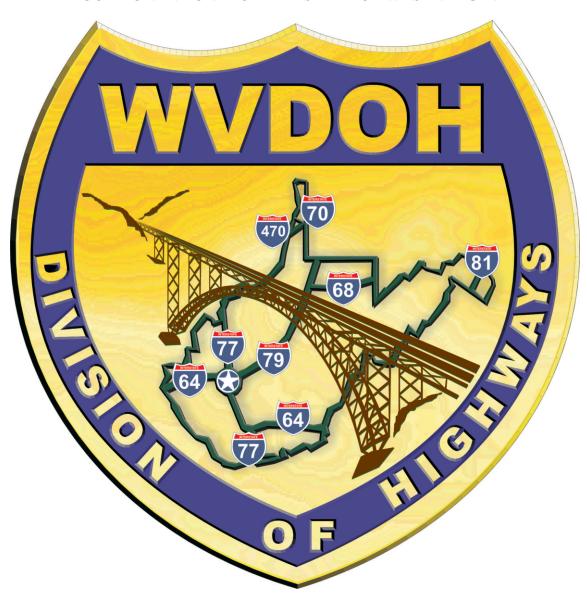


WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

DIVISION OF HIGHWAYS

COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2017

Prepared by: Finance and Administration Division

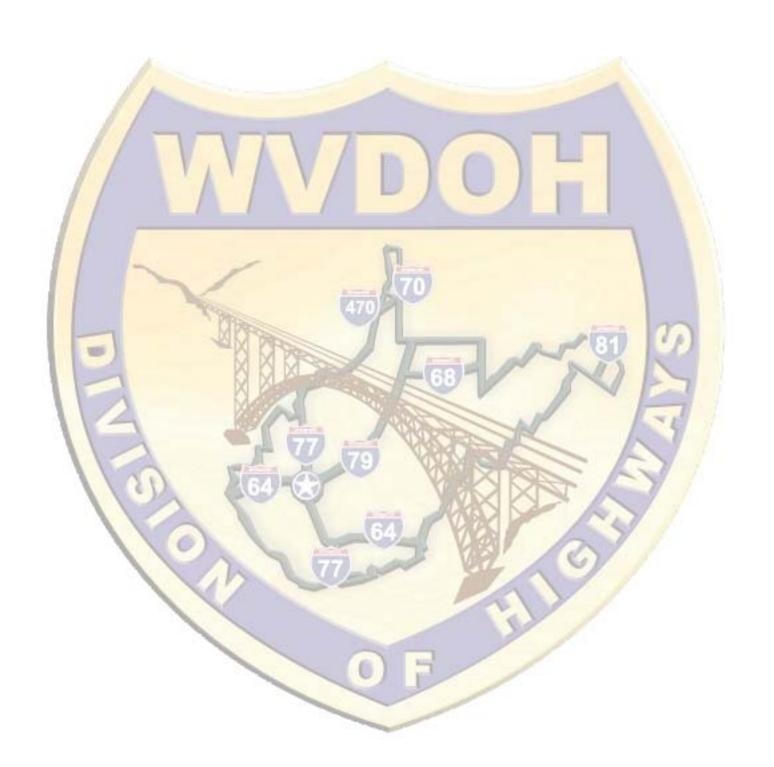
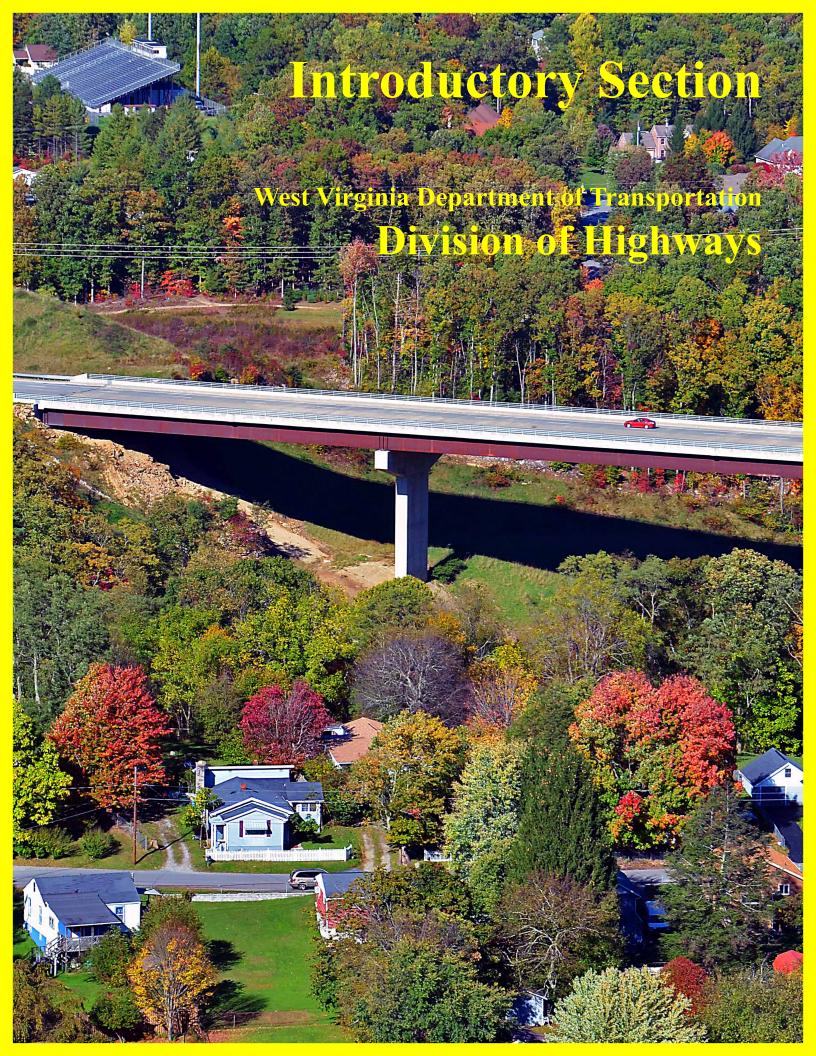


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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

Division of Highways

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

Thomas J. Smith, P. E.
Secretary of Transportation/
Commissioner of Highways

December 31, 2017

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

Jim Justice

Governor

We are pleased to submit the Comprehensive Annual Financial Report of the West Virginia Department of Transportation, Division of Highways (the Division) for the fiscal year ended June 30, 2017. 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, 2017. 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, 2017 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.

E.E.O./AFFIRMATIVE ACTION EMPLOYER

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

The Division's expenditures are subject to the legislative budget process of the State of West Virginia. The budget is legally enacted through passage of a legislative bill and approval of the Governor. The Division's internal accounting system is used to accumulate and segregate expenditures and compare them against legislative appropriations. A computerized accounting system with daily input of expenditures from all of the Division's facilities throughout the state is used to provide management with current information. This expenditure data, in conjunction with actual revenue collection data, is used by the Division's management to track current cash status and to forecast future cash requirements. These forecasts are used to adjust planned expenditures to a level appropriate to the forecasted cash availability.

Short-term goals and polices for the Division reside in the 2016-2021 Statewide Transportation Improvement Program (STIP). The STIP is organized so that all projects that are programmed fall within one of seven core programs. The goal is to better manage assets to meet the Program's needs and less emphasis on the type of funding used. 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. 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.

Long-term goals and policies for the Division currently reside in the Multi-Modal Statewide Transportation Plan for 2010 – 2034, which discusses in broad terms the long-range goals and objectives. This plan not only meets new federal requirements, but also makes the plan more project specific by incorporating a tool for calculating a preliminary benefit/cost ratio on larger projects. This tool, in conjunction with other data, can be used to help prioritize larger projects which must compete for scarce resources. It also allows both existing unfunded projects and future proposals to be monitored and adjusted to meet the needs of the citizens of West Virginia.

ECONOMIC CONDITIONS AND OUTLOOK

According to the *West Virginia Economic Outlook 2018*, published by the Bureau of Business and Economic Research at the College of Business and Economics, West Virginia University, "After several years of economic hardship, West Virginia's economy hit bottom in 2016 and has grown over the past few quarters. The state's employment declines were primarily driven by losses in both major segments of the energy sector, but the turnaround has also been driven by expanding coal production and renewed growth in natural gas production. However, the pace of employment growth that is expected in coming years will mean that West Virginia will not likely return to its 2012 level of employment for four more years.

The state experienced a large loss in jobs between early-2012 and late-2016, with a cumulative decline of roughly 26,000 jobs over that period. On a positive note, total employment has increased during the first two quarters of 2017, hinting at broader signs of stability and improvement for most of the state's economic regions. A significant portion of economic turmoil experienced in West Virginia over the past few years can be traced to both major segments of the state's energy sector. Job gains have been recorded in a few service-providing sectors, such as education and health services, but many other industries in the state struggled in 2015 and 2016. After falling within a range of 6.5 and 7.0 percent between late-2013 and late-2015, the state's unemployment rate has fallen sharply in recent quarters. West Virginia's jobless rate fell to its lowest level in nearly a decade during the second quarter of 2017, reaching just over 4.6 percent. Per capita personal income in West Virginia grew at a rate of 1.5 percent in 2016, climbing to approximately \$37,400. The state's per capita income growth has lagged the national average in recent years, leaving the per capita income level in West Virginia at roughly 75 percent of the national figure. West Virginia's real gross

domestic product declined in 2015 and 2016, but has increased at a rapid pace over the past few quarters. Changes in the state's total economic output have been volatile since 2012, reflecting the turbulence within the state's coal and natural gas industries. Export activity from West Virginia has also experienced significant volatility during the past decade. Promoting the state's export potential is of vital importance to economic development in West Virginia in the long run.

Employment in West Virginia is estimated to increase 0.7 percent per year on average through 2022, trailing the 0.9 percent average growth expected for the nation as a whole. Total employment is not expected to return to its 2012 peak until 2021. Our baseline forecast calls for the recent upturn in coal production and jobs to come to an end as the industry enters a period of relative stability; however, the industry's outlook still remains subject to considerable downside risk due to lingering uncertainty related to coal use by domestic power plants and future global demand for thermal and met coal. Construction is expected to rebound from its malaise of the past few years, thanks in large part to residential and commercial building activity in the state's economic growth centers. A range of energy-and transportation-related infrastructure projects is also expected to lift the sector's prospects. The state's unemployment rate is expected to hover in the mid-4 percent range for the next several quarters, but slowly begin to decline through the early 2020s. Per capita personal income is expected to grow at an annual average rate of 1.8 percent over the next five years, below the national rate of 2.3 percent. Growth will be driven largely by non-wage income, such as Social Security benefits.

West Virginia's population has declined by more than 25,000 people since 2012, and although we expect the state's population to stabilize, more losses are likely over the longer term due to large share of elderly residents and the effect of poor health outcomes and behaviors for many segments of the overall population. Economic development strategies should focus on ways to improve health and education outcomes 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, 2017. All data is presented in thousands of dollars.

			Change from	Prior Year
	Amount	Percent of Total	Amount	Percent
Motor Fuel Excise Tax	\$389,753	31%	\$(14,568)	(4)%
Automobile privilege taxes	203,405	16%	2,323	1%
Motor vehicle registration and licenses	104,923	8%	15,363	17%
Special fees and permits	5,576	1%	46	1%
Federal aid	505,313	41%	44,443	10%
Investments and interest income	987	0%	567	135%
Intergovernmental	11,285	1%	(1,207)	(10)%
Miscellaneous	29,346	2%	(11,907)	(29)%
Total revenues	\$1,250,588	100%	\$35,060	3%
Road construction and other road operations	\$714,387	57%	\$34,089	5%
Road maintenance	405,717	33%	(27,648)	(6)%
Support and administrative operations	100,043	8%	(15,198)	(13)%
Debt Service	23,705	2%	(14,991)	(39)%
Total Expenditures	\$1,243,852	100%	\$(23,748)	(2)%

Overall, State tax and fee revenues in Fiscal Year 2017 increased by 0.45% from Fiscal Year 2016. Registration fee collections are estimated to be higher in Fiscal Year 2018 than fiscal year 2017. This is the result of the passage of West Virginia Senate Bill 1006. This bill provides for an increase in the Privilege tax collection, increases many DMV fees as well as an increased motor fuel tax rate. Therefore, many programs operated by the Division should experience additional funding for the foreseeable future versus what has been available in previous years. Federal Aid revenues increased in Fiscal Year 2017 over Fiscal Year 2016. Investment and interest revenue increased only marginally due to the historically low interest rates.

At June 30, 2017, the outstanding principal balance of long-term general obligation bonds was \$151,160,000. These bonds were issued between 1998 and 2015 including \$550,000,000 issued under the Safe Road Amendment of 1996, and are scheduled to be retired through June 1, 2025. Total debt service payments will remain around \$23.2 million annually for fiscal years 2018-2025.

At June 30, 2017 the outstanding principal balance of the Grant Anticipation Revenue Vehicle (GARVEE) notes was \$53,380,000. 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 December 2016 the Division issued \$53,380,000 of GARVEE notes to construct the Rock Creek Development Park access road. In October 2017, the Division issued \$219,985,000 of GARVEE notes to fund bridge replacement and interstate rehabilitation projects. 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.

MAJOR INITIATIVES

During the fiscal year, the Division was able to continue work on several of its major initiatives around the State. Plans for the completion of Rt. 35 continue along with work on WV 10, Corridor H and Coalfields Expressway. The Division continues to advance major initiatives throughout the State as funding permits.

In conjunction with improvement of the road system through construction and upgrading, the Division has emphasized roadway and bridge preservation and renovation. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State. Consequently, the State's road system includes 7,024 vehicular bridges, of which approximately one third are either functionally or structurally obsolete. The Division's bridge program, enhanced by a state-funded program that started in 1988 for small bridges, has been relatively successful in correcting these problems. During the fiscal year several major structures around the State were completed, including: the Bridge Street Bridge in Grafton, the Yon-Peraldo Memorial Bridge in Bramwell, and the South Lee Exxon Bridge in Wood County. Other accomplishments during the fiscal year ended June 30, 2017 include the resurfacing of approximately 1,140 miles of roadway at a cost of \$130 million.

The Division also continued to improve the operating efficiency of the heavy equipment road maintenance fleet through the procurement of approximately \$16 million in new replacement units during the fiscal year. The Division is continuing to give priority to replacing equipment involved in its core maintenance functions.

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Division of Highways for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 25th consecutive year that the Division has achieved this prestigious award (1992-2016). 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 FY2017 comprehensive annual 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 comprehensive annual financial report on a timely basis was made possible by the personnel of the Transportation Finance & Administration and Transportation Budget Divisions. I express my sincere appreciation for the contributions made by these individuals in the preparation of this report, particularly the Financial Reporting Section of the Finance & Administration Division, which has administrative responsibility for this function.

Sincerely,

Carla P. Rotsch

Deputy Secretary/Business Manager West Virginia Division of Highways



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

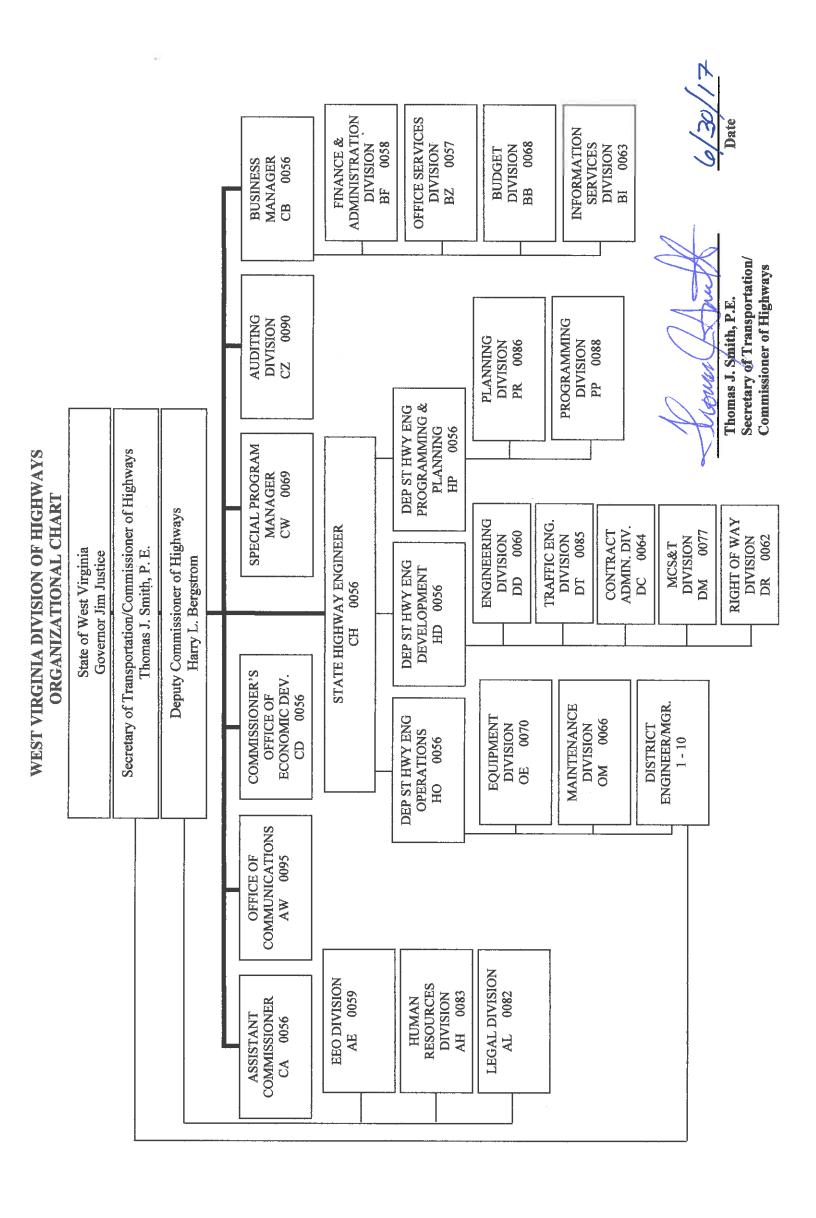
West Virginia Division of Highways

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill

Executive Director/CEO



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS LIST OF PRINCIPAL OFFICIALS

June 30, 2017

Thomas J. Smith, P.E. Secretary of Transportation Commissioner of Highways

Vacant
Harry L. Bergstrom
Aaron C. Gillispie
Keith E. Chapman
Stephen T. Rumbaugh, P.E.
Deputy Secretary DOT/Assistant Commissioner DOH
Deputy Secretary DOT/Deputy Commissioner DOH
Assistant Secretary DOT/State Highway Engineer DOH
Assistant Secretary for Finance DOT/Business Manager DOH
Deputy State Highway Engineer-Construction and Development

Gregory L. Bailey, P.E. Deputy State Highway Engineer-Operations

Rob Pennington Deputy State Highway Engineer-Planning and Programming (Acting)
Marvin Murphy Assistant Deputy Secretary-Executive Assistant to the Agency Head

David Cramer Commissioner's Office of Economic Development

Rob Pennington Highway Engineer Chief Jimmy Wriston Special Program Manager Lorrie Hodges Legislative Services

Chuck Runyon Executive Assistant to the Commissioner

Randy Wade Director, Auditing Division
Carla Rotsch Director, Budget Division
Brent Walker Director, Communications

Jason Boyd Director, Contract Administration Division

R.J. Scites Director, Engineering Division

Drema Smith Director, Equal Employment Oportunity Division

Travis Ray Director, Equipment Division

Dwain W. Shingleton

Kathleen Dempsey

Director, Finance and Administration Division

Director, Human Resources Division

Kathleen Dempsey Director, Human Resources Division
Kim Asseff Director, Information Services Division

Jonathan Storage Director, Legal Division Kyle Stollings Director, Maintenance Division

Ronald L. Stanevich Director, Materials Control Soil & Testing Division

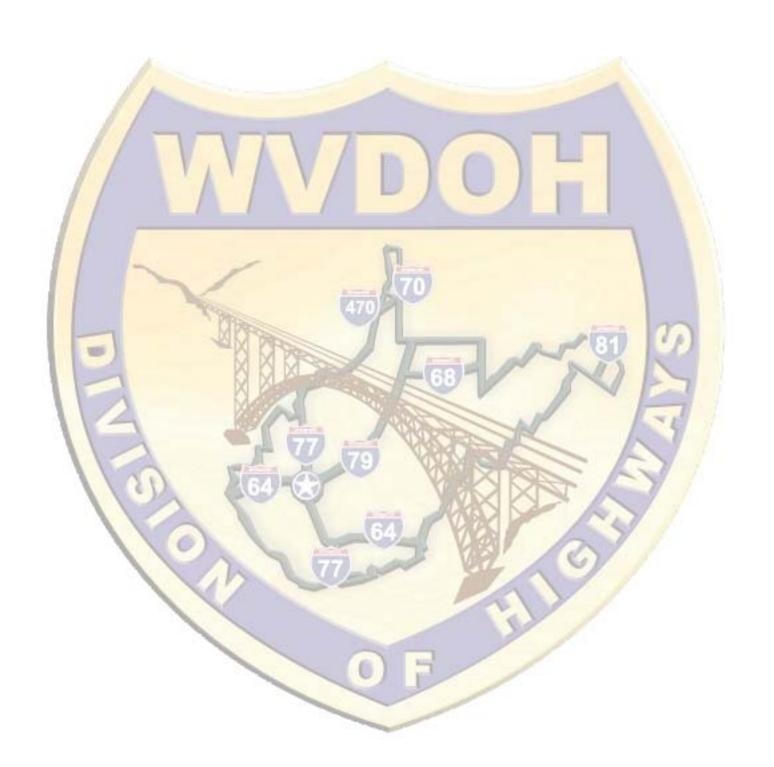
Ameche Watson
C. Elwood Penn IV
Director, Office Services Division
C. Elwood Penn IV
Director, Planning Division
Director, Programming Division
Director, Right of Way Division
Cindy Cramer
Director, Traffic Engineering Division
Susan Watkins
Correspondence & Central Files

Laura Conley-Rinehart Staff Engineer

Gary Clayton Regional Operations Engineer Shawn Smith Regional Construction Engineer

DISTRICT ENGINEERS/MANAGERS

District 1 Gary Mullins (Acting) Charleston District 2 Raymond (Scott) Eplin Huntington Parkersburg District 3 James (Rusty) Roten Donald L. Williams Clarksburg District 4 Burlington District 5 J. Lee Thorne District 6 Ghassan (Gus) H. Suwaid Moundsville District 7 Brian K. Cooper Weston District 8 James Rossi Elkins District 9 Steve Cole Lewisburg District 10 Alan Reed (Acting) Princeton







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, 2017, 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 an opinion 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 opinion.

Opinion

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, 2017, and the respective changes in financial position 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 and the pension schedules and related note on pages 57 through 59 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 and statistical section 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.

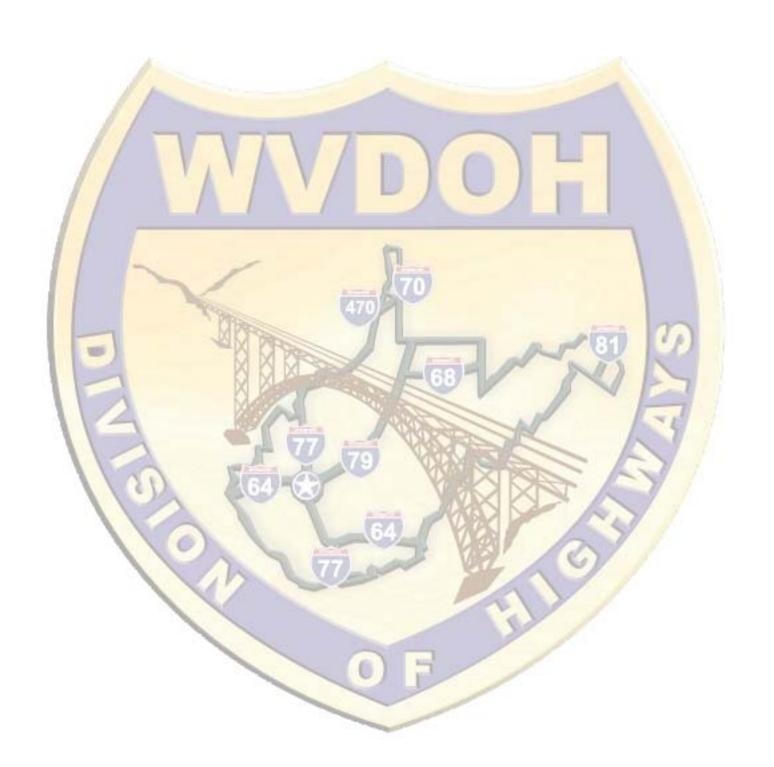
Emphasis of Matter

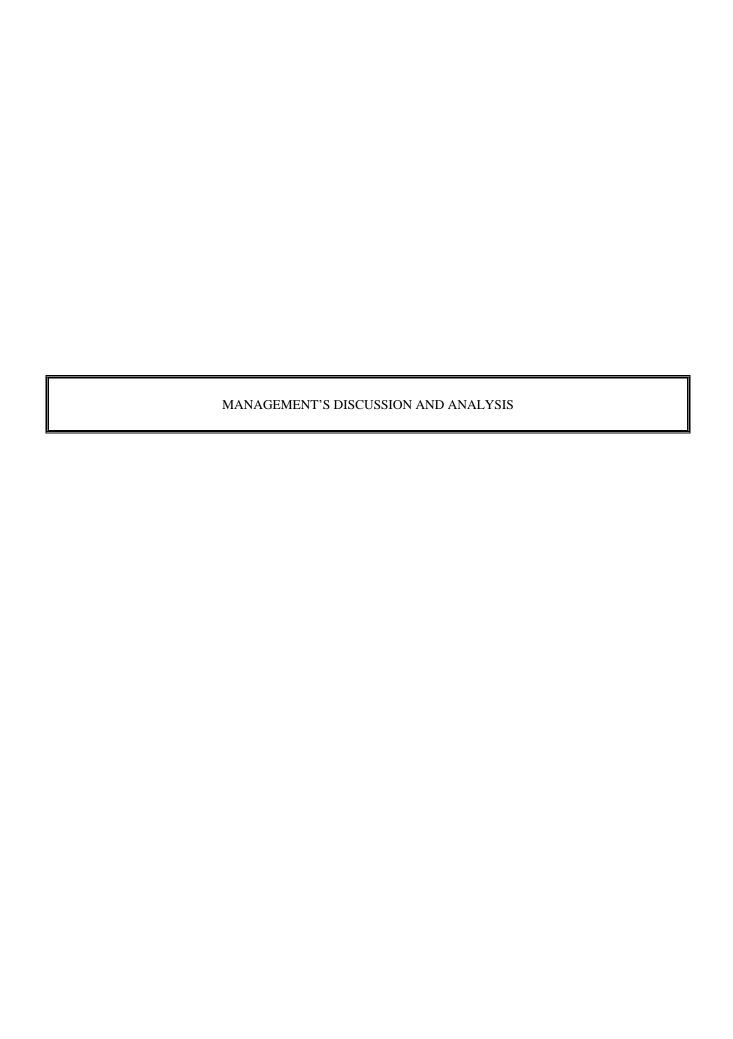
As discussed in Note 1, the financial statements of the Division are intended to present the financial position and the changes in financial position, of only that portion of the governmental activities and each major fund of the State of West Virginia and the West Virginia Department of Transportation 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, 2017, 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

Suttle + Stalnaker, PUC

November 6, 2017





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, 2017. 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 billion at the close of fiscal year 2017.

Changes in Net Position - During the year the Division's net position increased by \$101 million or 1.29%. This percentage is an increase from the prior year, when net position increased \$41 million or 0.52%.

Revenues and Expenses - Total revenues increased by \$33 million or 2.75%. Total expenses decreased \$27 million or 2.31%. 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 2017, the Division's governmental fund reported combined total fund equity of \$120 million, an increase of \$66 million in comparison with the prior year.

Long-term Debt - The Division's total outstanding general obligation bonds, net of bond premiums, decreased by \$18 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, increased by \$58 million increasing total long-term debt by 20.79% 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 only one governmental financial reporting fund.

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

The budget and actual statement report 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.

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 to its employees through its participation in the Public Employees Retirement System.

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, 2017 and 2016 (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,

	2017	2016	% Change
Assets and deferred outflows of resources			
Total current assets	\$ 399,	,114 \$ 321,843	24.01%
Capital assets	8,210,	739 8,175,525	0.43%
Total assets	8,609,	853 8,497,368	1.32%
Deferred outflows of resources	83,	857 70,091	19.64%
Total assets and deferred outflows of resources	8,693,	710 8,567,459	1.47%
Liabilities and deferred inflows of resources			
Total current liabilities	323,	201 300,971	7.39%
Long term liabilities	374,	089 323,993	15.46%
Total liabilities	697,	290 624,964	11.57%
Deferred inflows	20,	247 67,790	-70.13%
Total liabilities and deferred inflows of resources	717,	537 692,754	3.58%
Net Position			
Net investment in capital assets	7,967,	,600 7,969,214	-0.02%
Restricted	12,	737 12,031	5.87%
Unrestricted (Deficit)	(4,	,164) (106,540)	96.09%
Total net position	\$ 7,976,	\$ 7,874,705	1.29%

Condensed Statement of Activities

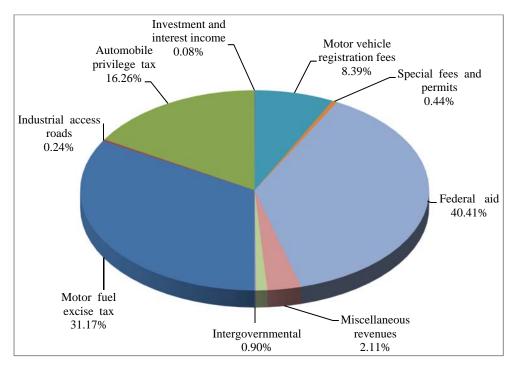
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net position changed during the fiscal year (amounts in thousands):

Condensed Statement of Activities Years Ended June 30,

	2017	2016	% Change	
Revenues				
Taxes	\$ 593,158	\$ 605,403	-2.02%	
Investment and interest income	987	420	135.00%	
Intergovernmental (unrestricted)	11,285	12,492	-9.66%	
Miscellaneous revenues	26,346	38,253	-31.13%	
Gain (loss) on sale of assets		1,608	-100.00%	
Total general revenues	631,776	658,176	-4.01%	
Capital grants and contributions	508,313	463,871	9.58%	
Charges for service	110,499	95,090	16.20%	
Total program revenues	618,812	558,961	10.71%	
Total revenues	1,250,588	1,217,137	2.75%	
Expenses				
Road maintenance	405,378	433,543	-6.50%	
Other road operations	672,424	658,569	2.10%	
General and administration	60,374	75,640	-20.18%	
Interest on long-term debt	5,087	3,473	46.47%	
Unallocated depreciation	5,857	5,127	14.24%	
Total expenses	1,149,120	1,176,352	-2.31%	
Change in net position	101,468	40,785	-148.79%	
Net position, beginning	7,874,705	7,833,920	0.52%	
Net position, ending	\$ 7,976,173	\$ 7,874,705	1.29%	

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 \$101 million or 1.29%.

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



Total revenues increased by approximately \$33 million. Total tax revenues increased by approximately \$3.2 million. Federal aid revenue increased by approximately \$44 million or 9.64%. The following summarizes revenues for the years ended June 30, 2017 and June 30, 2016 (amounts in thousands):

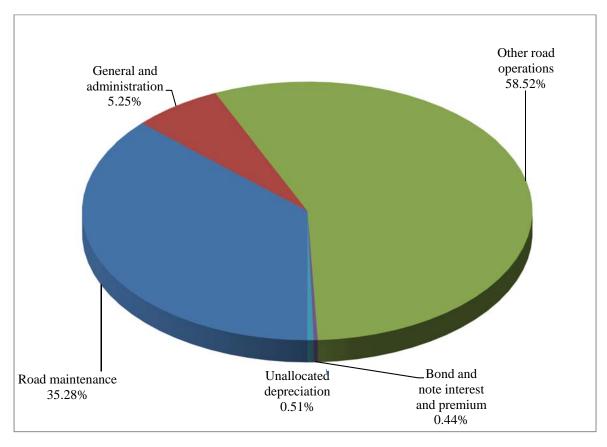
				Increase	% Increase
	2017	 2016		Decrease)	(Decrease)
Motor fuel excise tax	\$ 389,753	\$ 404,321	\$	(14,568)	-3.60%
Industrial access roads	3,000	3,000		-	0.00%
Automobile privilege tax	203,405	201,082		2,323	1.16%
Motor vehicle registration fees	104,923	89,560		15,363	17.15%
Special fees and permits	5,576	5,530		46	0.83%
Federal aid	505,313	460,871		44,442	9.64%
Investment and interest income	987	420		567	135.00%
Intergovernmental	11,285	12,492		(1,207)	-9.66%
Miscellaneous revenues	26,346	38,253		(11,907)	-31.13%
Gain on sale of assets	 	1,608		(1,608)	-100.00%
	\$ 1,250,588	\$ 1,217,137	\$	33,451	2.75%

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.

Fiscal year 2017 tax collections reported on a cash basis increased by \$0.2 million (0.02%) from fiscal year 2016 tax collections. Motor fuel tax collections were \$6.9 million (-1.78%) below estimates and \$15.1 million (-3.81%) lower than fiscal year 2016 collections. Privilege tax collections were \$14.5 million (7.67%) above estimates but \$2.1 million (-1.04%) below fiscal year 2016 collections. Registration fee collections were \$12.3 million (13.34%) above estimates and \$17.4 million (19.97%) above fiscal year 2016 collections. In fiscal year 2018, motor fuel tax and privilege tax collections are projected to be higher than fiscal year 2017 actual collections. In addition, registration fee collections are estimated to be higher than fiscal year 2017 actual numbers. This is the result of the passage of West Virginia Senate Bill 1006. This bill provides for an increase in the Privilege tax collection, increases many DMV fees as well as an increased motor fuel tax rate. Therefore, many programs operated by the Division should experience additional funding for the foreseeable future versus what has been available in previous years.

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 is the first long-term transportation legislation to pass Congress in ten years and thus, provides stability to the Division in planning its transportation investments.

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



Total expenses decreased by approximately \$27 million or 2.31%. The following summarizes expenditures for the years ended June 30, 2017 and June 30, 2016 (amounts in thousands):

	 2017	 2016	ecrease)	% Increase (Decrease)
Road maintenance	\$ 405,378	\$ 433,543	\$ (28,165)	-6.50%
Other road operations	672,424	658,569	13,855	2.10%
General and administration	60,374	75,640	(15,266)	-20.18%
Interest on long-term debt	5,087	3,473	1,614	46.47%
Unallocated depreciation	 5,857	 5,127	 730	14.24%
	\$ 1,149,120	\$ 1,176,352	\$ (27,232)	-2.31%

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

Operating units are allocated yearly amounts for routine maintenance. The type of routine maintenance expenses incurred is dependent, to a degree, on the level of snow removal and ice control (SRIC) that is required in a given year. In fiscal year 2017, the agency continued its core maintenance plan, which emphasizes ditching, mowing, rush-cutting, and patching maintenance activities. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system. Other road operations expenditures reported in the Government-Wide Financial Statements include the total expended for all other road operations and small construction activities that fail to meet the criteria established for capitalization as infrastructure assets. A discussion of the change in actual funds expended is included in the financial analysis of the Division's Fund Financial Statements below.

FINANCIAL ANALYSIS OF THE DIVISION'S MAJOR FUND

At June 30, 2017, the Division reported fund balances of approximately \$120 million. Of this total amount \$56 million constitutes unassigned fund balance while \$13 million is restricted for various purposes. The remainder of the fund balance is nonspendable and is not available for spending because it is comprised of inventories.

State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2017 fiscal year, unassigned fund balance of the General Fund was \$56 million and nonspendable fund balance was \$51 million while the restricted fund balance was \$13 million. The total General Fund balance increased \$66 million during the fiscal year primarily due to increased federal aid revenue and decreased road maintenance and support and administration operations.

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. However, the recent passage of legislation (WV Senate Bill 1006) which raised the average wholesale price for motor fuel will enhance revenue collections in the short term. The same bill also provides for increased rates of both Privilege tax collections and registration fee collections which are forecast to increase revenues in fiscal year 2018. The following table summarizes tax and fee collections over the past two years (amounts in thousands):

	2017	2016	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise Motor vehicle registration Privilege tax	\$ 389,753 104,923 203,405	\$ 404,321 89,560 201,082	\$ (14,568) 15,363 2,323	-3.60% 17.15% 1.16%
	\$ 698,081	\$ 694,963	\$ 3,118	0.45%

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 changed on January 1, 2017, when the rate fell from 12.7 cents to 11.7 cents per invoiced gallon.

The Division's federal revenue, on a budgetary basis for fiscal year 2017 was \$442,121, used primarily for design, right-of-way and construction of Corridor H, WV 10, US 35, Coalfields Expressway and system preservation projects on other federal highways. As previously discussed the recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation 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 are dependent on variables such as the weather, the existence of differing site conditions that require plan modification, or delays caused by environmental issues or the results of public meetings, expenditures often do not occur as planned. Federal revenue recognized in the Statement of Activities in each of the last two years is summarized below (amounts in thousands):

	2017	 2016	ncrease Decrease)	% Increase (Decrease)
Federal reimbursement-Budgeted funds	\$ 464,864	\$ 400,098	\$ 64,766	16.19%
Federal reimbursement-Surface transportation	511	27,499	(26,988)	-98.14%
Federal reimbursement-Emergency funds	39,938	 33,274	6,664	20.03%
	\$ 505,313	\$ 460,871	\$ 44,442	9.64%

It is anticipated state revenues will increase in fiscal year 2018 when compared to fiscal year 2017. As a result of the passage of Senate Bill 1006 during the 2017 WV Legislative session, the Division anticipates an increase in motor fuel revenues. In addition, management anticipates seeing an increase in privilege tax and registration fee revenues. However, management will continue to monitor and maintain a fiscally sound equity position. The approved fiscal year 2018 budget is \$1.3 billion. 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.

The Division is currently operating under a Continuing Resolution of the federal highway funding authorization designated as Fixing America's Surface Transportation Act (FAST) Act (Pub. L. No. 114-94). The effective date for most highway provisions in FAST Act, both funding and changes to policy, was October 1, 2016 extending to September 30, 2020. The Division is currently operating under an extension of current fiscal 2017 spending levels past September 30, 2017, through December 8, 2017. Additional action from Congress will be necessary to increase the 2018 federal fiscal year funding levels to the FAST Act levels as well as extend the contract authority beyond December 8, 2017. West Virginia's federal fiscal year 2017 apportionment was \$432.4 million (\$442.7 million less the 2017 \$10.3 million rescission) and the total obligation limitation was \$446.7 million (due to additional funds provided through August 2017 redistribution of federal funds to the Division).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the Division had invested \$8.2 billion, net of accumulated depreciation, in a range of capital assets (see note 7 for additional details). Depreciation charges for the fiscal year totaled \$320 million.

As the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. While these are significant construction projects, the additions are offset by \$300 million in depreciation of the infrastructure. The Division expended \$361 million dollars during the year ended June 30, 2017 for additions to capital assets. Of this amount, \$340 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 \$332 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, WV 10 in Logan County, Coalfields Expressway in Wyoming County, and Corridor H in Tucker County and continued environmental studies on various projects in process.

Long-term Debt

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. All bonds authorized under prior constitutional amendments have been issued. At June 30, 2017, the Division had \$151 million in outstanding bonds. The amount outstanding decreased by \$15 million (9%) due to net principal payments.

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. These notes are revenue notes and the debt service payments will be funded through federal aid revenue. The amount increased by \$53 million (100%) due to the sale of revenue notes.

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

Issue	Bond	Rating	Amount	(in thousands)
Safe Roads 10A - Bonds maturing on or before June 1, 2023.	Fitch: Moody's: S&P:	AA Aa2 AA-	\$	35,135
Safe Roads 15A - Bonds maturing on or before June 1, 2025.	Fitch: Moody's: S&P:	AA Aa2 AA-		116,025
Surface Transportation Improvements Special Obligation Notes (Garvee 2016A) - Notes maturing on or before September 1, 2022.	Moody's: S&P:	A2 AA		53,380
			\$	204,540

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



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS STATEMENT OF NET POSITION JUNE 30, 2017

(amounts expressed in thousands)

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES Current assets	
Cash and cash equivalents	\$ 128,976
Accounts receivable, net	105,724
Taxes receivable	73,433
Due from other State of West Virginia agencies	16,444
Inventories	51,145
Investments	23,392
Total current assets	399,114
Non-current assets	
Capital assets not being depreciated	2.4.200
Land - non-infrastructure Land - infrastructure	24,398 1,187,099
Construction in progress	717,875
Capital assets net of accumulated depreciation	717,675
Land improvements	11,006
Buildings	111,403
Furniture and fixtures	362
Rolling stock	54,927
Scientific equipment	66
Shop equipment	108
Roads	3,630,308
Bridges	2,473,187
Total capital assets	8,210,739
Total assets	8,609,853
Deferred outflows of resources	
Deferred outflows of resources - pension	83,857
Total deferred outflows of resources	83,857
Total assets and deferred outflows of resources	8,693,710
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES Current liabilities	
Accounts payable	89,842
Retainages payable	1,133
Accrued payroll and related liabilities	16,990
Other post employment benefits liability	152,729
Due to other State of West Virginia agencies	4,161
Accrued interest payable	1,490
Unearned revenue	14,438
Current maturities of long term obligations	42,418
Total current liabilities	323,201
Non-current liabilities	
Claims and judgments	27,980
Compensated absences	3,764
Net pension liability	139,665
Bonds and notes	202,680
Total non-current liabilities	374,089
Total liabilities	697,290
Deferred inflows of resources	7.00
Deferred inflows of resources - pension	7,966
Deferred inflows of resources - gain on refunding	12,281
Total deferred inflows of resources	20,247
Total liabilities and deferred inflows of resources	717,537
NET POSITION	
Net investment in capital assets	7,967,600
Restricted	
Coal Resource	1,141
Waste Tire	4,492
Industrial Access	7,104
Unrestricted (deficit)	(4,164
Total net position	\$ 7,976,173
	- 1,210,113

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, 2017

(amounts expressed in thousands)

		Program Revenues						
Functions/Programs	Expenses		Charges for Services		Capital Grants and Contributions		Net Revenue (Expenses) and Changes in Net Position	
Government activities								
Road maintenance								
Expressway, trunkline, feeder, and								
State and local services	\$	329,786	\$	-	\$	-	\$	(329,786)
Contract paving & secondary roads		41,259		-		-		(41,259)
Small bridge repair & replacement		15,960		-		-		(15,960)
Litter control program		4,138		-		-		(4,138)
Depreciation		14,235		-		-		(14,235)
Other road operations								
Interstate highways		52,200		-		54,484		2,284
Appalachian highways		18,796		-		88,782		69,986
Other federal aid programs		292,281		-	3	362,047		69,766
Non federal aid improvements		7,582		-		-		(7,582)
Industrial access roads		1,573		-		3,000		1,427
Depreciation		299,992		-		-		(299,992)
General and administration								
Support and administrative operations		57,053		5,576		-		(51,477)
Claims		(36,732)		-		-		36,732
Costs associated with								
the Division of Motor Vehicles		38,574		104,923		-		66,349
Costs associated with the		4.450						(4.450)
Office of Administrative Hearings		1,479		-		-		(1,479)
Interest on long-term debt		5,087		-		-		(5,087)
Unallocated depreciation		5,857				-		(5,857)
	\$	1,149,120	\$	110,499	\$ 5	508,313		(530,308)
	Gon	arel rayanuas						
		General revenues Taxes:						
		Gasoline and motor carrier						389,753
		Automobile privilege						203,405
		Investment and interest income						987
		Intergovernmental (unrestricted)						11,285
Miscellaneous revenues						26,346		
	14113	centaneous reven	ues					20,540
	Total general revenues						631,776	
	Change in net position						101,468	
	Net	position, beginni	ing					7,874,705
		position, ending	C				\$	7,976,173
	1,01	r						.,,,,,,,,,,

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

JUNE 30, 2017

(amounts expressed in thousands)

	State Road (General)	
ASSETS		
Assets		
Cash and cash equivalents	\$	128,976
Receivables		105,724
Taxes receivable		73,433
Due from other State of West Virginia agencies		16,444
Inventories		51,145
Investment		23,392
Total assets	\$	399,114
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$	89,842
Retainages payable		1,133
Accrued payroll and related liabilities		16,990
Unearned revenue		14,438
Other post employment benefits		152,729
Due to other State of West Virginia agencies		4,161
Total liabilities		279,293
Fund balances		
Non-spendable		~
Inventories		51,145
Restricted		- 404
Construction and maintenance of industrial access roads		7,104
Construction and maintenance of coal resource roads		1,141
Waste tire clean up and disposal		4,492
Unassigned		55,939
Total fund balances		119,821
Total liabilities and fund balances	\$	399,114

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 FUND TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

(amounts expressed in thousands)

Total fund balance - governmental fund			\$ 119,821
Amounts reported for governmental activities in the statement of net pos because:	ition	are different	
Capital assets used in governmental activities are not financial resources and reported in the funds. These assets consist of:	d there	efore are not	
Capital assets not being depreciated			
Land - non-infrastructure	\$	24,398	
Land - infrastructure		1,187,099	
Construction in progress		717,875	
Capital assets net of accumulated depreciation			
Land improvements		11,006	
Buildings		111,403	
Furniture and fixtures		362	
Rolling stock		54,927	
Scientific equipment		66	
Shop equipment		108	
Roads		3,630,308	
Bridges		2,473,187	8,210,739
Deferrals of resources related to pensions that represent a consumption of net applies to a future period, and therefore, is reported as a deferred outflow of restatement of net position: Some liabilities are not due and payable in the current period and therefore at the funds. Those liabilities consist of:	esourc	es in the	83,857
Net pension liability		(139,665)	
Accrued interest payable		(1,490)	
Claims and judgments		(29,480)	
Compensated absences		(16,504)	
General obligation bonds and revenue notes		(230,858)	(417,997)
Deferrals of resources related to pensions and gain on refunding that represent net position that applies to a future period, and therefore, are reported as defer resources in the statement of net position:			
			 (20,247)
Net position of governmental activities			\$ 7,976,173

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND YEAR ENDED JUNE 30, 2017

(amounts expressed in thousands)

	State Road (General)	
Revenues		
Taxes		
Gasoline and motor carrier	\$	389,753
Automobile privilege		203,405
Industrial access roads		3,000
License, fees and permits		
Motor vehicle registrations and licenses		104,923
Special fees and permits		5,576
Federal aid		
Interstate highways		54,484
Appalachian highways		88,782
Other federal aid programs		362,047
Investment and interest income, net of		
arbitrage rebate		987
Intergovernmental (unrestricted)		11,285
Miscellaneous revenues		26,346
Total revenues		1,250,588
Expenditures		
Current		
Road maintenance		
Expressway, trunkline and feeder, state and local services		342,494
Contract paving and secondary roads		41,317
Small bridge repair and replacement		17,766
Litter control program		4,140
Support and administrative operations		59,019
Division of Motor Vehicles operations		38,574
Office of Administration Hearings operations		1,479
Claims		971
Capital outlay and other road operations		
Road construction and other road operations		
Interstate highways		71,261
Appalachian highways		127,751
Other federal aid programs		495,221
Nonfederal aid construction and road operations		18,581
Industrial access roads		1,573
Debt service		
Bond issuance costs		1
Principal		15,225
Interest		8,479
Total expenditures		1,243,852
Excess of revenues over expenditures		6,736
Other financing sources (uses)		
Sale of Bonds		57,803
Proceeds of sale of assets		1,222
Total other sources (uses)		59,025
Net change in fund balances		65,761
Fund balances, beginning of year		54,060
Fund balances, end of year	\$	119,821

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

(amounts expressed in thousands)

Net change in fund balance - governmental fund	\$ 65,761
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 \$361,285 exceeded the depreciation of (\$320,084) in the current period.	41,201
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 undepreciated cost of the assets sold.	(5,987)
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	(43,153)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount of the decrease in claims of \$37,703 and decrease in compensated absences of \$511.	38,214
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 of \$3,253, an increase of interest payable of (\$826), pension expense of \$1,470, and amortized gain on bond refunding \$1,535.	5,432
Change in net position of governmental activities	\$ 101,468

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

YEAR ENDED JUNE 30, 2017 (amounts expressed in thousands)

			3	(animanom ii					Varia	Variance with	
	0	Original	В	Budget	Final	lal	Act	Actual	Final	Final Budget -	
Вахтаннае	7	Budget	Ame	Amendments	Buc	Budget	Amc	Amounts	Positive	Positive (Negative)	
Taxes											
Gasoline and motor carrier	\$	388,200	s		æ	388,200	\$	383,180	\$	(5,020)	
Automobile privilege		189,575		•	Ī	189,575	2	204,111		14,536	
Motor vehicle registrations and licenses		92,068		ı		92,068	1	104,354		12,286	
Revenue Transfer to Industrial Access Roads		(3,000)		1		(3,000)		ı		3,000	
Federal aid		449,750		59,850	Š	209,600	4	442,121		(67,479)	
Miscellaneous revenues		36,310		•		36,310		24,339		(11,971)	
		1,152,903		59,850	1,2	1,212,753	1,1	1,158,105		(54,648)	
Expenditures											
Road construction and other road operations											
Interstate highways		100,000		25,000	-	125,000	1	103,371		21,629	
Appalachian highways		120,000		1	1	120,000	1	114,206		5,794	
Other federal aid programs		432,000		ı	4	432,000	4	430,041		1,959	
Nonfederal aid construction		15,000		2,500		17,500		16,755		745	
Road maintenance											
Maintenance		369,354		(5,000)	Š	364,354	3	351,836		12,518	
Contract paving and secondary roads		54,000		ı		54,000		35,661		18,339	
Small bridge repair and replacement		15,000		5,000		20,000		16,013		3,987	
Litter control program		1,727		i		1,727		1,842		(115)	
Support and administrative operations											
General operations		55,995		(10,000)	,	45,995		34,376		11,619	
Equipment revolving		15,000		1		15,000		(2,382)		17,382	
Inventory revolving		4,000		1		4,000		1,891		2,109	
Debt service		24,000		1		24,000		23,629		371	
Courtesy Patrol		3,000		2,000		5,000		3,479		1,521	
Division of Motor Vehicles operations		43,379		1	•	43,379		39,624		3,755	
Office of Administrative Hearings operations		1,952		1		1,952		1,490		462	
Claims - DOH and DMV		983		1		983		971		12	
		1,255,390		19,500	1,2	1,274,890	1,1	1,172,803		102,087	
Excess (deficiency) of revenues											
over expenditures		(102,487)		40,350	<u> </u>	(62,137)	<u> </u>	(14,698)		47,439	
Fund balance, beginning of year		79,360		ı		79,360		79,360		1	
Fund balance, end of year	8	(23,127)	\$	40,350	\$	17,223	€	64,662	\$	47,439	

The Accompanying Notes Are An Integral Part Of These Financial Statements

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the financial reporting entity of the West Virginia Department of Transportation and the State of West Virginia, that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2017 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has considered all potential component units to be included in the Division's reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. These criteria include 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.

Net position is restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. The government-wide statement of net position reports \$12,737 restricted assets, of which all is restricted by enabling legislation.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds. 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, 2017, 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 expense is recorded when contributions are due in the governmental fund financial statements and is recorded when incurred
 in the government-wide financial statements.

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

A fund is a separate accounting entity with a self-balancing set of accounts. The following summarizes the major governmental fund that is presented in the accompanying financial statements:

• State Road (General) Fund - This fund serves as the Division's general fund and is used to account for all financial resources, except those required to be accounted for in another fund. The State Road Fund is funded primarily by dedicated highway user taxes and fees and matching federal highway funds.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 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 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, 2017, on the budgetary basis to the GAAP basis for the State Road fund follows:

Deficiency of revenues over expenditures - budgetary basis Basis of accounting differences (budgetary to GAAP)	\$ (14,698) 20.679
Unbudgeted funds	755
Excess of revenues over expenditures - GAAP basis	\$ 6,736

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

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

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 "Nonspendable" in the Government Fund Financial Statements.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily motor fuel excise taxes and automobile privilege taxes, which are collected within forty-five days after year end. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS - Investments include amounts representing The County Commission of Monongalia Series 2014 B Excise Tax Revenue Bonds maturing June 2043 and bearing interest at 3.25% per annum and The County Commission of Monongalia Series 2014 A Property Tax Increment Revenue Bonds maturing June 2042 and bearing interest at 3.25% per annum issued as draw-down bonds with the principal amount of each respective obligation being represented by the portion of the principal amount of each respective series of Bonds which has been requisitioned by the Division and approved by the Issuer with the Trustee updating the register of advances maintained for each series of Bonds to reflect the principal amount of each Bond which has been purchased by the Division in conjunction with the development of an interstate interchange project. The total available principal amount of the Series 2014 B Excise Tax Revenue Bonds is \$21,830,000. The total available principal amount of the Series 2014 A Property Tax Increment Revenue Bonds is \$9,605,000.

The risks associated with these investments are affected by many factors, such as economic outlook, ability to collect projected tax revenue, and the ability to maintain property tax base. These investments are not readily marketable; therefore, no quoted prices are available. Because of uncertainties in the estimation process, estimated values may change in the near term, and those changes may be material.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The investment is exposed to interest rate risk, credit risk and concentration of credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Division will not be able to recover the value of the investment or collateral in the possession of an outside party. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The investment is not exposed to custodial credit risk and foreign currency risk.

Interest on the investment is recognized over the term of the bonds and is payable each June and December calculated using the stated interest rates on principal amounts received.

The Division measures it's investments at fair value for financial reporting purposes. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. The Division categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America in accordance with GASB Statement No. 72.

The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs – Other than quoted prices included within Level 1, these are inputs that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs – Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The table below summaries the recurring fair value measurements of the investments in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2017.

Investment Type Lev	el 1 Level 2		Level 3	<u>Total</u>
Local government bonds \$	- \$	- \$	22 202	\$ 23,302

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 employees hired prior to July 1, 2001, any unused sick leave accumulated at employee retirement vests to the employee and may be provided in the form of post-retirement payment of all or a portion of the employee's health insurance premiums, or as service credits for retirement purposes, based on hire dates, periods of service and benefit amendments. To the extent that eligible conversion and retirement benefits are determined, a liability in the governmental fund financial statements has been accrued as a result of the Division's participation on the State's post-employment benefits plan. See Note 12.

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.

(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 \$83,857 as deferred outflows of resources related to pensions on the statement of net position.

The statement of net position reports 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 \$20,247 as deferred inflows of resources related to pensions and gain on the refunding of debt on the statement of net position.

INTERGOVERNMENTAL REVENUE - Intergovernmental revenue represents legally authorized appropriations under West Virginia State Code by the West Virginia Legislature.

NET POSITION - As required by GASB Standards, the Division displays net position in the government-wide financial statements in three components: invested in capital assets, net of related debt; 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.

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

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or 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.

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, 2017.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nonspendable and are neither restricted nor committed. The Division has no assigned fund balances at June 30, 2017.

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 first applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board

The Division implemented Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets that accumulate for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The adoption of GASB Statement No. 73 had no impact on the June 30, 2017 financial statements.

The Division implemented Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption of GASB Statement No. 74 had no impact on the June 30, 2017 financial statements.

The Division implemented Statement No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The adoption of GASB Statement No. 77 had no impact on the June 30, 2017 financial statements.

The Division implemented Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The adoption of GASB Statement No. 80 had no impact on the June 30, 2017 financial statements.

The Division implemented Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of GASB Statement No. 81 had no impact on the June 30, 2017 financial statements.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division implemented Statement No. 82, Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of GASB Statement No. 82 had no impact on the June 30, 2017 financial statements.

The Division implemented Statement No. 86, *Certain Debt Extinguishment Issues*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The adoption of GASB Statement No. 86 had no impact on the June 30, 2017 financial statements.

Recent Statements Issued by the Governmental Accounting Standards Board

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Division has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The Division has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Division has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The Division has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring 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

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	\$ 40,316
Cash on deposit with State Treasurer in Debt Service Fund	33
Cash on deposit with State Treasurer invested in BTI	
WVMoney Market Pool	34,382
Cash on deposit with State Treasurer invested in BTI	
WV Money Market Pool (GARVEE 2016A)	54,144
Cash on deposit with BNY Mellon Bank	7
Cash in transit	94
	_
Total cash and cash equivalents	\$ 128,976

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 pro-rated 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. The WV Money Market Pool is subject to credit risk.

(amounts expressed in thousands)

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. 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, 2017, the WV Money Market Pool investment had a total carrying value of \$1,782,953 of which the Division's ownership represents 1.93%.

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.

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:

	Carrying Value	WAM
Security Type	(In Thousands)	(Days)
Repurchase agreements	\$ 110,800	3
U.S. Treasury notes	97,823	44
U.S. Treasury bills	69,837	88
Commercial paper	1,064,527	36
Certificates of deposit	330,476	41
Corporate bonds and notes	9,485	79
Money market funds	100,005	3
	\$ 1,782,953	36

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 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 carrying 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.

YEAR ENDED JUNE 30, 2017

(amounts expressed in thousands)

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 consisted of the following:

Federal aid billed and not paid	\$ 27,463
Federal aid earned but not billed	73,100
Total federal aid receivable	100,563
Other receivables	6,096
Combined total receivables	106,659
Less: allowance for uncollectibles	(935)
Net accounts receivable	\$ 105,724

Accounts receivable representing federal aid earned but not billed relate principally to the Federal Highway Administration's (FHWA) participating share of expenditures on highway projects and Federal Emergency Management Agency (FEMA) participating expenditures in response to certain disaster related projects.

NOTE 4: TAXES RECEIVABLE

Taxes receivable at June 30, 2017 consisted of the following:

Automobile privilege taxes	\$ 15,466
Motor fuel excise taxes	54,422
Registration fees	 3,545
Total taxes receivable	\$ 73,433

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

Total amounts due to other State of West Virginia agencies

Amounts due from other State of West Virginia agencies at June 30, 2017 consisted of the following:

The Department of Motor Vehicles	\$	1,896
State Tax Department		11,285
Other agencies		3,263
Total amounts due from other State of West Virginia agencies	\$	16,444
Amounts due to other State of West Virginia agencies at June 30, 2017 consisted of the fo	ollowing:	
Public Employee's Insurance Agency	\$	2,266
Public Employee's Retirement		1,660
Other agencies		235

4,161

(amounts expressed in thousands)

NOTE 6: INVENTORIES

Inventories at June 30, 2017 consisted of the following:

Material and supplies	\$ 36,290
Equipment repair parts	12,227
Gas and lubrication supplies	 2,628
Total inventories	\$ 51,145

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance			Balance
	June 30, 2016	Increases	Decreases	June 30, 2017
Capital assets not being depreciated:				
Land - non infrastructure	\$ 24,398	\$ -	\$ -	\$ 24,398
Land - infrastructure	1,124,458	62,641	-	1,187,099
Construction-in-progress - buildings	3,433	4,355	381	7,407
Construction-in-progress - land improvements	260	801	569	492
Construction-in-progress - roads	691,591	197,815	289,887	599,519
Construction-in-progress - bridges	73,286	79,713	42,542	110,457
Total capital assets not being depreciated	1,917,426	345,325	333,379	1,929,372
Capital assets being depreciated:				
Buildings	177,342	381	135	177,588
Furniture and fixtures	4,137	48	90	4,095
Land improvements - non infrastructure	18,555	569	_	19,124
Rolling stock	273,632	15,903	14,179	275,356
Shop equipment	3,034	9	136	2,907
Scientific equipment	2,800	-	26	2,774
Infrastructure - roads	9,019,784	289,887	-	9,309,671
Infrastructure - bridges	3,280,359	42,542		3,322,901
Total capital assets being depreciated	12,779,643	349,339	14,566	13,114,416
Less accumulated depreciation:				
Buildings	61,475	4,820	110	66,185
Furniture and fixtures	3,631	192	90	3,733
Land improvements - non infrastructure	7,273	845	_	8,118
Rolling stock	214,485	14,162	8,218	220,429
Shop equipment	2,891	44	136	2,799
Scientific equipment	2,704	29	25	2,708
Infrastructure - roads	5,445,035	234,328	-	5,679,363
Infrastructure - bridges	784,050	65,664		849,714
Total accumulated depreciation	6,521,544	320,084	8,579	6,833,049
Total capital assets being depreciated, net	6,258,099	29,255	5,987	6,281,367
Governmental activities capital assets, net	\$ 8,175,525	\$ 374,580	\$ 339,366	\$ 8,210,739

(amounts expressed in thousands)

NOTE 7: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$314,227 was allocated as separate line items in the statement of activities under the major functions of the Division of Maintenance and Improvements. The remaining \$5,857 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:

Asset Type	Dep	oreciation
Road Maintenance		
Rolling stock	\$	14,162
Shop equipment		44
Scientific equipment		29
Total road maintenance		14,235
Other Road Operations		
Infrastructure - roads		234,328
Infrastructure - bridges		65,664
Total other road operations		299,992
Total allocated depreciation expense		314,227
Unallocated		
Buildings and improvements		4,820
Furniture and fixtures		192
Land improvements		845
Total unallocated		5,857
Total depreciation expense	\$	320,084

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (amounts expressed in thousands)

NOTE 8-LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2017, and changes for the fiscal year then ended are as follows:

Ending Balance	\$ 35,135 116,025 151,160 21,912	173,072	53,380	4,406	57,786 29,480 16,504 139,665 \$ 416,507
Reductions	\$ 15,225 15,225 2,825	18,050	1	427	427 39,203 751 40,045 \$ 98,476
Additions	€	1	53,380	4,833	58,213 1,500 240 98,513 \$ 158,466
Beginning Balance	\$ 35,135 131,250 166,385 24,737	191,122	1	1 1	67,183 17,015 81,197 \$ 356,517
Maturity Through	6/1/2023		9/1/2022		
Interest Rates	4.00% 5.00%		5.00%		
Issue	2010 2015		2016		
General obligation bonds payable	from tax revenue: Safe road bonds Safe road bonds Total general obligation bonds Bond premium	Total general obligation bonds payable net of premium	Revenue notes payable from federal aid revenue: Surface transportation improvements special notes (Garvee 2016A)	Total revenue notes payable Note premium	Total general obligation notes payable net of premium Claims and judgments Compensated absences Net pension liability Total long-term obligations

(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 \$8,480 for the year ended June 30, 2017. 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:

General obligation bonds payable fron tax revenue:	n	2019	2020	2021	2022	2023- 2025	Total
Safe road bonds Less: interest	\$ 23,192 7,207	\$ 23,192 6,407	\$ 23,193 5,633	\$ 23,192 4,822	\$ 23,194 3,974	\$ 69,587 6,347	\$ 185,550 34,390
Total principal	15,985	16,785	17,560	18,370	19,220	63,240	151,160
Bond premium	2,825	2,825	2,825	2,825	2,825	7,787	21,912
Total principal and bond premium	\$ 18,810	\$ 19,610	\$ 20,385	\$ 21,195	\$ 22,045	\$ 71,027	\$ 173,072
Revenue notes payable from federa aid revenue	1						
Surface	:-1						
transportation spec obligation notes Less: interest	\$ 10,971 2,456	\$ 10,160 2,040	\$ 10,149 1,624	\$ 10,137 1,187	\$ 10,129 729	\$ 10,117 247	\$ 61,663 8,283
Total principal	8,515	8,120	8,525	8,950	9,400	9,870	53,380
Note premiun	853	853	853	853	853	141	4,406
Total principal and note premium	\$ 9,368	\$ 8,973	\$ 9,378	\$ 9,803	\$ 10,253	\$ 10,011	\$ 57,786

(amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

During the year ended June 30, 2017, 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 \$53,380 were issued during December 2016.

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. These bonds will be repaid from revenues of the State Road Fund.

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 refunds Series 1998 and Series 2001 General Obligation State Road Bonds (Safe Road Bonds) with cumulative outstanding principal of \$37,730, and will result in a net present value savings of \$4,265 over the life of the bond issue. The bonds that were refunded were called on June 1, 2011 and are no longer outstanding.

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 refunds Series 2005A General Obligation State Road Bonds with cumulative outstanding principal of \$159,300, and will result in net present value savings of \$25,918 over the life of the bonds. The bonds that were refunded were called on June 1, 2015 and are no longer outstanding.

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

	pensated osences	ims and	Net Pension Liability	Ol Bo Reve	Deneral oligation onds and onue Notes	 Total
Current liabilities	\$ 12,740	\$ 1,500	\$ -	\$	28,178	\$ 42,418
Long-term liabilities	 3,764	 27,980	 139,665		202,680	 374,089
Totals	\$ 16,504	\$ 29,480	\$ 139,665	\$	230,858	\$ 416,507

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

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Estimated claims liability, July 1	\$ 67,183	\$ 78,106	\$ 21,812
Additions for claims incurred during the year	1,500	983	606
Changes in estimates for claims of prior periods	(23,173)	(11,300)	56,300
Payments on claims	(16,030)	(606)	(612)
Estimated claims liability, June 30	\$ 29,480	\$ 67,183	\$ 78,106

(amounts expressed in thousands)

NOTE 8: LONG-TERM OBLIGATIONS (Continued)

At June 30, 2017, approximately \$27,980 of tort claims and \$1,500 in environmental claims were pending against the Division in the West Virginia State Court of Claims. With respect to these claims, the Division has an estimated obligation of \$29,480 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 \$1,500. 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.

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, 2018 for rental payments of approximately \$2.0 million annually. Management expects the leases to be renewed upon expiration.
- The Division's employees participate in various benefit plans offered by the State of West Virginia. Employer contributions to these plans are mandatory. During the year ended June 30, 2017 the Division incurred payroll related expenditures of approximately \$29,817 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$24,853 in employer matching contributions to the State Public Employees Retirement System.

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 \$849,296 at June 30, 2017.

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

(amounts expressed in thousands)

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

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, 2017, there were approximately 322 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion that any liability resulting from these claims would have no adverse effect on the financial position of the Division.

NOTE 11: RETIREMENT PLAN

Plan Description

The Division contributes to the 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 for PERS that 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.

(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

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 12.0%, 13.5%, and 14.0% for the years ended June 30, 2017, 2016, and 2015, respectively. Effective July 1, 2017, a decrease in the contribution rate of 1.0%, will decrease the Division's contribution rate to 11.0%. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively.

During the years ended June 30, 2017, 2016, and 2015, the Division's contributions to PERS required and made were approximately \$24,853, \$28,273, and \$27,693 respectively.

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

At June 30, 2017, the Division reported a liability of \$139,665 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, rolled forward to the measurement date of June 30, 2016. The Division's proportion of the net pension liability was based on the Division's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2016. At June 30, 2016, the Division's proportion was 15.20%, which was an increase of 0.66% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Division recognized pension expense of \$23,362. At June 30, 2017, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		 d Outflows of sources	 red Inflows of
Net difference between projected and actual earnings on pension plan investments		\$ 43,888	\$ -
Deferred difference in assumptions		-	6,805
Changes in proportion and differences between Division contributions and proportionate share of contributions		3,469	1,161
Division contributions made subsequent to the measurement date of June $30,2016$		24,853	-
Differences between expected and actual experience	TD . 1	 11,647	 -
	Total	\$ 83,857	\$ 7,966

(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

Deferred outflows of resources related to pensions of \$24,853 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2018	\$ 8,054
2019	8,900
2020	20,656
2021	13,428

Actuarial Assumptions and Methods

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation 3.0%

Salary increases 3.0 - 6.0%, average, including inflation Investment rate of return 7.5%, net of pension plan investment expense

Mortality rates were based on 110% of RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant, Scale AA for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

Long-term Expected Rates of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges 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 arithmetic real rates of return for each major asset class are summarized in the following table:

rm Expected
te of Return
2.7%
5.5%
7.0%
7.7%
5.6%
9.4%
1.7%

(amounts expressed in thousands)

NOTE 11: RETIREMENT PLAN (Continued)

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 continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. 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 presents the Division's proportionate share of the net pension liability calculated using the 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:

	19	6.5%)	 ent Discount ate (7.5%)	1%	Increase (8.5%)
The Division's proportionate share of the net pension liability (asset)	\$	252,816	\$ 139,665	<u>\$</u>	43,570

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 Division participates in the West Virginia Other Postemployment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF), a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304 or by calling 1-888-680-7342.

The Code requires the RHBTF to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

(amounts expressed in thousands)

NOTE 12: OTHER-POST EMPLOYMENT BENEFITS (Continued)

The OPEB Plan costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. The Division's ARC was \$13,671, \$18,734, and \$17,698 and the Division has paid premiums of \$9,519, \$11,364, and \$10,948 which represent 69.6%, 60.7%, and 61.8% of the ARC, respectively, for the years ending June 30, 2017, 2016, and 2015. At June 30, 2017, the liability related to OPEB costs was \$152,729.

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.

American Zurich Insurance Company provides workers compensation coverage to all West Virginia state agencies. Payments for coverage are made directly to the West Virginia State Insurance Commission who in turn purchases the workers' compensation coverage on behalf of all West Virginia state agencies. Nearly every employer in the state who has a payroll must have coverage.

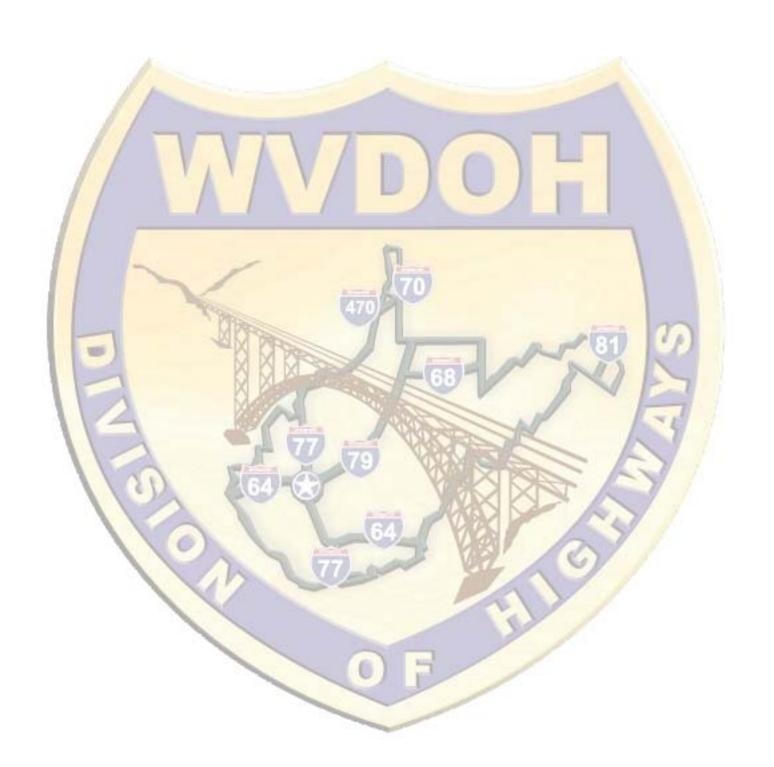
In exchange for premiums, the Division transfers its risk of loss related to employee injuries to American Zurich Insurance Company.

NOTE 14: SUBSEQUENT EVENTS

The Division of Highways issued \$219,985 of Surface Transportation Improvement Special Obligation Notes on October 26, 2017. The debt service payments will be funded through federal aid revenue. The funds generated from this sale will be used to fund bridge replacement and interstate rehabilitation projects.

The Division of Highways redeemed The County Commission of Monongalia County, Special District Excise Tax Revenue Bonds Series B on October 12, 2017. The Division agreed to accept \$23,392 as payment in full.

The State of West Virginia held a special election on October 7, 2017. West Virginia voters approved the sale of \$1.6 billion in general obligation bonds for transportation infrastructure construction. The State Legislature raised the wholesale gas tax, vehicle privilege tax and motor vehicle registration fees to fund the re-payment of the general obligation bonds. The bonds will be sold in phases over four years starting in 2018.





WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY June 30, 2017

Public Employees Retirement System Last 10 Fiscal Years* (In Thousands)

	2017	$\overline{2016}$	2015	2014	2013	2012	2011	$\underline{2010}$	2009	2008
Government's proportion of the net pension liability (asset) (percentage)	15.20%	14.54%	14.48%							
Government's proportionate share of the net pension liability (asset)	\$ 139,665	\$ 81,197	\$ 53,405							
Government's covered-employee payroll	\$ 209,422	\$ 198,305	\$ 193,990							
Government's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	%69.99	40.94%	27.53%							
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.29%	93.98%							

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. * - The amounts presented for each fiscal year were determined as of June 30th of the previous year. (Measure date)

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS SCHEDULE OF CONTRIBUTIONS June 39, 2017

Public Employees Retirement System Last 10 Fiscal Years (In Thousands) 2008

2009

	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 24,853 \$	\$ 28,272	, 28,272 \$ 27,693	\$ 28,128	\$ 27,797			
Contributions in relation to the contractually required contribution	(24,853)	(28,272)	(27,693)	(28,128)	(27,797)			
Contribution deficiency (excess)	· •	- - -	· •	- 				
Government's covered-employee payroll	\$ 207,108	207,108 \$ 209,422	\$ 198,305	\$ 193,990	\$ 198,552			
Contributions as a percentage of covered-employee payroll	12.00%	6 13.50%	14.00%	14.50%	14.00%			

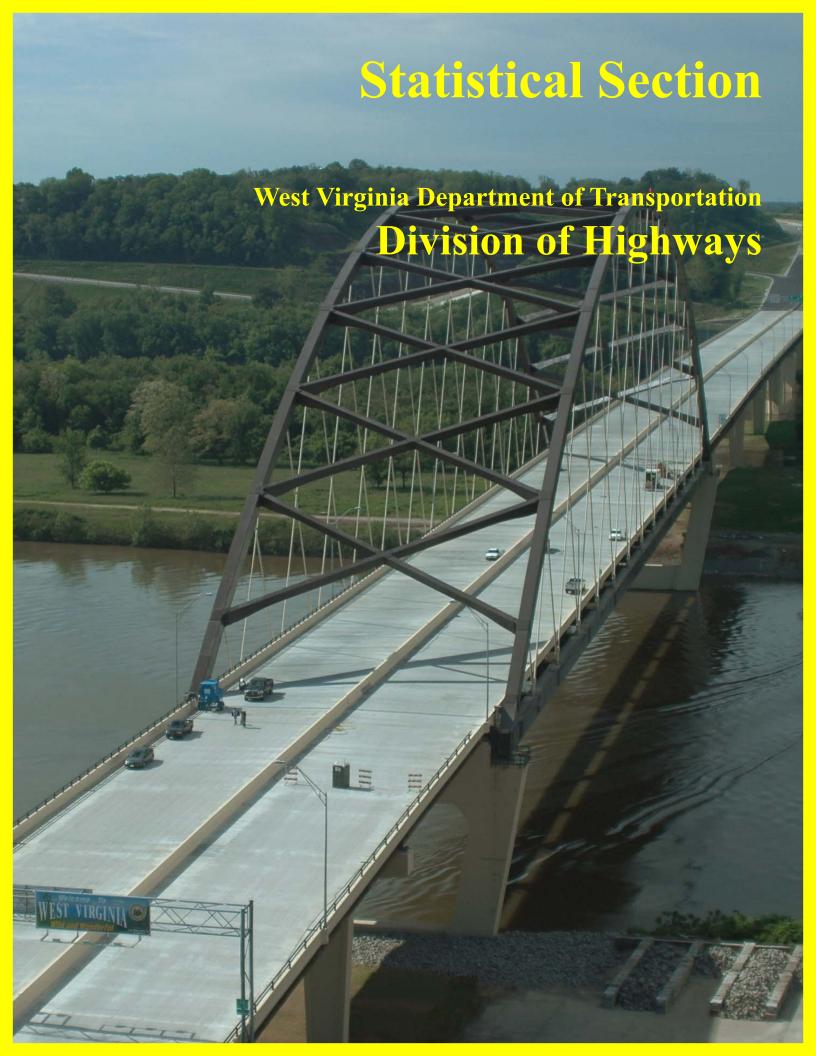
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

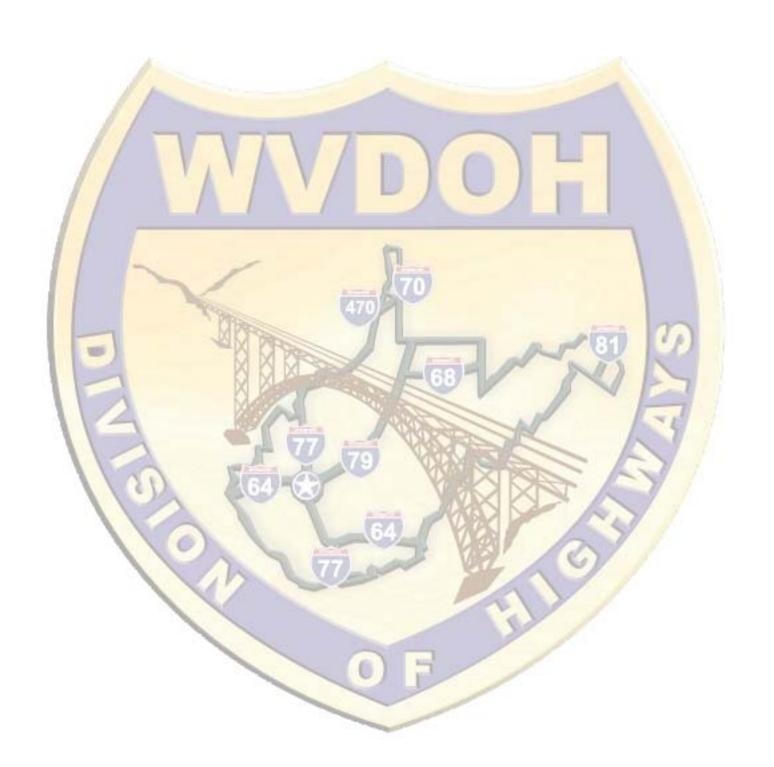
WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Amounts reported during the year ended June 30, 2017 reflect an assumed inflation rate of 3.0% rather than an assumed inflation rate of 1.9% that was used in the prior year.

There were no other factors that affected trends in the amounts reported. If necessary, additional information can be obtained from the CPRB Comprehensive Annual Financial Report for the year ended June 30, 2016.





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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.

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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.

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

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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

Net Position by Component Last Ten Fiscal Years

(amounts expressed in thousands)

	 Fiscal Year						
Governmental Activities	 <u>2017</u>	<u>2016</u>	<u>2015</u>	2014			
Net investment in capital assets	\$ 7,967,600 \$	7,969,214 \$	7,911,050 \$	7,868,183			
Restricted	12,737	12,031	12,968	14,224			
Unrestricted	(4,164)	(106,540)	(90,098)	59,515			
Total governmental activities net position	\$ 7,976,173 \$	7,874,705 \$	7,833,920 \$	7,941,922			

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

Fiscal Year

<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		2008
\$ 7,871,718	\$	7,712,955	\$	7,654,175	\$	7,358,147	\$	7,144,763	\$	6,886,996
11,077		17,350		14,584		17,035		18,119		17,892
3,189		(25,347)		84,841		152,578		189,225		287,611
\$ 7,885,984	\$	7,704,958	\$	7,753,600	\$	7,527,760	\$	7,352,107	\$	7,192,499

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION DIVISION OF HIGHWAYS

Changes in Net Position Last Ten Fiscal Years

(amounts expressed in thousands)

	Fiscal Year							
		<u>2017</u>		<u>2016</u>		<u>2015</u>		2014
Revenues								
Governmental activities:								
General Revenues								
Motor fuel excise tax	\$	389,753	\$	404,321	\$	432,642	\$	433,252
Automobile privilege tax		203,405		201,082		204,994		195,737
Investment and interest income		987		420		156		98
Payments from primary government		11,285		12,492		9,480		11,951
Miscellaneous revenues		26,346		38,253		35,738		31,629
(Loss) gain on sale of assets		-		1,608		1,302		(78)
Total General Revenues		631,776		658,176		684,312		672,589
Program Revenues								
Capital grants and contributions:								
Federal aid		505,313		460,870		350,133		451,710
Industrial access roads		3,000		3,000		3,000		3,000
Charges for services:		2,000		2,000		2,000		2,000
Motor vehicle registration fees		104,923		89,560		96,294		96,983
Special fees and permits		5,576		5,530		6,681		6,333
Total Program Revenues		618,812		558,960		456,108		558,026
Total governmental revenues		1,250,588		1,217,136		1,140,420		1,230,615
Total governmental revenues		1,230,300		1,217,130		1,140,420		1,230,013
Expenses								
Governmental activities:								
Road maintenance								
Expressway, trunkline & feeder & SLS		329,786		332,765		330,656		333,336
Contract paving & secondary roads		41,259		60,643		64,339		54,642
Small bridge repair & replacement		15,960		17,516		16,385		13,885
Litter control program		4,138		5,674		555		555
Depreciation		14,235		16,945		19,111		20,852
Other road operations		,		- ,-		- ,		- ,
Interstate highways		52,200		77,180		61,373		91,832
Appalachian highways		18,796		22,785		12,607		24,586
Other federal aid programs		292,281		248,861		167,057		193,458
Non federal aid improvements		7,582		9,253		5,857		15,119
Industrial Access Roads		1,573		730		2,719		2,055
Depreciation		299,992		299,760		306,030		304,103
General and administration		277,772		277,700		300,030		304,103
Support and administrative operations		57,053		48,170		45,485		49,484
Claims		(36,732)		(10,212)		56,901		4,307
Costs associated with DMV		38,574		36,148		35,943		36,066
Costs associated with OAH		1,479		1,533		1,538		1,607
		5,087		3,473		9,446		1,007
Interest on long-term debt				5,127				
Unallocated depreciation		5,857		3,127		5,199		5,405
Transfer out		1 140 120		1 176 251		1 141 201		11,605
Total governmental expenses		1,149,120		1,176,351		1,141,201		1,174,677
Change in net position		101,468		40,785		(781)		55,938
Effect of adoption of accounting principle		-		-		(107,221)		-
Net position, beginning		7,874,705		7,833,920		7,941,922		7,885,984
Net position, beginning Net position, ending	\$	7,976,173	\$	7,833,720	\$		\$	7,941,922
_K	4	. ,. , 0,110	т	.,,,,,,,	~	.,,,,,,	т.	.,1,722

					Fisca	l Ye	ar				
	<u>2013</u>		2012		<u>2011</u>		<u>2010</u>		2009		<u>2008</u>
\$	417,571	\$	408,571	\$	406,347	\$	393,557	\$	391,903	\$	395,641
Ψ	188,197	Ψ	186,300	Ψ	168,602	Ψ	147,466	Ψ	141,930	Ψ	169,095
	87		209		517		(457)		1,919		9,691
	11,340		28,078		14,171		41,318		27,924		18,843
	36,351		34,695		31,945		25,012		28,647		36,479
	985		2,149		1,673		-		-		-
_	654,531		660,002		623,255		606,896		592,323		629,749
	462,329		497,814		534,602		532,020		460,780		398,223
	3,000		3,000		3,000		3,000		3,010		2,806
	,		,		•		,		*		,
	90,062		89,741		91,475		87,600		87,255		86,166
	7,676		8,380		7,083		5,793		5,958		5,954
	563,067		598,935		636,160		628,413		557,003		493,149
	1,217,598		1,258,937		1,259,415		1,235,309		1,149,326		1,122,898
	337,436		380,283		334,484		319,219		306,686		282,337
	57,386		66,721		65,809		62,542		108,779		92,331
	20,628		22,794		12,199		10,416		29,880		17,402
	1,880		1,682		1,699		1,688		1,692		1,684
	21,037		19,564		19,714		17,951		17,046		16,892
	26,404		105,899		12,497		86,148		39,292		11,735
	714		51,584		4,462		5,482		7,567		3,276
	159,235		212,896		142,964		129,913		87,618		61,495
	14,021		9,561		2,760		5,500		465		2,692
	2,651		1,583		355		3,121		2,776		2,891
	300,195		290,728		285,612		292,602		287,969		269,805
	34,179		81,441		95,358		55,956		47,692		50,720
	2,147		6,540		(2,940)		11,172		(4,196)		7,308
	36,702		33,838		33,222		31,990		30,358		28,884
	1,793		1,578		1,064		-		-		-
	15,728		17,136		20,041		22,514		22,730		23,692
	4,436		3,751		4,275		3,442		3,364		3,262
	-		-		-		-		-		-
	1,036,572		1,307,579		1,033,575		1,059,656		989,718		876,406
	181,026		(48,642)		225,840		175,653		159,608		246,492
	-		-		-		-		-		43,141
	7,704,958		7,753,600		7,527,760		7,352,107		7,192,499		6,902,866
\$	7,885,984	\$	7,704,958	\$	7,753,600	\$	7,527,760	\$	7,352,107	\$	7,192,499

Changes in Fund Balance of Governmental Fund Last Ten Fiscal Years

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

		Fisca	l Year	
	2017	<u>2016</u>	<u>2015</u>	2014
Revenues				
Taxes				
Gasoline and motor carrier	\$ 389,753		\$ 432,642	\$ 433,252
Automobile privilege	203,405	201,082	204,993	195,737
Industrial access roads	3,000	3,000	3,000	3,000
License, fees and permits	101022	00.750	0.5.20.4	0.5.002
Motor vehicle registrations and licenses	104,923		96,294	96,983
Special fees and permits	5,576	5,530	6,681	6,333
Federal aid	54.404	00.100	61.160	02.502
Interstate highways	54,484	98,180	61,162	93,593
Appalachian highways	88,782	,	44,625	56,501
Other federal aid programs	362,047	322,847	244,346	301,616
Investment and interest income, net of	097	420	150	00
arbitrage rebate	987	420	156	98
Intergovernmental	11,285	12,492	9,480	11,951
Miscellaneous revenues	26,346		35,738	31,629
Total Revenues	1,250,588	1,215,528	1,139,117	1,230,693
Expenditures				
Current				
Road maintenance				
Expressway, trunkline and feeder, sls	342,494	347,099	345,897	333,355
Contract paving and secondary roads	41,317		64,425	54,642
Small bridge repair and replacement	17,766		29,154	20,413
Litter control program	4,140		556	555
Support and administrative operations	59,019		73,957	80,273
Division of Motor Vehicles operations	38,574		37,550	36,066
Office of Administrative Hearings operations	1,479		1,673	1,607
Claims	971	710	607	744
Capital outlay and other road operations				
Road construction and other road operations				
Interstate highways	71,261	107,837	85,274	109,529
Appalachian highways	127,751	76,651	62,526	73,637
Other federal aid programs	495,221	476,115	365,263	363,658
Nonfederal aid construction and road op.	18,581	18,965	15,935	17,282
Industrial access roads	1,573	730	2,719	2,055
Debt service				
Bond issuance costs	1	1	613	1
Principal	15,225	29,335	51,740	49,315
Interest	8,479	9,360	12,499	14,961
Total Expenditures	1,243,852	1,267,600	1,150,388	1,158,093
				_
Excess (deficiency) of revenues over expenditures	6,736	(52,072)	(11,271)	72,600
Other financing sources (uses)				
Proceeds from issuance of debt	-	-	-	-
Transfers in	-	-	-	(11.605)
Transfers out	-	-	122.710	(11,605)
Refunding bonds issued	-	-	133,710	-
Premium on refunding bonds	-	-	26,198	-
Payment to refunded bond escrow agent	- 	-	(159,300)	-
Sale of Bonds Proceeds from sale of assets	57,803 1,222	2 204	1 650	1 724
Proceeds from sale of assets	1,222	2,304	1,658	1,734
Total other financing sources (uses)	59,025	2,304	2,266	(9,871)
Prior period adjustment		-	-	-
Net change in fund balance	\$ 65,761	\$ (49,768)	\$ (9,005)	\$ 62,729
Debt Service as a percentage of noncapital	200	407	004	701
expenditures	3%	5 4%	8%	7%

\$	2013 417,571 188,197 3,000		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>		<u>2008</u>
\$	188,197										
φ	188,197	\$	408,571	\$	406,347	\$	393,557	\$	391,903	\$	395,641
	,	Ф	186,300	Ф	168,602	Ф		Ф		Ф	
			*				147,466		141,930		169,095
	3,000		3,000		3,000		3,000		3,010		2,806
	90,062		89,741		91,475		87,600		87,255		86,166
	7,676		8,380		7,083		5,793		5,958		5,954
	90,213		109,422		112,134		112,435		121,087		80,203
	49,451		82,989		63,239		81,840		73,894		80,111
	322,665		305,403		359,229		337,746		265,799		237,909
	0.7		200				(155)		1.010		0.50
	87 11,340		209		517		(457) 41,318		1,919		9,692
	36,351		28,078 34,695		14,171 31,945		25,012		27,924 28,649		36,479
	1,216,613		1,256,788		1,257,742		1,235,310		1,149,328		1,104,056
	337,538		380,301		334,608		318,389		312,984		283,726
	57,386		66,721		65,809		62,542		108,779		92,331
	29,148		39,731		23,595		27,638		47,813		22,480
	1,880		1,682		1,699		1,688		1,692		1,684
	76,203		112,652		129,104		96,251		67,340		61,962
	36,702		33,838		33,222		31,990		30,358		28,884
	1,793		1,578		1,064		- ,		_		
	2,092		2,327		1,563		497		724		629
	,~~		_,		-,				,_,		
	108,503		129,221		128,278		125,499		144,799		95,599
	68,957		108,798		84,470		102,626		104,017		110,006
	396,979		387,429		444,804		426,980		361,965		358,353
	21,500		19,908		27,717		26,714		33,448		14,791
	2,651		1,583		355		3,121		2,776		2,891
	2,031		1,505		333		3,121		2,770		2,071
	4		3		442		4		5		-
	48,600		57,290		52,980		52,435		40,635		38,940
	17,349		20,078		22,829		25,134		24,110		25,803
	1,207,285		1,363,140		1,352,539		1,301,508		1,281,445		1,138,079
	9,328		(106,352)		(94,797)		(66,198)		(132,117)		(34,023
	_		_		_		_		80,964		
	-		-		-		-				12,931
	-		-		-		-		-		-
	-		-		35,135		-		-		
	-		-		2,913		-		-		
	-		-		(37,730)		-		-		-
	1,185		2,446		2,506				-		
	1,185		2,446		2,824		-		80,964		12,931
	-		-		-		(14,100)		-		
\$	10,513	\$	(103,906)	\$	(91,973)	\$	(80,298)	\$	(51,153)	\$	(21,092
	9%		7%		10%		10%		9%		119

Fund Balance, Governmental Fund Last Ten Fiscal Years

(amounts expressed in thousands)

		F	iscal Year	•	
	<u>2017</u>		<u>2016</u>		2015
General Fund					
Nonspendable					
Inventories	\$ 51,145	\$	48,113	\$	46,984
Restricted					
Construction and maintenance of coal resource roads	1,141		3,710		4,584
Construction and maintenance of industrial access roads	7,104		5,676		4,039
Waste tire clean-up	4,492		2,645		4,345
Unassigned	55,939		(6,084)		43,876
Reserved for inventories	-		-		-
Unreserved	-		-		
Total General Fund	\$ 119,821	\$	54,060	\$	103,828
All Other Governmental Funds					
Restricted, capital projects fund	\$ -	\$	-	\$	-
Reserved, capital projects fund	-		-		-
Total all funds	\$ 119,821	\$	54,060	\$	103,828

The fund balance information for years 2008 through 2009 was restated from the previously reported reserved and unreserved to the new classifications required by GASB 54, which was implemented July 1, 2009. The fund balances were restated to the various classifications based upon the information available, which has resulted in some variances in the classifications over the years.

Figoal	177000
riscai	ı year

 2014	2013	2012	2011	2010	2009	2008
\$ 36,087	\$ 42,950	\$ 45,765	\$ 38,779	\$ 37,157	\$ -	\$ -
7,786	2,189	4,739	3,266	_	_	_
3,758	6,283	10,240	8,823	-	-	-
2,680	2,605	2,371	2,495	-	-	-
62,522	(3,923)	(23,524)	90,134	180,285	-	-
-	-	-	-	-	39,881	33,040
 -	-	-	-	-	218,945	320,030
\$ 112,833	\$ 50,104	\$ 39,591	\$ 143,497	\$ 217,442	\$ 258,826	\$ 353,070
\$ -	\$ -	\$ -	\$ -	\$ 18,028	\$ -	\$ -
 -	-	-	-	-	56,942	13,851
\$ 112,833	\$ 50,104	\$ 39,591	\$ 143,497	\$ 235,470	\$ 315,768	\$ 366,921



DIVISION OF HIGHWAYS TAX AND LICENSE FEE REVENUE BY SOURCE(1)

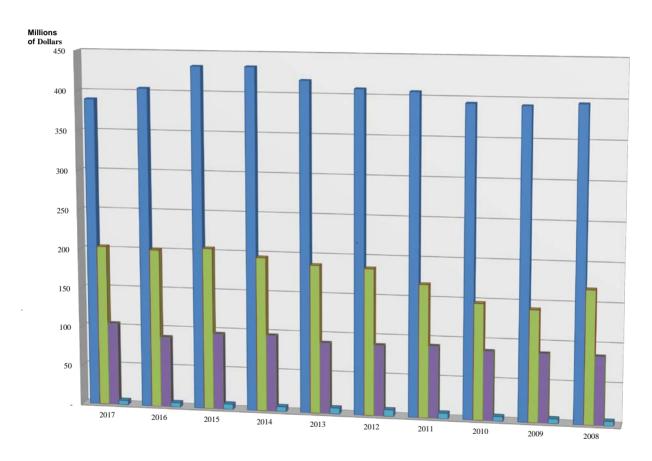
Last Ten Fiscal Years

(Amount expressed in thousands)

Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Gasoline/Motor Carrier	\$389,753	\$404,321	\$432,642	\$433,252	\$417,571	\$408,571	\$406,347	\$393,557	\$391,903	\$395,641
Automobile Privilege	203,405	201,082	204,994	195,737	188,197	186,300	168,602	147,466	141,930	169,095
Registration/ License Fees	104,923	89,560	96,294	96,983	90,062	89,741	91,475	87,600	87,255	86,166
Special Fees & Permits	5,576	5,530	6,681	6,333	7,676	8,380	7,083	5,793	5,958	5,954
Total	\$703,657	\$700,493	\$740,611	\$732,305	\$703,506	\$692,992	\$673,507	\$634,416	\$627,046	\$656,856

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

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



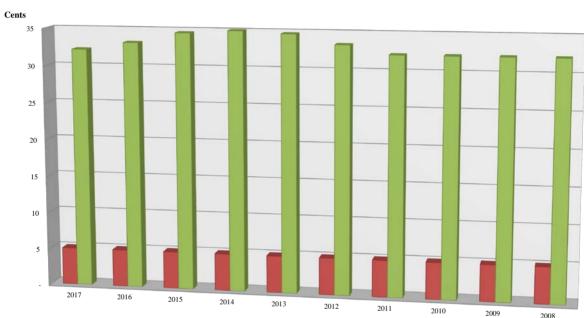


DIVISION OF HIGHWAYS FUEL AND PRIVILEGE TAX RATES

Last Ten Fiscal Years

Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Automobile Privilege(2) (cents per dollar)	5	5	5	5	5	5	5	5	5	5
Motor Fuel Excise Tax(1)	32.2	33.2	34.6	35.7	34.7	33.4	32.2	32.2	32.2	32.2

- (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 11.7 cents per invoiced gallon as of July 1, 2017.
- (2) A tax equal to five percent of the value of said motor vehicle at the time of certification.



Ratios of Outstanding Debt by Type Last Ten Fiscal Years

(amounts expressed in thousands, except per capita amount)

Primary Government - Debt

	General			Total	Percentage	
Fiscal	Obligation	Revenue]	Primary	of Personal	Per
Year	Bonds	Notes	Go	overnment	Income*	Capita*
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
2011	329,130	127,892		457,022	0.77%	246.64
2010	362,066	150,431		512,497	0.89%	281.63
2009	395,289	172,295		567,584	0.99%	312.74
2008	427,263	101,931		529,194	0.98%	292.18

Government Activities Tax and Fee Income

						Motor			
	G	asoline			,	Vehicle	Sı	pecial	
Fiscal	and	d Motor	Au	tomoblie	Re	gistrations	Fe	es and	
Year	(Carrier	P	rivilege	and	d Licenses	Pe	ermits	Total
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
2011		406,347		168,602		91,475		7,083	673,507
2010		393,557		147,466		87,600		5,793	634,416
2009		391,903		141,930		87,255		5,958	627,046
2008		395,641		169,095		86,166		5,954	656,856

General Obligation Bond Debt Ratio

	General	Percentage	Percentage	
Fiscal	Obligation	of Tax and	of Personal	Per
 Year	Bonds	Fee Income	Income*	Capita*
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
2011	329,130	48.87%	0.55%	177.62
2010	362,066	57.07%	0.63%	198.96
2009	395,289	63.04%	0.69%	217.81
2008	427,263	65.05%	0.79%	235.90

^{*} These ratios are calculated using personal income and population for the prior calendar year.

See personal income and population data.

Demographic Statistics of West Virginia Last Ten Calendar Years

		Total			
Calendar	Total	Personal Income	Per Capita	Unemployment	Median
Year	Population	(in thousands)	Personal Income	Rate	Age
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
2010	1,852,994	59,417,000	32,042	9.1%	41.3
2009	1,819,777	57,535,000	31,137	7.9%	40.5
2008	1,814,873	57,576,000	31,286	4.3%	40.6
2007	1,811,198	54,100,000	29,497	4.3%	40.4

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

Principal Employers Current Year and Ten Years Ago

		Largest Emp	ployer Rank	
	2017	2016	2015	2014
WVU Medicine	1	1	2	2
Wal-Mart Associates, Inc.	2	2	1	1
Charleston Area Medical Center, Inc.	3	3	3	3
Kroger	4	4	4	4
Mylan Pharmaceuticals, Inc.	5	5	5	5
Lowe's Home Centers, Inc.	6	6	8	8
St. Mary's Medical Center, Inc.	7	7	7	7
Cabell Huntington Hospital	8	8	9	-
Wheeling Hospital, Inc	9	9	-	-
Res-Care, Inc.	10	10	10	10
Murray American Energy, Inc.	-	-	6	6
American Electric Power	-	-	-	-
Mentor Management, Inc (Mentor Network, The)	-	-	-	9
Consolidation Coal Company	-	-	-	-
Pilgrim's Pride Corporation of West Virginia	-	-	-	-
Verizon	-	-	-	-

Source: Workforce West Virginia Research, Information and Analysis

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

Largest Employer Ran	k	k	k	k																																																																												١	١	١	١	١			l	ŀ		ı				ı	ı	1		ĺ	ı	1	ĺ	ı	1							l				•	r	1				E	(1	Ì	١	١	ì))		(l			,)	1		t	1	ı	١		ſ	ľ	ì
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2013	2012	2011	2010	2009	2008
2	2	2	2	2	2
1	1	1	1	1	1
3	3	3	3	3	3
4	4	4	4	4	4
6	7	6	10	-	-
7	6	7	7	10	8
8	9	8	8	7	9
-	-	-	-	-	-
-	-	-	9	-	-
10	-	-	-	-	-
-	8	10	-	-	-
-	10	9	5	5	6
9	5	5	6	9	10
5	-	-	-	-	-
-	-	-	-	6	7
_	_	_	_	8	5

Employees by Program Last Ten Fiscal Years

		Employees a	as of June 30	
	2017	<u>2016</u>	<u>2015</u>	2014
Program Maintenance	3,382	3,317	3,383	3,404
Construction	966	948	966	973
General and administration	483	474	483	486
Total	4,831	4,739	4,832	4,863

Source: Division of Highways Budget Office.

		Employees a	s of June 30		
<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	2008
3,401	3,466	3,547	3,534	3,539	3,372
973	853	950	927	898	888
486	520	309	298	306	296
4,860	4,839	4,806	4,759	4,743	4,556



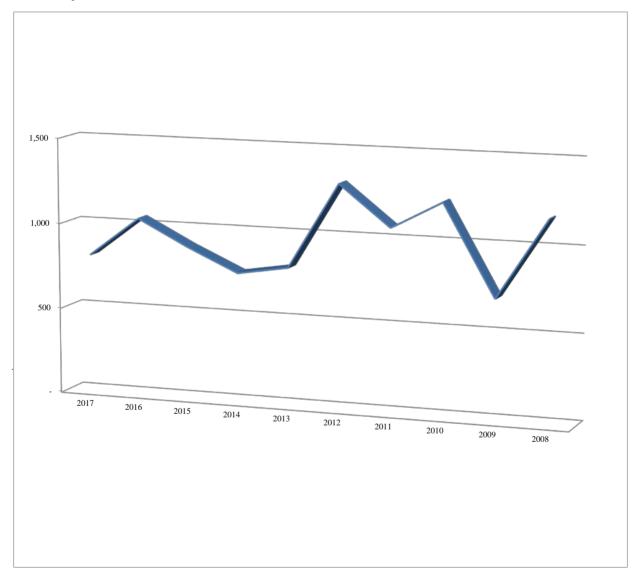
DIVISION OF HIGHWAYS HIGHWAY CONSTRUCTION AND IMPROVEMENT TOTAL PROJECTS AUTHORIZED

Last Ten Fiscal Years

Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	Projects	
Projects	813	1,042	891	757	806	1,305	1,070	1,231	702	1,169	9,786	_

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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Interstate Construction	2	3	7	6	7	5	7	6	5	11
Interstate Renovation	21	22	24	14	24	24	19	20	16	18
Interstate Expansion	0	1	0	0	0	0	1	0	0	0
Non-Interstate Other	56	35	68	64	71	99	75	44	2	3
ARRA	0	0	0	0	0	1	8	70	73	0
Appalachian Development	20	24	15	14	17	14	30	16	19	19
Other Bridge	22	29	41	35	40	43	50	51	27	24
Miscellaneous	238	399	179	194	143	131	201	205	194	125
Total	359	513	334	327	302	317	391	412	336	200

Non-Federal Aid (Number of Projects)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Maintenance	206	261	320	178	220	378	276	415	50	444
Bridge Replacement and Renovation	28	17	31	34	23	31	28	26	37	48
Miscellaneous Bridge Work	34	62	34	29	45	45	70	63	20	90
Industrial Access Roads	4	1	5	4	4	10	4	8	4	4
Roadway Renovation and Improvement	182	188	167	185	212	524	301	307	255	383
Total	454	529	557	430	504	988	679	819	366	969
Grand Total	813	1,042	891	757	806	1,305	1,070	1,231	702	1,169

TOTAL AUTHORIZED PROJECTS = 9,786

Source: Division of Highways Program Planning & Administration Division

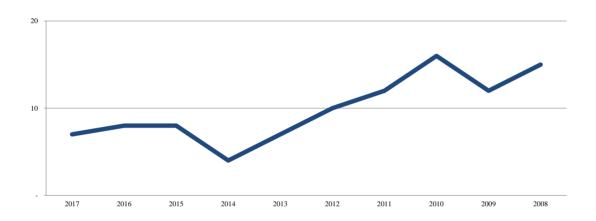


DIVISION OF HIGHWAYS ROADWAY PROJECTS - SYSTEM EXPANSION ONLY Last Ten Fiscal Years

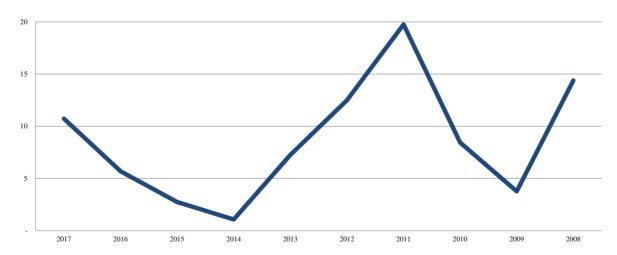
Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Number of Projects	7	8	8	4	7	10	12	16	12	15
rumber of Frojects	,	Ü	O	-	,	10	12	10	12	13
Number of Miles	10.73	5.69	2.75	1.08	7.26	12.49	19.75	8.44	3.77	14.39

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:





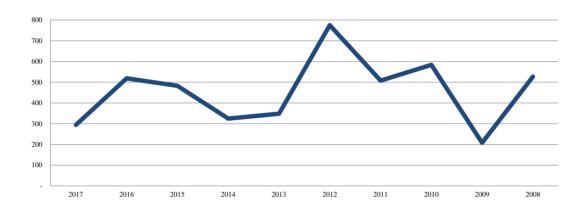
DIVISION OF HIGHWAYS ROADWAY RESURFACING PROJECTS

Last Ten Fiscal Years

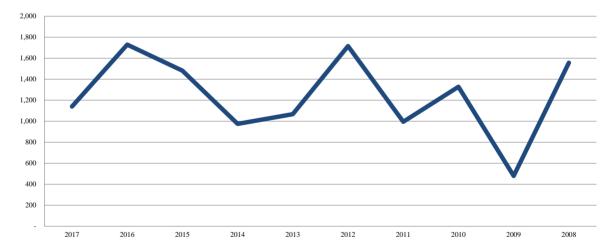
Fiscal Year	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Number of Projects	294	519	483	325	348	775	508	584	208	527
Number of Miles	1.140	1,729	1,481	975	1,067	1,716	995	1,328	479	1,557
rumber of miles	1,140	1,727	1,401	715	1,007	1,710	775	1,520	7//	1,557

Source: Division of Highways Program Planning & Administration Division

Number of Projects:



Number of Miles:



DIVISION OF HIGHWAYS Total Highway Mileage by Category

Total Road System	
Interstate excluding Turnpike	468
U.S. Routes	1,830
W.V. Routes	3,685
County Routes	28,874
Other (Parks, Forests, HARP)	1,076
Total Road System Miles	35,933
This classification system, established solely as an aid to the motoring public, consists of all routes identified by a route number sign.	
Federal Aid Routes	

	Rural	1	Urban	
	Miles		Miles	_
Interstate Highways including 86 Turnpike Miles (Part of National Highway System)	319	*	235	**

Interstate Highways are multi-lane, fully access-controlled routes that serve the national defense and connect the nation's principal metropolitan areas, cities, and/or industrial centers.

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

Other National Highway System	1,019	415
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Other major routes, including most principal arterials that are the most important to interstate travel and national defense, roads that connect with other modes of transportation, and roads essential for international commerce.

Other Federal-Aid Highways	6,871	1,620
All other roads on which Federal Highway funds may be expended including Federal Aid Non-State (FANS) roads.		
Sub-total miles	8,209	2,270
Total Federal Aid Routes Miles	10,479	9

Source: 2016 Public Certified Mileage

