWAYS
TAX AND LICENSE FEE REVENUE BY SOURCE (1)
 Last Ten Fiscal Years
 (Amount expressed in thousands)

Fiscal Year		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Gasoline/Motor Carrier		\$404,425	\$410,901	\$444,575	\$443,273	\$389,753	\$404,321	\$432,642	\$433,252	\$417,571	\$408,571
Automobile Privilege		297,116	270,001	237,756	231,522	203,405	201,082	204,994	195,737	188,197	186,300
Registration/ License Fees		139,638	116,251	169,078	149,222	104,923	89,560	96,294	96,983	90,062	89,741
Special Fees & Permits		6,802	7,997	8,385	6,687	5,576	5,530	6,681	6,333	7,676	8,380
Total		\$847,981	\$805,150	\$859,794	\$830,704	\$703,657	\$700,493	\$740,611	\$732,305	\$703,506	\$692,992

(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.

Millions of Dollars



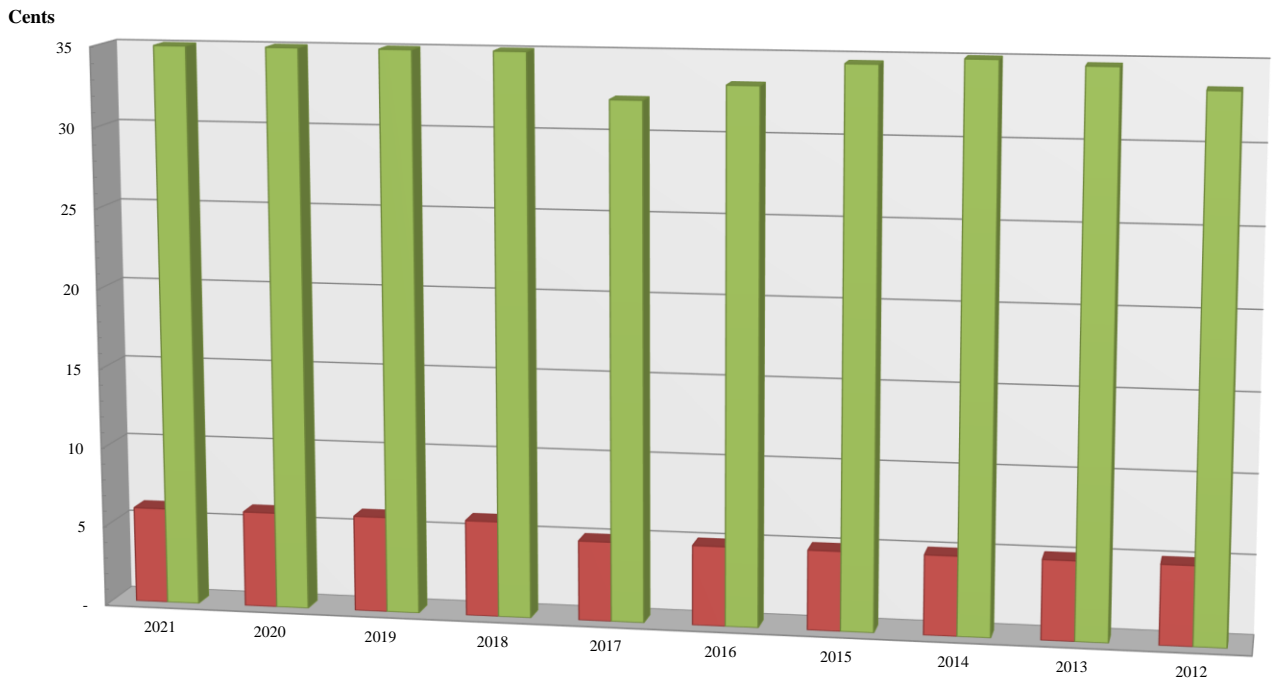


**DIVISION OF HIGHWAYS
FUEL AND PRIVILEGE TAX RATES
Last Ten Fiscal Years**

Fiscal Year		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Automobile Privilege(2) (cents per dollar)	■	6	6	6	6	5	5	5	5	5	5
Motor Fuel Excise Tax(1) (cents per gallon)	■	35.7	35.7	35.7	35.7	32.2	33.2	34.6	35.7	34.7	33.4

(1) The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate of 15.2 cents per invoiced gallon as of July 1, 2021

(2) A tax equal to six 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)

Primary Government - Debt					
Fiscal Year	General	Revenue	Total	Percentage	Per Capita*
	Obligation Bonds	Notes	Primary Government	of Personal Income*	
2021	\$ 1,933,270	\$ 283,999	\$ 2,217,269	2.76%	1,242.32
2020	1,723,942	307,144	2,031,086	2.68%	1,133.33
2019	1,024,628	329,079	1,353,707	1.85%	749.63
2018	1,067,254	257,622	1,324,876	1.90%	729.61
2017	173,072	57,786	230,858	0.34%	126.08
2016	191,122	-	191,122	0.28%	103.64
2015	196,405	27,896	224,301	0.34%	121.22
2014	238,979	54,565	293,544	0.45%	158.30
2013	265,541	80,059	345,600	0.54%	186.27
2012	292,497	104,448	396,945	0.64%	213.94

Government Activities Tax and Fee Income					
Fiscal Year	Gasoline	Automobile	Motor	Special	Total
	and Motor Carrier	Privilege	Vehicle Registrations and Licenses	Fees and Permits	
2021	\$ 404,425	\$ 297,116	\$ 139,638	\$ 6,802	\$ 847,981
2020	410,901	270,001	116,251	7,997	805,150
2019	444,575	237,756	169,078	8,385	859,794
2018	443,273	231,522	149,222	6,687	830,704
2017	389,753	203,405	104,923	5,576	703,657
2016	404,321	201,082	89,560	5,530	700,493
2015	432,642	204,994	96,294	6,681	740,611
2014	433,252	195,737	96,983	6,333	732,305
2013	417,571	188,197	90,062	7,676	703,506
2012	408,571	186,300	89,741	8,380	692,992

General Obligation Bond Debt Ratio				
Fiscal Year	General Obligation Bonds	Percentage of Tax and Fee Income	Percentage of Personal Income*	Per Capita*
2021	\$ 1,933,270	227.99%	2.41%	1,083.19
2020	1,723,942	214.11%	2.27%	961.94
2019	1,024,628	119.17%	1.40%	567.40
2018	1,067,254	128.48%	1.53%	587.74
2017	173,072	24.60%	0.26%	94.52
2016	191,122	27.28%	0.28%	103.64
2015	196,405	26.52%	0.29%	106.15
2014	238,979	32.63%	0.36%	128.88
2013	265,541	37.75%	0.42%	143.12
2012	292,497	42.21%	0.47%	157.65

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

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

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

Calendar Year	Total Population	Total Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	Median Age
2020	1,784,787	80,304,100	44,994	8.3%	43.1
2019	1,792,147	75,872,800	42,336	4.9%	42.9
2018	1,805,832	73,277,600	40,578	5.3%	42.8
2017	1,815,857	69,872,741	38,479	5.3%	42.4
2016	1,831,102	67,061,987	36,624	5.0%	42.3
2015	1,844,128	67,787,227	36,758	6.0%	42.2
2014	1,850,326	66,857,000	36,132	7.6%	41.9
2013	1,854,304	65,889,000	35,533	6.6%	41.3
2012	1,855,413	63,968,000	34,477	7.3%	41.3
2011	1,855,364	62,178,000	33,513	8.0%	41.1

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

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

**Principal Employers
Current Year and Ten Years Ago**

	Largest Employer Rank			
	2021	2020	2019	2018
WVU Medicine	1	1	1	1
Wal-Mart Associates, Inc.	2	2	2	2
Charleston Area Medical Center, Inc.	3	3	3	3
Mountain Health Network	4	4	-	-
Kroger	5	5	4	4
Lowe's Home Centers, Inc.	6	6	7	7
Contura Energy (formerly Alpha Natural Resources Co.)	7	7	-	-
Mylan Pharmaceuticals, Inc.	8	9	6	6
Mon Health	9	-	-	-
Res-Care, Inc.	10	-	10	10
Wheeling Hospital, Inc	-	8	9	9
Murray American Energy, Inc.	-	10	-	-
Cabell Huntington Hospital	-	-	5	5
St. Mary's Medical Center, Inc.	-	-	8	8
American Electric Power	-	-	-	-
Mentor Management, Inc (Mentor Network, The)	-	-	-	-
Consolidation Coal Company	-	-	-	-

Source: Workforce West Virginia Research, Information and Analysis

Note: Due to confidentiality issues, the number of people employed is not available.

Largest Employer Rank

2017	2016	2015	2014	2013	2012
1	1	2	2	2	2
2	2	1	1	1	1
3	3	3	3	3	3
-	-	-	-	-	-
4	4	4	4	4	4
6	6	8	8	7	6
-	-	-	-	-	-
5	5	5	5	6	7
-	-	-	-	-	-
10	10	10	10	10	-
9	9	-	-	-	-
-	-	6	6	-	8
8	8	9	-	-	-
7	7	7	7	8	9
-	-	-	-	-	10
-	-	-	9	9	5
-	-	-	-	5	-

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

**Employees by Program
Last Ten Fiscal Years**

<u>Program</u>	Employees as of June 30			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Maintenance	3,626	3,529	3,331	3,211
Construction	1,036	1,008	952	917
General and administration	518	504	476	459
Total	5,180	5,041	4,759	4,587

Source: Division of Highways Budget Office.

Employees as of June 30

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
3,382	3,317	3,383	3,404	3,401	3,466
966	948	966	973	973	853
483	474	483	486	486	520
<u>4,831</u>	<u>4,739</u>	<u>4,832</u>	<u>4,863</u>	<u>4,860</u>	<u>4,839</u>

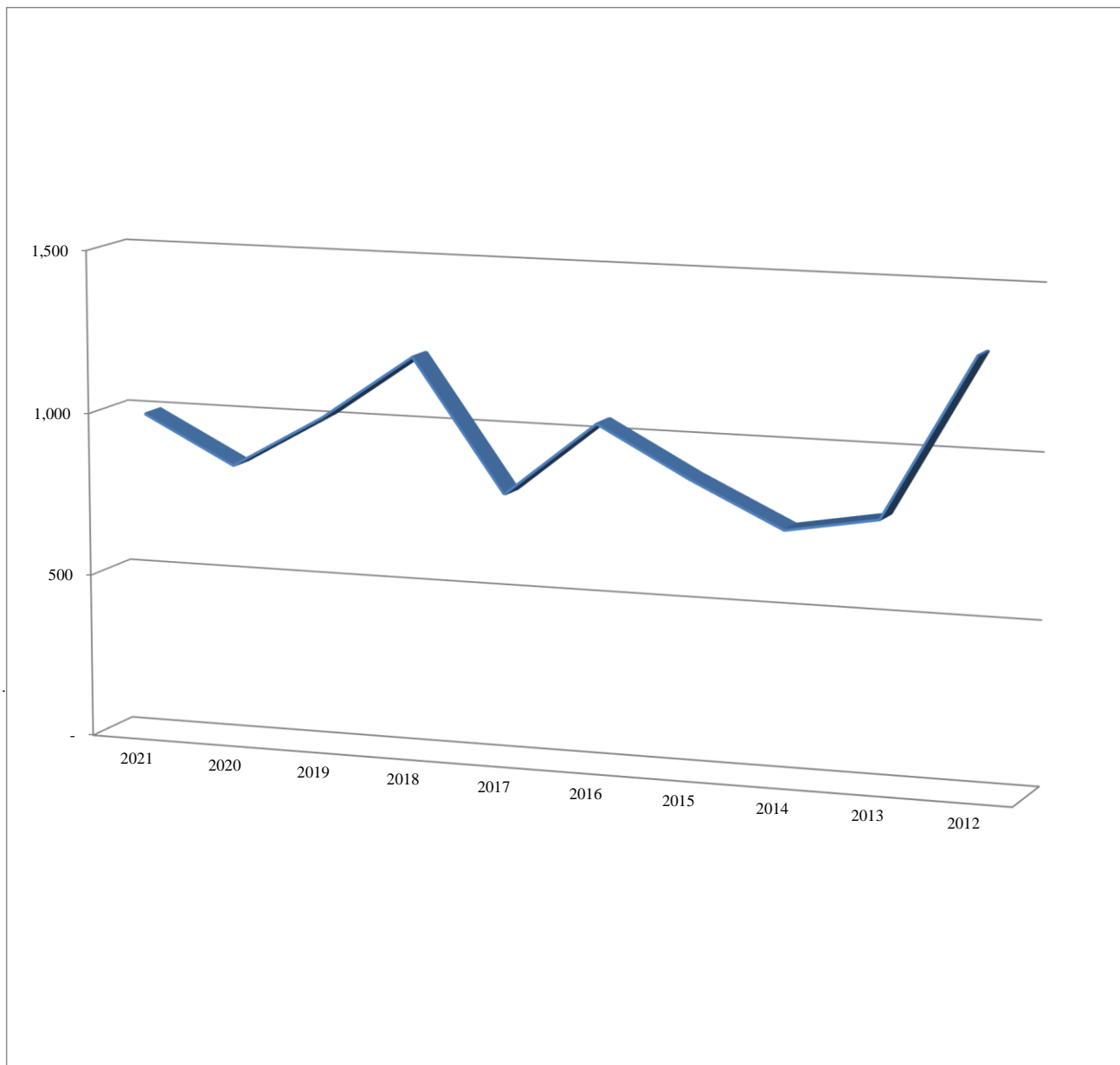


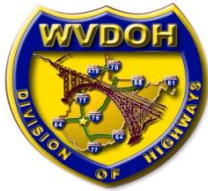
**DIVISION OF HIGHWAYS
HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED
Last Ten Fiscal Years**

Fiscal Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Total Projects
Projects	995	851	1,014	1,213	813	1,042	891	757	806	1,305	9,687

Source: Division of Highways Program Planning & Administration Division

Number of Projects:





**DIVISION OF HIGHWAYS
HIGHWAY CONSTRUCTION AND IMPROVEMENT
TOTAL PROJECTS AUTHORIZED BY TYPE**

Last Ten Fiscal Years

Federal Aid
(Number of Projects)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Interstate Construction	2	5	5	13	2	3	7	6	7	5
Interstate Renovation	16	12	17	47	21	22	24	14	24	24
Interstate Expansion	0	0	0	0	0	1	0	0	0	0
Non-Interstate Other	33	54	52	108	56	35	68	64	71	99
ARRA	0	0	0	0	0	0	0	0	0	1
Appalachian Development	27	20	14	12	20	24	15	14	17	14
Other Bridge	43	26	26	58	22	29	41	35	40	43
Miscellaneous	191	126	100	157	238	399	179	194	143	131
Total	312	243	214	395	359	513	334	327	302	317

Non-Federal Aid
(Number of Projects)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Maintenance	51	101	163	230	206	261	320	178	220	378
Bridge Replacement and Renovation	4	12	21	22	28	17	31	34	23	31
Miscellaneous Bridge Work	17	81	44	69	34	62	34	29	45	45
Industrial Access Roads	2	4	4	2	4	1	5	4	4	10
Roadway Renovation and Improvement	609	410	568	495	182	188	167	185	212	524
Total	683	608	800	818	454	529	557	430	504	988
Grand Total	995	851	1,014	1,213	813	1,042	891	757	806	1,305

TOTAL AUTHORIZED PROJECTS = 9,687

Source: Division of Highways Program Planning & Administration Division

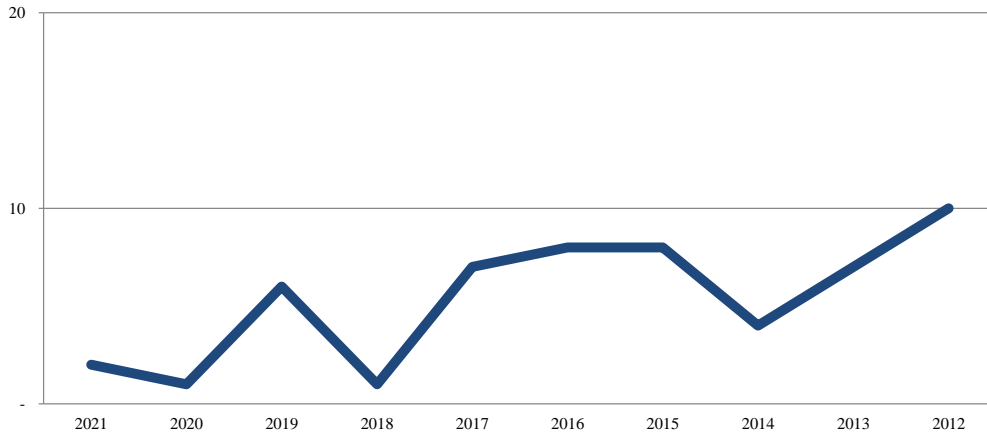


DIVISION OF HIGHWAYS
ROADWAY PROJECTS - SYSTEM EXPANSION ONLY
 Last Ten Fiscal Years

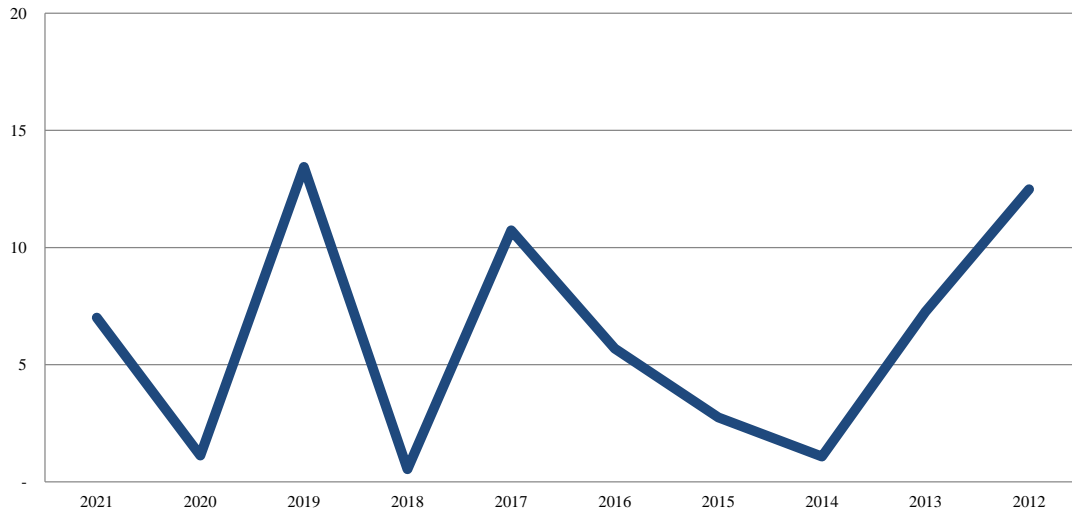
Fiscal Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of Projects	2	1	6	1	7	8	8	4	7	10
Number of Miles	7.01	1.12	13.44	0.54	10.73	5.69	2.75	1.08	7.26	12.49

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



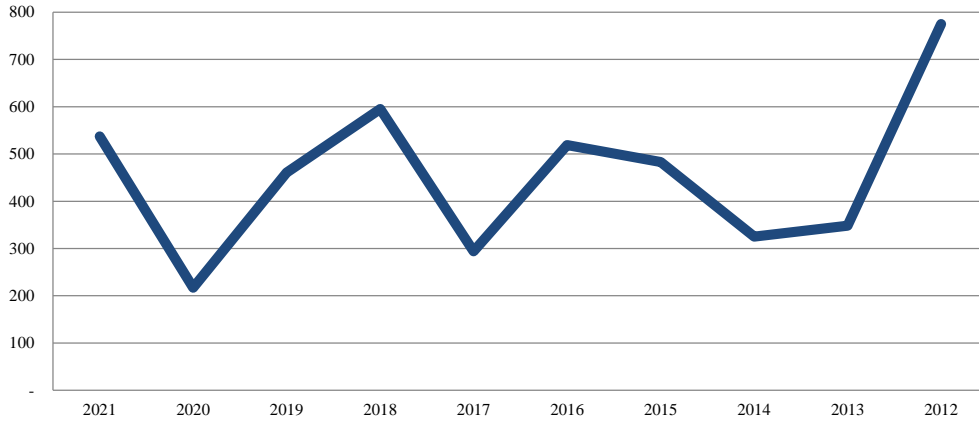


**DIVISION OF HIGHWAYS
ROADWAY RESURFACING PROJECTS
Last Ten Fiscal Years**

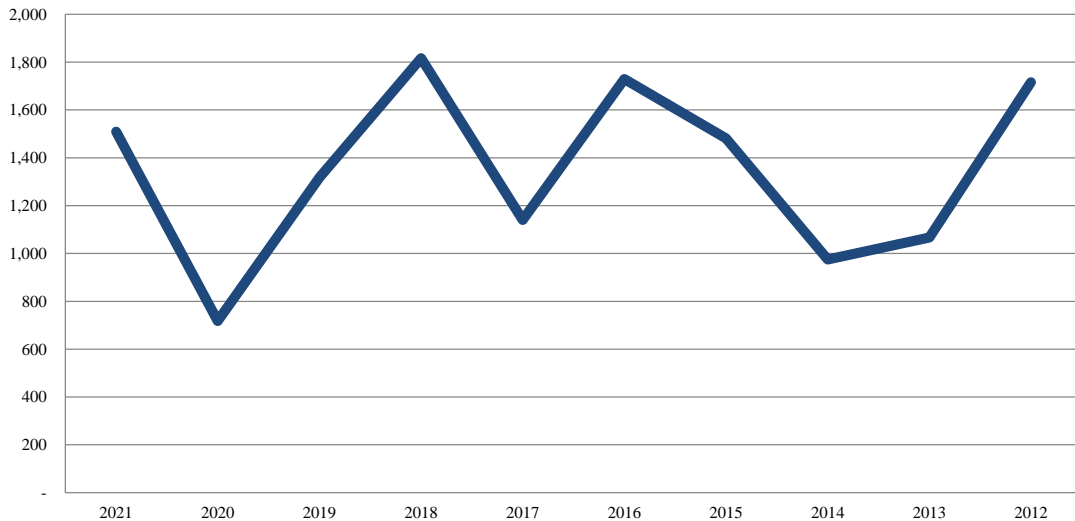
Fiscal Year	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Number of Projects	537	217	461	595	294	519	483	325	348	775
Number of Miles	1,509	718	1,318	1,816	1,140	1,729	1,481	975	1,067	1,716

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



DIVISION OF HIGHWAYS
Total Highway Mileage by Category

<u>Total Road System</u>	
Interstate excluding Turnpike	469
U.S. Routes	1,857
W.V. Routes	3,657
County Routes	28,872
Other (Parks, Forests, HARP)	<u>1,075</u>
 Total Road System Miles	 <u><u>35,930</u></u>

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

<u>Federal Aid Routes</u>		
	<u>Rural</u>	<u>Urban</u>
	<u>Miles</u>	<u>Miles</u>
<u>Interstate Highways including 86 Turnpike Miles</u> (Part of National Highway System)	319	236 *

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 5.54 miles of one way connecting ramps

<u>Other National Highway System</u>	1,020	414
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>	6,879	1,622
All other roads on which Federal Highway funds may be expended including Federal Aid Non-State (FANS) roads.	<u> </u>	<u> </u>
Sub-total miles	<u>8,218</u>	<u>2,272</u>
 Total Federal Aid Routes Miles	 <u><u>10,490</u></u>	

Source: 2021 Road inventory log 6/30/21

Prepared by the Finance and Administration Division

**Photos Courtesy of:
WV Department of Transportation
Anthony Johnson**

Printed by the WVDOT Print Shop

